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Foreword

I am glad to introduce to you the *Taxation Handbook: A Guide to Taxation in Uganda*. The handbook has been developed as a guide to our stakeholders in line with the administration of central government taxes in Uganda. The main objective of this handbook is to provide information and serve as reference material for all our stakeholders to include the academic fraternity. It has been put together by a taskforce of the Uganda Revenue Authority in conjunction with the National Curriculum Development Centre.

This handbook comes at a time when taxation as a subject has been introduced not only in tertiary institutions, but also in primary and secondary schools. Since everyone, in one way or another pays taxes, it is crucial that we come up with a handbook that will offer answers to the numerous questions on taxation raised by the general public.

The handbook clearly outlines the structure of Uganda’s tax system, the different taxes that are paid and the taxpayer’s obligations as well as different ways in which the aggrieved taxpayer may seek redress.

The handbook seeks to simplify the laws which govern taxation, for the benefit of our stakeholders and the academic fraternity. I hope that this handbook, which comes as a key complementary document to the taxation-related laws of Uganda, will help to generate a better understanding of taxation.
On behalf of the Uganda Revenue Authority, I would like to express our sincere gratitude to all those individuals, organisations and institutions that have played a key role in producing this handbook. In particular we recognize the development partners who sponsored the curriculum development in schools and the staff of URA for their contribution to the project.

Developing Uganda together,

**Allen Kagina**

*Commissioner General – Uganda Revenue Authority*
Introduction to Taxation

The evolution of taxation is attributed to the development of the modern state, which led to increased expenditure for infrastructure and public services.

1.1 Origin of Taxation

Tax is the price we pay for civilization, which goes hand in hand with organized society. For society to be organized, it needs a well-financed administrative structure. Therefore, taxation in its different forms has existed as long as society had the minimum elements of government.

Tax is defined as a monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue. Where payment is not monetary, a more wide embracing definition has been adopted as:

Taxes are the enforced proportional contributions from persons and property levied by the State by virtue of its sovereignty for the support of government and for all public needs (Thomas M. Cooley: The Law of Taxation).

One of the main characteristics of a tax is that the payer does not demand something equivalent in return from the government for the payment. It is expected that when taxes are collected, they are used by government for public good and not just for those who make the payment.
2 History of Taxation in East Africa

Taxation as understood today was introduced in East Africa by the early British colonial administrators through the system of compulsory public works such as road construction, building of administrative headquarters and schools, as well as forest clearance and other similar works.

The first formal tax, the hut tax, was introduced in 1900. This is when the first common tariff arrangements were established between Kenya and Uganda. Through this, Ugandans started paying customs duty as an indirect tax, which involved imposition of an ad valorem import duty at a rate of 5% on all goods entering East Africa, through the port of Mombasa and destined for Uganda. A similar arrangement was subsequently made with German East Africa (Tanganyika) for goods destined for Uganda that entered East Africa through Dar-es-Salaam and Tanga ports. This gave rise to revenue which was remitted to Uganda.

The Protectorate government heavily relied on customs duties to fund its programs, yet the indigenous Africans were not engaging in activities that would propel the growth of the monetary economy. Accordingly, government introduced a flat rate poll tax that was imposed on all male adults. The requirement to pay tax forced the indigenous Ugandans to enter the market sector of the economy through either selling their agricultural produce or hiring out their services. The tax burden was later increased by the introduction of
an additional tax to finance local governments. This culminated into the first tax legislation in 1919 under the Local Authorities’ Ordinance. In 1953, following recommendations by a committee headed by Mr. C.A.G Wallis, graduated personal tax was introduced to finance local governments.

Income tax was introduced in Uganda in 1940 by a Protectorate ordinance. It was mainly payable by the Europeans and Asians but was later on extended to Africans. In 1952, the ordinances were replaced by the East African Income Tax Management Act, which laid down the basic legal provisions found in the current income tax law. The East African Income Tax Management Act of 1952 was repealed and replaced by the East African Income Tax Management Act of 1958.

The administration of both income tax and customs duty was done by departments of the East African Community (EAC) until its collapse. Under the EAC dispensation, there were regional taxing statutes and uniform administration but the national governments (or partner states, as they were called) retained the right to define tax rates.

After the breakup of the EAC, the tax departments were transferred to the Ministry of Finance with the transfer of the Income Tax Department in 1974; followed by the Customs Department in 1977. In 1991, the function of administering Central government taxes was shifted from the Ministry of Finance to the Uganda Revenue Authority, a body corporate established by an Act of Parliament.
The EAC was re-established in 1999 by Tanzania, Kenya and Uganda. Rwanda and Burundi joined the EAC in 2007. The EAC in December 2004 enacted the East African Community Customs Management Act 2004 (EAC-CMA). This Act governs the administration of the EA Customs union, including the legal, administrative and operations.

3 The Legality of Taxes collected by the Central Government

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 Cap 196 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:

(ii) East African Customs Management Act
(iii) Excise Tariff Act Cap 338.
(iv) Income Tax Act Cap 340
(v) Stamps Act Cap 342
(vi) Traffic and Road Safety Act Cap 361
(vii) Value Added Tax Act Cap 349
(ix) All other taxes and non-tax revenue as the Minister responsible for Finance may prescribe.

4 Principles of Taxation

Principles of taxation are concepts that provide guidelines towards a good tax system. Since many view taxation as a necessary evil, it should be administered in such a way as to create minimum pain to the payer, just like the honey bee which collects nectar from the flower without hurting the flower.

Economists over time have laid down the principles that policy makers should take into account in making tax laws; these are referred to as canons of taxation.

The following are the common canons of taxation:

4.1 Equity/Fairness

Tax should be levied fairly so that:

(i) The same amount is paid by persons or entities that are equal in earnings or wealth (horizontal equity).

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<td>If B is a shopkeeper and makes a profit of Shs 10,000,000 in a year and is taxed at 10%, which is equal to Shs 1,000,000, and C who is a cattle trader makes a profit of Shs 10,000,000 in a year, he should also be taxed at 10%. Likewise any other person who earns an income of Shs 10,000,000, should pay the same tax.</td>
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(ii) The contribution in tax should increase as the taxable income increases (vertical equity). The principle behind vertical equity, which is most
applicable in income taxes, is that the burden among taxpayers should be distributed fairly, taking into account individual income and personal circumstances. Vertical equity is to be taxed proportionate to the income one earns. The strongest shoulders should carry the heaviest burden.

**Illustration 2**

Whereas B and C in illustration 1 were taxed at 10% because both earned 10,000,000; if D earned Shs 15,000,000 this person may be taxed at 15%.

**4.2 Convenience**

Under normal circumstances, a taxpayer should not undergo undue difficulty to pay tax. Therefore, the place, medium, mode, manner and time of payment should not be an extra burden to the taxpayer.

**Illustration 3**

A person doing business in Tororo should not be inconvenienced to travel to Kampala to pay his/her taxes. An office should be created nearby to ease the process.

**4.3 Certainty**

A good tax system is one where the taxes are well understood by the payers and collectors. The time and reason of payment as well as the amount to be paid by an individual should be well documented and certain or known. The tax should be based on laws passed by parliament.
4.4 **Economical**

The administrative cost of collecting taxes should be kept as low as possible to both the collecting agent and the taxpayer. The general principle is that the cost of collection and administration of taxes to the collecting agent should not exceed 5% of the tax revenue. Likewise, the cost of compliance to the taxpayer should be as low as possible and must not be seen to hinder voluntary compliance.

4.5 **Simplicity**

The type of tax and the method of assessment and collection must be simple enough to be understood by both the taxpayers and the collectors. Complicated taxes lead to disputes, delays, corruption, avoidance and high costs of collection in terms of time and resources.

4.6 **Ability to Pay**

The tax should not take away so much of the income being taxed as to discourage the performance or participation in the tax base.

5 **Characteristics of Taxes**

In complying with the canons of taxation, taxes may be characterised as proportional, progressive or regressive.
5.1 Progressive Tax
This tax is structured in such a way that the tax rate increases as the income increases. Most income taxes are progressive so that higher incomes are taxed at a higher rate. A progressive tax is based on the principle of vertical equity.

5.2 Regressive Tax
This is a tax not based on the ability to pay. A regressive tax is structured that the effective tax decreases as the income increases.

5.3 Proportional Tax
This is a tax whose rate remains fixed regardless of the amount of the tax base. A proportional tax may be considered regressive despite its constant rate when it is more burdensome for low income payers than to high income payers.

6 Classification of Taxes
Taxes are classified as either direct or indirect.

Direct Taxes are imposed on income arising from business, employment, property and the burden of the tax is borne by the individual or business entity. Examples of direct taxes include Corporation tax, Individual Income Tax, e.g. Pay As You Earn, capital gains tax and rental tax.

Indirect Taxes are taxes levied on consumption of goods and services collected by an Agent (Taxpayer). Notable indirect taxes include Value Added Taxes (VAT), excise duty, import duty.
7 Role of Taxation

(a) To finance Government re-current and development expenditure, i.e. paying salaries for civil servants and funding long term projects such as construction of schools, hospitals and roads.

(b) It can be used to regulate demand and supply in the economy in times of inflation.

(c) It encourages development of local industries and protects them against foreign competition with a view to providing employment and saving foreign exchange, by imposing high duties on competing imports. It encourages export of goods and services by reducing or removing tax on the export in order to make them more competitive in the world market.

(d) It protects society from undesirable or harmful products and industries by imposing high taxes on them, for instance excise duty on cigarettes and beer as well as environmental levy on used vehicles.

(e) To achieve greater equality in the distribution of wealth and income, the government may impose a progressive tax on the incomes and wealth of the
The revenue raised is then used to provide social services for the benefit of the society.

8 The Structure of the Ugandan Tax System

Executive
- President approves Parliament’s bills

Parliament
- Enacts laws that guide URA in its operations.
- Approves policy.

Ministry of Finance, Planning and Economic Development
- Represents the executive arm in the tax administration.
- Oversees the operations of the URA.
- Drafts government tax policies.
- Funds the operations of URA.
- Ensures proper national budgeting, utilisation and accountability.

URA Board Administration
- Administers and gives effect to the laws set out in the First Schedule of the URA Act Cap 196.
- Advises the Minister on revenue implications, tax administration and aspects of policy changes relating to all the taxes.
- Performs such other functions in relation to revenue as the Minister may direct.

Customs
Deals with:
- Import duty.
- VAT on imports.
- Withholding tax on imports.
- Trade regulations.

Domestic Taxes
Deals with:
- VAT.
- Income Tax.
- Rental Tax.
- Excise Duty.
- Gaming Tax.
Brief on E-Tax

E – Registration

URA, through its modernisation process, has introduced a new eTAX system to cater for registration of taxpayers, filing of returns, assessments and payment of taxes. eTAX is a name given to an Integrated Tax Administration System that provides online services to the taxpayer on a 24 hour basis.

eTAX enables taxpayers to lodge their applications online through the web portal, from anywhere on the globe as long as they are connected to the internet. Upon uploading the application on the web portal, the system will generate an e – acknowledgement receipt. Note; any attachments have to be delivered to a URA, Domestic Taxes Office.

The application will be processed; the applicant will be contacted in case of any query, interview or inspection. The applicant will also be able to search the status of his / her application on the system using a search code indicated on the e acknowledgement receipt. When the application is finally approved, the applicant will be issued a TIN with minimum details displayed on the Certificate of Registration. Where the application has been rejected, the taxpayer will be issued a rejection notice stating the reason(s) for rejection.
The taxpayer will on receipt of TIN be able to log onto the web portal and create his / her own account for any further transactions.

Some of the benefits of e registration: a streamlined and less time wasting process, application easily done on the web portal. Besides registration, the taxpayer will be able to amend his / her details with URA in case of any changes. Taxpayer will always receive feedbacks on the application and this will be possible especially when accurate email addresses and telephone numbers (of the taxpayers) are indicated in the application.

9.2 E – Filing

A taxpayer registered with URA for any tax type has an obligation to submit a return for the tax period defined by the respective tax law. URA has facilitated the taxpayer to fulfill this obligation by introducing electronic filing in eTAX.

The taxpayer can obtain a return from the web portal (http://ura.go.ug), save a template on any storage devise, take time to fill in the return and validate the return before they finally upload it on the web portal. If the upload is successful, the taxpayer will receive an auto generated e-acknowledgement receipt which is evidence of submission. In case of any problems in filling the respective returns, do not hesitate to send an email about the challenge to URA on the email
address; services@ura.go.ug or call the toll free lines.

In case there are errors in the return detected by the system, the taxpayer will be given a chance to amend the errors when he/she is issued a Return Modified Advise Notice.

The return must be submitted by the due date to avoid penalties for late filing and it must also be submitted for each tax period to avoid estimated assessments that arise out of non submission of returns. In case the taxpayer is unable to submit a return on time, he or she can apply for the extension of time to submit a return late using an application form for late filing also found on the web portal.

Some of the benefits accruing from e-filing are that the return process has been clearly separated from the payment process and the taxpayer can now file returns before/ after making the payment, or make the payment before/ after filing the return

9.3 E – Payment

A taxpayer required to make payments to URA for any tax type can do so using the new e payment process. All the taxpayer needs to do is to go onto the URA web portal (http://ura.go.ug), access the payment registration slip, register the payment and go to the bank to make the actual payment over the counter. The taxpayer in future may even not need to go to the bank as such facilities like internet / online banking
will be enabled. By the end of the modernisation drive, e payment will apply to all payments made to URA including customs, NTR and agency fees.

Benefits accruing from e payment are that the taxpayer can utilise the service on a 24 hour basis, the taxpayer’s costs of movement between his/her premises and URA or the bank are reduced; and thus saving time. Taxpayers can also monitor the status of their payments online through the web portal.
Part B

Income Tax
1 Introduction

This is tax imposed on a person’s taxable income at specific rates. A person includes an individual, company, partnership, trustee, Government and subdivisions of Government.

Income tax is charged on every person who has chargeable income for each year of income. Chargeable income is derived from three main types of income, namely; business, employment and property.


2 Definition of Key Terms

A Person includes an individual, a partnership, a trust, a company, a retirement fund, a government, a political subdivision of government, and a listed institution.

Chargeable Income is the gross income of a person for the year less total deductions allowed under the Income Tax Act Cap 340 for the year.

Gross Income of a person for a year of income is the total amount of business income, employment income and property income other than exempt income. In case of resident persons, Gross income is a person’s income from all geographical sources; and in the case
of non-resident persons, gross income includes only the income derived from Uganda.

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.

(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 June 30, 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 June 30.
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.

### 3 Scope

The scope of liability to tax depends on a person’s residence status.

Income tax is imposed on Income from business, employment and property.

For a resident person, income tax is charged on gross income from all over the world. The tax for a non-resident person is only charged on income derived from sources within Uganda.

### 4 Sources of Income

#### 4.1 Business Income

Business is defined in the Income Tax Act to include any trade, profession, vocation or adventure in the nature of trade.

Business income means any income derived by a person in carrying on a business and includes the following amounts, whether of a revenue or capital nature:

- The amount of Gains or losses from the disposal of business assets such as land and buildings.
- Any amount derived by a person as consideration for accepting a restriction on the person’s capacity to
carry on business. For example if Mama Rhoda gives Senkubuge Shs 100,000 to relocate his shop to another area, the Shs 100,000 becomes business income to Senkubuge.

- The gross proceeds derived by a person from the disposal of trading stock, i.e. sales.
- The value of any gifts derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship.
- Interest derived by a person in respect of trade receivables or by a person engaged in the business of banking or money lending.
- Rent derived by a person whose business is wholly or mainly the holding or letting of property.

The definition of business is therefore inclusive rather than specific such that there can be business which does not arise from trade, profession vocation or adventure in the nature of trade.

4.1.1 Trade

Trade has the same meaning as commerce and it involves buying and selling or bartering of goods. There are many exceptions to this general definition but the following elements are crosscutting:

- The element of profit
- The regularity of the transactions.
- The arrangements and effort, and,
- Compliance with statutory obligations made to make the transactions work.
Any of the above may determine whether a trade is carried out. However, depending on the facts of each case, the existence of these conditions could generally lead to the likelihood of a trade.

4.1.2 **Adventure in the Nature of Trade**
This refers to transactions where profits arise from activities such as gambling, speculative dealings in commodities, single or one off transactions or unconventional transaction e.g. smuggling.

The definition of an adventure in the nature of trade may appear sometimes to overlap with trade, but if either is proved, the requirements for business definition are satisfied.

The following characteristics may point to an adventure in the nature of trade.

- Profit seeking.
- The way in which the asset was acquired.
- The nature of the asset.
- Modification of the asset prior to sale or use.
- Interval between purchase and sale of the asset.
- Way in which the sale is effected.
- Number of transactions.
- Existence of trading interest in the same field.
- Method of financing the transaction.

4.1.3 **Profession**
This is a paid occupation especially one which requires advanced education and training, e.g. architecture, accounting, law and medicine.
4.1.4 Vocation
This is how one passes one’s life when earning a living. More often, it is referred to as a special calling and qualification for a certain kind of work especially for social or religious work. It can thus be used to bring within the scope of income tax any form of regular and continuous profit earning, which does not fall within the categories of trade, business, profession or employment. Earnings from activities related to religion can fall in this category.

Business income is considered if it is ‘derived’ during the year of income. ‘Derive’ has been judicially determined to be equivalent to ‘accrue’ or ‘arising’, which also relates to the source of income.

4.1.5 Capital Gains
Capital gains arise from the disposal of a business asset that is not a depreciable asset, such as land and buildings. A disposal of an asset occurs when an asset has been sold, exchanged, redeemed, distributed, transferred by way of gift, destroyed or lost by the taxpayer. The Capital gain is the excess of the consideration over the cost base of the asset. Conversely, there may also be a loss when the cost base of the asset is higher than the consideration received for the business asset.

Cost base of an asset is the amount paid or incurred by the taxpayer in respect of the asset, including incidental expenditures of a capital nature incurred in acquiring the asset, and includes the market value at the date of acquisition of any consideration in kind given for the asset.
Capital gains are included in the gross income of the taxpayer and assessed as a business income.

4.2 Employment Income

Any income derived by an employee from any employment, whether past, present or in future, including the value of any benefit, advantage or facility granted to an employee constitutes employment Income. An amount or benefit is derived in respect of employment if it is provided in respect of past, present or prospective employment. It also includes an amount or benefit provided by a third party under an arrangement with an employer or an associate of the employer; and it does not matter whether it is paid to the employee or to his associates.

Employment is regarded to exist where there is a contractual relationship between master and a servant for a pay.

Employment refers to:

- Position of an individual in employment of another person.
- Directorship of a company.
- A position entitling the holder to a fixed or ascertainable remuneration.
- Holding or acting in a public office.

It is important to distinguish between an employee and an independent contractor. As a general rule, an individual who does not satisfy the definition above automatically becomes an independent contractor.
**Employer** means a person (individual or corporate) who employs/remunerates an individual.

An **Employee** is an individual engaged in an employment

4.2.1 **Employment Income**

According to the Income tax Act cap 340, Employment income includes:

Wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, allowances (entertainment, duty, utility, welfare, housing, medical, or any other allowances).

- The value of any benefits in kind provided by/on behalf of the employer to the employee.
- Amount of private/personal expenditure discharged or reimbursed by the employer.
- Employment terminal and retirement benefits.
- Insurance premiums paid by the employer for the employee and/or his dependants.
- Payments in respect of change of employment/contract terms.
- Discounts in shares allotted to an employee and any gain derived on disposal of a right or option to acquire shares under an employee share acquisition scheme.

**Note:** It should be noted that all or any of the above in combination comprise employment income.

4.2.2 **Benefits in Kind**

A benefit in kind is the facilitation not by way of cash by an employer to an employee as part of past, present
or future employment terms. Such benefits need not have been in the written employment terms.

Taxable non-cash employment benefits include:

- Private use of an official motor vehicle.
- Provision of domestic servants and utilities.
- Meals, refreshment, entertainment.
- Relief of debt obligations/interest.
- Provision of property by employer to employee (at non-arm’s length terms).
- Provision of residential accommodation.
- Any other benefits as determined by the Commissioner General.

4.2.3 Valuation of Benefits in Kind

As a general rule, the value of a benefit in kind is the fair market value of the benefit on the date it is taken into account for tax purposes less any amount paid by the employee for the benefit.

1. **Motor Vehicle** – 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:

\[
(20\% \times A \times \frac{B}{C}) - D
\]

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 in 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.

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

2. **Domestic Assistants** (housekeeper, driver, gardener or other domestic assistant) – The benefit is the total employment income paid to the domestic assistants, reduced by any payment made by the employee for the benefit.

3. **Meals, refreshment or entertainment** – The benefit is the cost of the meals, etc. to the employer less any payment by the employee.

4. **Utilities** (Electricity, Water, Telephone, Internet) – The benefit is the cost of the utility to the employer less any payment by the employee.

5. **Low interest on loans exceeding one million shillings** – The benefit is the difference between the interest paid by the employee and the interest payable using the statutory interest rate (Bank of Uganda discount rate at commencement of the year of Income).

6. **Debt waiver** – The benefit is the amount of the debt waived.

7. **Transfer or use of property or provision of services** (Furniture and transportation) – The benefit is the market value of the property or services less any payments by the employee.
8. **Accommodation or housing other than by way of reimbursement, discharges or allowances** – Where a benefit provided by an employer to an employee consists of the provision of accommodation or housing, the value of the benefit in kind is the lesser of:

(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.

9. **Any other benefit** – The benefit is the market value of the benefit less any payments by the employee.

**4.2.4 Employee’s Relief**

This refers to gains or income that is not included in the chargeable income of the employee and therefore not taxable on the employee:

(a) The employee’s income that is below the taxable threshold, currently at Shs 130,000 per month

(b) Pension.

(c) Discharge or reimbursement of medical expenses actually incurred by the employee.

(d) Life insurance premiums paid by a taxable employer (company/individual) for the benefit of the employee.
(e) Expenses incurred by the employee; discharge or reimbursement for the employee on official duty of the employer.

(f) Meals and refreshments or value thereof provided to all employees at equal terms.

(g) Employer’s contribution to a retirement fund for the benefit of the employee.

(h) Any non-cash benefits whose value is less than Shs 10,000 a month.

(i) Relief of 25% on terminal benefits for employees who have served the employer for at least 10 years.

(j) Passage costs.

(k) The employment income of an expatriate employee in a listed Institution, under a technical assistance agreement subject to the Minister’s approval.

(l) Official employment income of persons employed in the armed forces, Uganda Police Force and Uganda Prisons. It excludes persons serving there in civilian capacity.

(m) Employment income of Ugandans posted to work in Ugandan diplomatic missions abroad.

(o) Employment income of persons employed by EADB.

4.2.5 **Collection of Tax from Employment Income**
This is collected on a monthly basis through a system known as Pay As You Earn (PAYE)

4.2.5 **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 pay the tax withheld by the 15th day of the following month to the URA.

<table>
<thead>
<tr>
<th>Monthly emoluments</th>
<th>Tax Rate (Bracket)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Not exceeding Shs 130,000.</td>
<td>Nil</td>
</tr>
<tr>
<td>2. Exceeding Shs 130,000 but not exceeding Shs 235,000.</td>
<td>10% of the amount by which chargeable income exceeds Shs 130,000.</td>
</tr>
<tr>
<td>3. Exceeding Shs 235,000 but not exceeding Shs 410,000.</td>
<td>Shs 10,500 plus 20% of the amount by which chargeable income exceeds Shs 235,000.</td>
</tr>
<tr>
<td>4. Exceeding Shs 410,000.</td>
<td>Shs 45,500 plus 30% of the amount by which chargeable income exceeds Shs 410,000.</td>
</tr>
</tbody>
</table>

4.2.6 Employer’s Obligation

**Withhold tax** from employment income: to deduct the correct tax from the employee’s total employment income at the time of effecting payment to every liable employee.

**Payment**: to pay to URA the total tax by the 15th day of the month immediately following the month in which employment Income was paid.

**Accountability**: to account for the tax deducted from every employee on a monthly basis to Uganda Revenue Authority.

**Maintenance of Employees’ Records**: to maintain records and keep them for inspection by URA on demand for at least five years.
4.2.7 **Employee’s Obligation**
Employees deriving income from more than one source are required to complete an end of year return to declare:

- Total income from all sources, including business income.
- Total taxes paid at source such as PAYE and withholding tax or provisional tax. This excludes presumptive tax and rental tax paid by such employee.
- Tax payable.

4.2.8 **Employee’s Rights**
An employee:

- Is not required to furnish a PAYE return if tax is fully deducted and paid at source.
- Is entitled to claim refund of over-paid tax where applicable.
- Is entitled to accountability for all taxes deducted and paid at source by the employer.

4.2.9 **What happens if Tax is Not Paid?**
An employer who fails to withhold and pay the tax as required by law is personally liable to pay the tax together with any penal tax and interest thereon. He may however recover it from the employee.

**PAYE worked examples**

**Illustration 1**
Acul Ocolo is employed as a security guard in Karacen (U) Ltd. He earns a monthly salary of Shs 125,000.

**Required:** Is Karacen (U) Ltd obliged to deduct PAYE tax from Acul Ocolo?
Solution

No, because Acul Ocolo’s monthly salary is less than the threshold so his salary does not attract PAYE.

Illustration 2

Acul Ocolo is an employee of company Y. He earns the following monthly income: a salary of Shs 200,000; travelling allowance of Shs 50,000 and medical allowance of Shs 30,000.

Compute his monthly PAYE tax liability.

Solution

Employment Income:
Salary 200,000
Travelling allowance 50,000
Medical allowance 30,000
Total 280,000

Use rates in the third bracket, i.e.

<table>
<thead>
<tr>
<th>Exceeding Shs 235,000 but not exceeding Shs 410,000.</th>
<th>Shs 10,500 plus 20% of the amount by which chargeable income exceeds Shs 235,000.</th>
</tr>
</thead>
</table>

Step 1

Shs 280,000 - 235,000 .......................................................... 45,000

Step 2

20% × 45,000 ................................................................. 9,000

Step 3

9,000 +10,500 ................................................................. 19,500
PAYE ................................................................. 19,500
4.3 Property Income

4.3.1 Definition

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 but does not include an amount which is business, employment, or exempt income.

(e) Any amount included in business income of the person under any other section of the Income Tax Act.

Note: Rent is classified under business income if it’s derived by a person whose business is wholly or mainly the holding or letting of property. However, if rent is derived by the person whose business is not wholly or mainly the holding or letting of property, then it is classified under property income. For example if a company receives rent from its properties, then it is classified as property income because it is not in the business of holding or letting of property.
4.3.2 Individual Rental Income Tax

Tax under this head applies to resident individual persons. The law provides that individual rental income is segregated and taxed separately as though it were the only source of income for the taxpayer.

Rental income is income earned by an individual from letting out immovable property in Uganda (land and buildings). For income tax purposes, it does not matter whether the building is let out as a residence or for commercial use.

The rental income of a resident individual for the year of income is charged to tax at the rate of 20% of the chargeable income in excess of the tax free allowance or threshold of Shs 1,560,000 per annum. However, in determining the tax due, a fixed deduction of 20% per annum is allowed on the gross annual rental income of resident individuals.

The rental income of a non-resident individual for the year of income is charged to tax at the rate of 15% on gross earning from Uganda.

Computation of tax – In computing the tax, the following are considered:

- Gross on all rents earned during the year.
- Deduct 20% statutory expenses on the gross rent.
- Deduct tax free allowance of Shs 1,560,000 to arrive at the chargeable rent income.
- Apply a rate of 20% on the chargeable income to get the tax.
Illustration 4

Acul Ocolo earned annual rent of: Shs 1,200,000 from a house in Kitintale, Shs 800,000 from a house in Kabale and Shs 500,000 from a house in Lyantonde.

Solution

The rental tax is computed as follows: Gross rental income 2,500,000 Less provision for expenditure (500,000) and loss; 20% × 2,500,000 Chargeable rental income 2,000,000 Less the threshold 1,560,000 Net chargeable rent 440,000 Rental tax due: 440,000 × 20% Shs 88,000

Taxpayer’s obligation

A taxpayer is required to:

- Complete a return of rental income for a year of income with supporting agreements where available or rental receipts issued to tenants(s) during the year.
- Declare ALL your sources of rental income in FULL for a given year of income. The year of income is from July to June.
- Submit (furnish) the Provisional and annual return to Uganda Revenue Authority, through the nearest local URA Office, within three months for the provisional return i.e. not later than 31st September; and six months for the annual return after the end of the relevant year of income, i.e. not later than 31st December.
- Where a provisional return has been filed, pay quarterly the rental income tax by the appropriate due date.

Entitlement to tax credit – A tax credit may arise if tax has been withheld during the year of income.
5 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.

6 Determination of Tax Liability

The basis for determination of Income tax liability for resident persons is the gross income of the person reduced by allowable deductions and any foreign income tax paid on foreign income included in the gross income referred to as a foreign tax credit, not exceeding the Ugandan income tax payable on the foreign source income for that year.

Allowable deductions are expenditures and losses incurred when deriving chargeable income. The general rule is that for expenditure to be allowed it must have been incurred to produce the income that has been declared as gross income. Where the expenditure is only partly incurred in the production of income included in the gross income, the Income Tax Act provides for apportionment such that the deduction allowed is only to the extent to which it was so incurred. Accordingly, the general features of deductions are:

(a) There must be an expenditure or loss
(b) The expenditure or loss must be incurred by a person during the year of income.
(c) The expenditure or loss must be incurred in the production of income included in gross income.
The Income Tax Act lists, under sections 22 – 38, a number of expenditures and loses that are allowable deductions. For instance, Interests, bad debts, repairs, depreciation, initial allowances, start up costs, meals, etc.

Capital expenditure e.g. purchase of a motor vehicle is not in itself an allowable deduction but it is allowed capital deduction for its depreciation. Likewise all depreciable assets are allowed a deduction as specified in the Sixth schedule of the Income tax Act. Capital allowances are thus treated as operating expenses and deducted in arriving at chargeable income or profits chargeable to tax. Deductions allowed on capital expenditure include the following categories:

1. Depreciable assets — varies as per 6th Schedule of the Act
2. Initial allowance — 50% and 75% based on areas
3. Initial allowance for buildings – 20%
4. Industrial building — 5% straight line depreciation allowance
5. Start up costs — 25% per year for four years
6. Costs of intangible assets — actual cost
7. Farm works deductions — 20% for five years
8. Deductions on mineral exploration expenditure — all capital expenditure

Capital allowances are calculated for a year of Income and are granted as a deduction when the capital asset is put to use.
7 Persons assessable to Tax

7.1 Taxation of Companies

Income tax on companies is imposed under the Income Tax Act on every person who has chargeable income for any year of income.

A company is defined as a body of persons corporate or unincorporate, whether created or recognised under the law in force in Uganda or else where and includes a unit trust, but does not include any other trust or a partnership. Accordingly, limited liability companies, companies limited by guarantees, associations, NGOs, etc. are taxed under the company taxation regime.

Based on the above definition, even non-resident companies are assessable (subject) to tax in Uganda on their income that is derived from Uganda while resident companies are subject to tax on their worldwide income.

Income tax paid by companies is referred to as corporation tax. (Individuals pay individual income tax).

7.1.1 Rate of Tax Applicable to Companies

The current rate of tax (2010) applicable to companies is 30%. The chargeable income for both resident and non-resident companies is taxed at this rate.
7.1.2 **Taxable Income of Companies**

In deriving the chargeable income, the company is granted the applicable deductions specified in the Income Tax Act.

<table>
<thead>
<tr>
<th>Illustration 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Computation of chargeable income</strong></td>
</tr>
<tr>
<td>Acul Ocolo Ltd’s profit and loss account for the year of 30 June 2006 was as follows:</td>
</tr>
<tr>
<td><strong>Sales</strong> ........................................ 1,430,000,000</td>
</tr>
<tr>
<td>Less cost of sales .................................. 1,340,000,000</td>
</tr>
<tr>
<td>Gross Profit ........................................ 90,000,000</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
</tr>
<tr>
<td>Bad debt recovered (previously written off) .... 2,000,000</td>
</tr>
<tr>
<td>Profit on sales of furniture .......................... 200,000</td>
</tr>
<tr>
<td>92,200,000</td>
</tr>
<tr>
<td><strong>Less: Operating expenses</strong></td>
</tr>
<tr>
<td>Salaries and wages .................................. 11,900,000</td>
</tr>
<tr>
<td>Staff meals (canteen equal terms) ................. 3,100,000</td>
</tr>
<tr>
<td>Telephone ........................................... 3,000,000</td>
</tr>
<tr>
<td>Loss on sale of motor vehicle ........................ 1,204,000</td>
</tr>
<tr>
<td>Electricity ........................................... 2,900,000</td>
</tr>
<tr>
<td>General expenses .................................... 1,800,000</td>
</tr>
<tr>
<td>Trading license ........................................ 500,000</td>
</tr>
<tr>
<td>Generator expenses ................................... 1,100,000</td>
</tr>
<tr>
<td>Stationery ............................................ 2,300,000</td>
</tr>
<tr>
<td>Director’s remuneration ............................. 20,000,000</td>
</tr>
<tr>
<td>Bad debts written off ................................ 2,000,000</td>
</tr>
<tr>
<td>Rent and rates ......................................... 3,200,000</td>
</tr>
<tr>
<td>Repairs and maintenance ............................. 2,500,000</td>
</tr>
<tr>
<td>Subscriptions and donations ........................ 1,000,000</td>
</tr>
<tr>
<td>Depreciation .......................................... 6,000,000</td>
</tr>
<tr>
<td>Legal and accountancy fees .......................... 1,400,000</td>
</tr>
<tr>
<td><strong>Net Profit</strong> ........................................ 28,296,000</td>
</tr>
</tbody>
</table>
Notes

General expenses include the following:
Travelling expenses of staff (van) and directors ...... 1,000,000
Entertaining suppliers ........................................... 800,000

Repairs and maintenance
Redecorating existing premises .................................. 500,000
Renovations of premises to remedy the Disrepair by the previous occupant ........................................ 2,000,000

Legal and accountancy charges
Debt collection services ........................................... 200,000
Staff service agreements .......................................... 250,000
45 year lease on new premises .................................... 150,000
Audit and accountancy ............................................. 500,000
Consultancy director’s wife project .......................... 300,000
Total ........................................................................ 1,400,000

Subscriptions and donations include:
Donation to political party ........................................ 500,000
Subscription to UMA .............................................. 300,000
Fees to trade fare .................................................. 200,000
Total ........................................................................ 1,000,000

On 1 July 2005, the tax written down values of plant and machinery were as follows:
Class I .................................................................... 1,400,000
Class II ................................................................. 12,600,000
Class IV ................................................................. 48,000,500

The company purchased the following assets in the year:
Computer 1 August 2005 .......................................... 2,500,000
Furniture 1 December 2005 ...................................... 10,400,000
## Computation of tax

**Acul Ocolo Limited – Tax Computation 2006**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit per accounts</td>
<td>$28,296,000</td>
</tr>
<tr>
<td><strong>Add</strong></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Loss on sale of m/v</td>
<td>$1,204,000</td>
</tr>
<tr>
<td>Entertaining suppliers</td>
<td>$800,000</td>
</tr>
<tr>
<td>Repairs and maintenances</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Legal and accountancy fees</td>
<td>$450,000</td>
</tr>
<tr>
<td>Subscription and donation</td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
</tr>
<tr>
<td>Profit on sale of furniture</td>
<td>$200,000</td>
</tr>
<tr>
<td>Depreciation allowance</td>
<td>($18,400,100)</td>
</tr>
<tr>
<td><strong>Chargeable Profit</strong></td>
<td>$20,649,900</td>
</tr>
<tr>
<td><strong>Tax at 30%</strong></td>
<td>$6,194,970</td>
</tr>
</tbody>
</table>

The amounts above are disallowed due to the following:

- Depreciation of Shs 6,000,000 is according to the Company’s policy
- Loss on sale of M/V Shs 1,204,000 is of a capital nature
- Entertaining suppliers Shs 800,000 was insured outside the production of income
- Legal and accountancy fees relate to Shs 150,000 lease which is capital and Shs 300,000 consultancy for wife’s project not related to the business
- Donations to political party Shs 500,000 is not incurred in the production of income.
- The amounts allowed as deductions are due to: Profit on sale of furniture Shs 200,000 is capital in nature, its profit is not taxable
- Depreciation allowance is the capital deductions calculated at the specified rates under the Income tax Act.
7.1.3 **Obligations of Companies**

Companies have the following obligations to fulfill:

(a) **Submission of provisional tax estimates**
    - Companies are required to submit provisional tax estimates within the first six months from the beginning of their accounting period. The estimated tax is payable in two installments as follows:
      
      First installment: by the end of the sixth month from the beginning of the accounting period.
      
      Second installment: by the end of the twelfth month from the beginning of the accounting period.

(b) **Submission of the returns**
    - Companies are required to submit their returns by the end of sixth month from the end of the accounting period to which the return relates.

    **Note:** All companies are now required to submit self-assessment returns. This means that they are required to assess themselves and their assessment will be deemed to be the assessment by the Commissioner General.

(c) **Record keeping**
    - Companies, just like all the other taxpayers, are required to keep records pertaining to their business transactions for five years after the end of the year of income to which the record or evidence relates.
7.2 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.

**Illustration 6**

Acul Ocolo earned income from different sources for the year 2006 as indicated below:

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business income</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Employment income</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Property income (interest from Stanbic Bank)</td>
<td>500,000</td>
</tr>
<tr>
<td>Dividend from Shell (U) Ltd</td>
<td>275,000</td>
</tr>
<tr>
<td>Interest on treasury bills</td>
<td>150,000</td>
</tr>
<tr>
<td>In addition, he incurred expenses amounting to Shs 1,200,000 to earn the income.</td>
<td></td>
</tr>
</tbody>
</table>

Determine Acul Ocolo’s gross income and chargeable income.

**Solution**

_Gross income includes all income from all sources less tax exempt income_

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business income</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Employment income</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Property income (interest from Stanbic Bank)</td>
<td>500,000</td>
</tr>
<tr>
<td>Dividend from Shell (U) Ltd</td>
<td>275,000</td>
</tr>
<tr>
<td>Interest on treasury bills</td>
<td>150,000</td>
</tr>
<tr>
<td><strong>Gross Income</strong></td>
<td><strong>28,325,000</strong></td>
</tr>
</tbody>
</table>
Note

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on treasury bills taxed separately</td>
<td>150,000</td>
</tr>
<tr>
<td>Dividend separately taxed</td>
<td>275,000</td>
</tr>
<tr>
<td>Interest income separately taxed</td>
<td>500,000</td>
</tr>
<tr>
<td>Employment income</td>
<td>925,000</td>
</tr>
<tr>
<td>Taxable income</td>
<td>27,400,000</td>
</tr>
<tr>
<td>Less expenses</td>
<td>(1,200,000)</td>
</tr>
<tr>
<td>Chargeable Income</td>
<td>26,200,000</td>
</tr>
</tbody>
</table>

Where chargeable income is Shs 26,200,000 for Acul Ocolo as above, tax is calculated as follows;

Shs 26,200,000 falls in the top band of the tax rate for individuals in the Third Schedule of the Income Tax Act. Deduct Shs 4,920,000 from Shs 26,200,000 to get Shs 21,280,000

Tax on Shs 4,920,000 is Shs 546,000

Charge to tax Shs 21,280,000 at 30% to get Shs 6,384,000

Add Shs 546,000 to Shs 6,384,000 to get tax payable by Acul Ocolo, which is Shs **6,930,000**

Deduct tax withheld at source (PAYE) 84,000 from total tax of 6,930,000, giving Shs 6,846,000 as tax payable

Tax determined separately:

- Treasury bill interest 150,000 × 15% ................. 22,500
- Tax on interest 500,000 × 15% .......................... 75,000
- Tax on dividend 275,000 × 15% .......................... 41,250
- Total tax separately paid ................................. 138,750
- GRAND TOTAL OF TAX ................................ (6,846,000 + 138,750) 6,984,750

7.3 Taxation of Small Business Taxpayers (Presumptive Tax)

The concept of small businesses in taxation was developed to accommodate low income taxpayers who would ordinarily find it difficult to prepare
formal accounts. The preparation of these accounts would usually require engagement of a professional accountant which is costly.

In order to address this challenge, the Income Tax Act provides for an arrangement of taxing small businesses based on gross turnover or total sales. This is commonly referred to as presumptive tax.

7.3.1 **Who is a Small Business Taxpayer?**

For income tax purposes, a small business taxpayer is a resident taxpayer whose gross turnover from all businesses owned by such a person in a year is more than five million shillings but does not exceed **FIFTY MILLION SHILLINGS**.

The term **TURNOVER** refers to one’s total sales in a year.

However, persons in the following business activities are excluded from presumptive tax:

- Medical practice
- Architectural service
- Accounting and audit practices
- Legal practice
- Any other professional services
- Public entertainment services
- Public utility service
- Engineering service
- Construction service

**Note:** Persons outside the presumptive scheme are required by law to file provisional and final income tax returns and be assessed to tax based on chargeable income for the year.
7.3.2 **Determination of Sales for a Small Business Taxpayer**

In order to benefit from the presumptive tax regime, a taxpayer MUST keep records of his or her daily sales which is the basis for determining the tax bracket under which he or she falls.

Daily sales may be recorded as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Item Sold</th>
<th>Sales (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2010</td>
<td>groceries</td>
<td>5000</td>
</tr>
<tr>
<td>2/1/2010</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Monthly Total</strong></td>
<td></td>
<td><strong>15,000</strong></td>
</tr>
</tbody>
</table>

Keeping this kind of record of daily sales would help the trader to ascertain the monthly, quarterly and annual total sales on which tax payable would be based. This record will also assist the trader during inspection by URA staff to determine a correct tax payable.

7.3.3 **Return of Gross Turnover**

In order to determine the tax payable, the presumptive taxpayer is required to file a provisional return of gross turnover within three months; and a final return of the gross turnover of the previous year of Income.

Where such a return is not filed, the tax payable is estimated based on best of judgment of the Commissioner.

**Key features of the presumptive tax regime**

1. The tax is computed on the basis of a GROSS TURNOVER; and is a final tax.
2. No deductions are allowed in respect of any expenditure or losses.

3. No tax credit is allowed to be offset against the final tax except in the following cases:
   (a) A tax credit arising out of withholding on receipt included in the gross turnover of the taxpayer.
   (b) Any provisional tax paid against the taxpayer’s gross turnover during the year of Income.

### 7.3.5 Computation of the Tax Liability for Small Business Taxpayers

The tax payable is calculated and determined basing on the lower of one percent or the prescribed tax amount for turnover above Shs 20 Million as illustrated in the table below. Turnover below Shs 5 million is not subject to tax and turnover from Shs 5 million to 20 Million is taxed at a fixed sum of Shs 100,000.

The entire tax rate structure is as follows:

<table>
<thead>
<tr>
<th>Gross Turnover</th>
<th>Tax Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross turnover above Shs 5 million and not exceeding Shs 20 million a year.</td>
<td>Shs 100,000</td>
</tr>
<tr>
<td>Gross turnover above Shs 20 million but not exceeding Shs 30 million.</td>
<td>Shs 250,000 or 1% of gross turnover, whichever is lower.</td>
</tr>
<tr>
<td>Gross turnover above Shs 30 million but not exceeding Shs 40 million a year.</td>
<td>Shs 350,000 or 1% of the gross turnover, whichever is lower.</td>
</tr>
<tr>
<td>Gross turnover above Shs 40 million but not exceeding Shs 50 million a year.</td>
<td>Shs 450,000 or 1% of the gross turnover, whichever is lower.</td>
</tr>
</tbody>
</table>
The tax is payable in four equal installments during the year of Income.

**Illustration 7**

Take an example of a taxpayer with Shs 22 Million as gross turnover.
This taxpayer falls in the Income bracket of Shs 20 – 30 Million. The tax payable is the lower of 1% of turnover or Shs 250,000.
1% of the Shs 22 million = 220,000; therefore tax payable is Shs 220,000 which is lower than Shs 250,000.

**Illustration 8**

Take an example of a taxpayer with Shs 28 Million as gross turnover.
This taxpayer also falls in the Income bracket of Shs 20 – 30 Million. The tax payable is the lower of 1% of turnover or Shs 250,000.
1% of the Shs 28 million = 280,000; therefore tax payable is Shs 250,000 which is lower than Shs 280,000.

7.3.6 **Election (Option) not to be under Presumptive Tax**
A taxpayer who would ordinarily fall under the presumptive tax regime may opt out by notifying the Commissioner in writing to be assessed on chargeable income. The chargeable income method involves the preparation of financial statements by the taxpayer. Such a taxpayer is required to submit the election notice together with their Annual Income Tax Return for that year by the due date of filing such return of income.
8 **Income Tax Registration**

Every taxpayer i.e. any person who is in business is expected to register with URA for tax purposes. Registration enables URA to issue the taxpayer with a Tax Identification Number (TIN) which is the key identifier of the taxpayer.

In order to be registered, the following are required:

8.1 **Resident/ Non-Resident Limited Company**

(i) A copy of the certificate of incorporation from the Registrar of companies.

(ii) Company Form 7 certified by the registrar of companies.

(iii) Completed non-Individual application form.

(iv) Completed individual application form for each Director.

(v) An introduction letter, if registration is to be done by a person other than directors/subscribers/proprietor.

(vi) A copy of the Board resolution, where the shareholders are different from the Directors.

(vii) A copy of the tenancy agreement/rent payment receipt. In case of owner-occupied premises, a letter to that effect should be attached.

(viii) Requirement of referees including their Bankers.
8.2 **Sole Proprietor (Individual)**

(i) Copy of Identification documents e.g. Driver’s permit, voter’s card, passport, Employer ID, etc.

(ii) A fully completed individual application form

8.3 **Partnership**

(i) A copy of the certificate of registration from the registrar of companies.

(ii) A copy of the Partnership Deed.

(iii) Fully completed non-individual application form for the partnership.

(iv) Fully completed individual application form for each partner.

(v) A copy of the tenancy agreement/rent payment receipt. In case of owner-occupied premises, a letter to that effect should be attached.

8.4 **Non-Governmental Organisations (NGO’s)**

(i) A copy of the registration certificate from the NGO Board.

(ii) Fully completed non-individual application form.

(iii) Fully completed individual application forms in case NGO has Directors.

(iv) A copy of the constitution of the NGO.

(v) Fixed place of abode. This could be evidenced for example by copy of the tenancy agreement or rent payment receipt. In case of owner-occupied premises, a letter to that effect should be attached.
9 Returns of Income

A return of income is a declaration made on a prescribed form to the Commissioner on which income earned or a loss made during the year is declared. It is a legal document which must be signed and dated by the taxpayer or by the taxpayer’s appointed agent and includes a declaration that the return is complete and accurate.

9.1 Who is Eligible to File a Return of Income?

(i) Every taxpayer who has chargeable income, other than a resident individual whose chargeable income is below the threshold.

(ii) In the case of a resident company, a return should be filed for all global income. The threshold does not apply in this case.

(iii) A partnership is also required to file a return of income in its own right as if it pays tax.

9.2 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 income comprises international payments or payments to non-resident public entertainers, sports persons, contractors or professionals.

(ii) A resident individual whose gross income consists exclusively of 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 below the threshold.

9.2.1 **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 the source as a final tax.

Estimated tax by a company is paid in two installments 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 installments on or before the last day of the third, sixth, nineth and twelveth month.

A provisional taxpayer is required to file a provisional return.

9.2.2 **Failure to File Provisional Returns**

The Commissioner has powers to estimate a taxpayer’s gross turnover or chargeable income for a year of income for which the taxpayer has failed to file a provisional return. The estimate is based on the Commissioner’s best of judgement.
9.3 Due date for filing Returns

9.3.1 Provisional Return
A provisional return by an individual should be filed within three months after commencement of the year of income. In the case of non-individuals (companies), a provisional return should be filed within six months after commencement of the taxpayer’s year of income.

Return of Income, i.e. final. The return of income for both individuals and non-individuals including rental income tax, should be filed within six months after the taxpayer’s year of income.

Note: It should be remembered that a return of income by individuals and non-individuals is a self assessment return i.e. the return filed is deemed to be an assessment of chargeable income issued by the Commissioner on the date the return is filed.

9.3.2 Information to be Included in a Return of Income
A person in business is required to include in the return a statement of income and expenditure, assets and liabilities, and any information that comprises a complete set of financial statements for a given year of income. A tax computation showing how the chargeable income and the tax payable was arrived at should also be attached.

Where a person (other than the taxpayer’s employee) is engaged to assist in making a return, he/she must make a declaration that the financial statements included
in the return are prepared on the basis of books of accounts and business records properly maintained, and that they reflect all the transactions.

9.3.3 **Cases of Death, Bankruptcy, Cessation, Liquidation, etc.**

During any year of income, where a taxpayer has died, is bankrupt, wound up, gone into liquidation, is about to leave Uganda indefinitely or the Commissioner considers is appropriate, such a taxpayer may be required to file a return by a specified date.

9.3.4 **Failure to File a Return**

If a liable person fails to furnish a return as required the Commissioner may, in writing, appoint a person to prepare and file the return. This return will be treated as if it were made by the person who should have filed it.

9.3.5 **Unsatisfactory Return of Income**

The Commissioner may require any person whose return is not satisfactory to furnish further information. This normally happens where the return is incomplete or incorrect or lacks supporting information.

9.3.6 **Late Filing of a Return**

A return is said to be late if it is filed after the due date for filing. A person who fails to file a return by the due date is penalised. The penalty is the greater of 2% of tax assessed or ten currency points (Shs 200,000) per month for the period the return has been outstanding.
9.3.7 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 for example sickness, absence from Uganda or such other reasonable cause for the extension.

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.

If the taxpayer is dissatisfied with the Commissioner’s decision on the extension, he may challenge it under objections and appeal procedure.

10 Income 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:

- Providing transport services for passengers and goods
- Tendering process with the Government
- Transferring funds abroad in excess of Shs 50 million
II Assessments

An assessment is the ascertainment of chargeable income and the amount of tax payable on it including penal tax. It also includes any decision of the Commissioner which is subject to objection and appeal under the Income Tax Act. For example, if a taxpayer makes a request for extension of time to file a return and the Commissioner rejects the request, the decision is deemed to be an assessment because the taxpayer can object.

Types of Assessment

Assessments include the following:

(i) Self assessment which is made by the taxpayer through the return of income.

(ii) Assessment notice which is made by the Commissioner in any case in which the Commissioner considers necessary such as where no return has been furnished or the return furnished is unsatisfactory or in cases mentioned in 9.4.3 above.

(iii) Any decision of the Commissioner which is subject to objection and appeal.

Assessment Notice

A notice of assessment is a document issued by the Commissioner under (ii) above specifying:

(i) the amount of chargeable income of the taxpayer,

(ii) tax payable,
(iii) tax paid if any,
(iv) the due date of the payment of the tax,
(v) the time, place, and manner of objecting to the assessment.

12 Objections and Appeals under Income Tax

12.1 Objections

An objection is a communication in writing from a taxpayer to the Commissioner expressing dissatisfaction with an assessment issued.

An objection is valid if it satisfies the following legal requirements:
(i) It is made in writing within 45 days of receipt of notice of assessment.
(ii) It precisely states the grounds upon which the objection is based.

Late Objection

In case of a late objection, a written application to the Commissioner seeking an extension of the time for lodging the objection must be made, stating the grounds for the lateness.

Where an application to lodge a late objection has been made, the Commissioner may grant the extension. In the case where the Commissioner refuses to grant an extension for lodging an objection, the taxpayer may also appeal to the Tribunal to review the objection decision.
12.2 Treatment of an Objection (Objection Decision)

The Commissioner’s response to the taxpayer’s notice of objection is referred to as an objection decision. In the decision, the Commissioner may:

(a) Allow the objection in whole or in part and amend the assessment accordingly.

(b) Reject the objection and confirm the assessment.

The Commissioner shall make the objection decision within 90 days from date of receiving the objection from the taxpayer. Where the Commissioner does not respond within 90 days, the taxpayer may, elect in writing to the Commissioner to treat the objection as having been allowed.

Where the objection has been lodged, 30% of the tax assessed or that part of tax not in dispute, whichever is greater, is payable pending the final resolution of the objection.

12.3 Appeal

An appeal arises where a taxpayer is dissatisfied with the objection decision made by the Commissioner.

The first line of appeal is to request for a review by the Tax Appeals Tribunal, then to the High Court and; to the Court of Appeal.

In some instances, an appeal may be made to the High Court without going to the Tax Appeals Tribunal on matters of law.
Withholding Tax System

The Income Tax Act Cap 340 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 a withholding agent upon making payment to another person.

A withholding agent is the person making payment and obliged to withhold tax; and the recipient of the payment is the payee.

This is a system of collecting tax by a withholding agent on a specified range of payments. These include:

(i) Employment income
(ii) International payments
(iii) Payments to non-resident Contractors or professionals
(iv) Payments on dividends
(v) Payment for Goods and services by Government, Government institutions and designated withholding agents
(vi) Payments on professional fees
(vii) Payment on imports

Withholding Tax on Employment Income

This tax is deducted by the employer from the employment income of every liable employee on a
monthly basis under the PAYE system and is covered under *Part 4.2 of this handbook.*

### 13.2 Withholding Tax on International Payments

Tax is imposed on every non-resident person who derives any dividend, interest, royalty, natural resource payment or management charge from sources in Uganda. The tax is withheld by the payer at the rate of 15% on the gross amount before payment.

However, interest paid outside Uganda by a resident person to a non-resident financial institution in respect of a loan that was secured for purposes of a business in Uganda is exempt from withholding tax.

**Withholding tax on payments to foreign entertainers and sports persons**

Withholding tax at 15% is also due on payments to non-resident public/private entertainers and sports persons who derive income from any performance in Uganda. The obligation to withhold the tax is placed with the person making the payment e.g. promoter, agent, or such similar person.

### 13.3 Withholding Tax on Payments to non-resident Contractors or Professionals

This tax is imposed on every non-resident person deriving income under a Ugandan source service contract. A Ugandan source service contract is a contract under which the principle purpose is the performance of services which gives rise to income
sourced in Uganda, and any goods supplied under the contract are only incidental to the purpose.

A Ugandan-sourced service contract excludes an employment contract. The tax is charged at 15% of the gross amount of payment and the person making the payment should withhold the relevant tax before effecting payment.

**Non-resident service Contracts**

Any person who enters into any service contract with a non-resident is required to notify the Commissioner of the nature and duration of the service contract, and disclose the particulars of the non-resident to whom the payment is to be made, as well as the full contract value.

Basing on this information, the Commissioner may require the payer to withhold tax at a rate specified by the Commissioner.

**Withholding Tax on Interest**

A resident person who pays interest to another resident person is required to withhold tax at 15% of the gross amount of the interest paid. Withholding tax is, however, not applicable where interest is:

- Paid by a natural person (individual).
- Paid to a financial institution.
- Paid by a company to an associated company.
- Exempt from tax in the hands of the recipient.
Where tax is withheld on payment of interest by a financial institution to an individual, the tax withheld is a final tax on the income.

13.5 Withholding Tax on Dividends

A resident company which pays a dividend to a resident shareholder is required to withhold tax at 15% of the gross amount of the dividend paid, except where the dividend income is exempt from tax in the hands of the shareholder. Where the shareholder is a natural person (resident individual), the tax withheld on such dividend income is final and not refundable. However, where the dividend is paid by a company listed on the stock exchange to a resident shareholder, the rate is 10% on the gross amount.

13.6 Withholding Tax on Goods and Services

Where the Government of Uganda, a government institution, a local authority, a company in which government has interest in or any person designated in a notice issued by the Minister of Finance pays amounts in aggregate exceeding Shs 1,000,000 to any person in Uganda for the supply of goods, materials of any kind or services, the payer is required to withhold 6% of the gross amount. The threshold of Shs 1,000,000 is in respect of the total contract value, implying that separate supplies which constitute one contract are subject to the 6% withholding tax regardless of the fact that the amount paid per a single supply or transaction is less than the threshold value.
This provision does not apply to sales by insurance Brokers/Agents i.e. on payment of insurance premiums. The Income Tax (Designation of Payers) Notices 2006 and 2007, designates payers who are required to withhold 6% tax on payment for goods and services, effective 1st day of July, 2006.

**Note:** It is important to remember that not everyone can withhold tax on payment for goods and services.

### 13.7 Withholding Tax on Professional Fees

With effect from 01 July 2001, a resident person who pays management or professional fees to a resident professional is required to withhold tax at 6% of the gross amount of payment. Excluded from this provision are professionals whom the Commissioner is satisfied have regularly complied with the obligations imposed by the Income Tax Act, and those professionals ordinarily engaged as payroll employees.

### 13.8 Withholding Tax on Imports

Every person who imports goods into Uganda is liable to pay withholding tax at 6% based on Customs Value in Uganda, at the time of importation. This provision, however, does not apply to the following categories of imports/persons:

(i) Petroleum or petroleum products including furnace oil other than Lubricants, cosmetics and fabrics or yarn manufactured out of petroleum products.

(ii) Plant and machinery
(iii) Human and animal drugs.
(iv) Scholastic materials.
(v) Imports of exempt organisations/persons.
(vi) Raw materials imported by a manufacturer solely for generating finished products.
(vii) A supplier or importer who is exempted from tax.
(viii) A supplier or importer who the Commissioner is satisfied has regularly complied with the Income tax obligations.

Accountability for Withholding Tax

The withholding agent is required by the Income Tax Act to pay to URA the tax withheld (or that should have been withheld), within 15 days after the end of the month in which the payment was made. In the case of a person about to leave Uganda, the tax should be withheld and paid before the payee leaves.

The agent is further required to maintain and avail for inspection by URA, records of all payments to the payee(s) and the corresponding tax withheld for five years after the end of the year of income to which such records relate.

Except where it is a final tax, tax withheld is a credit against the tax assessed on the payee for the year of income in which the payment is made.

Upon withholding the tax, the withholding agent is required to issue a withholding tax credit certificate to the payee; and then pay the tax to URA.
13.10 Failure to Withhold and/or Remit the Tax

A withholding agent who fails to withhold tax is personally liable to pay to URA the tax which has not been withheld and/or remitted. The agent, however, is entitled to recover the amount from the payee thereafter. URA is mandated to recover the tax from the agent as though it were tax due from such agent together with the accrued interest.
Part C

Value Added Tax (VAT)
Value Added Tax (VAT)

1 Background

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 Cap 349, Laws of Uganda.

2 Definition of Key Terms

2.1 Output Tax

This is the VAT a taxable person charges upon making taxable supplies i.e. tax charged upon selling taxable goods and services.

2.2 Input Tax

This is the VAT a taxable person is charged on taxable purchases and expenses incurred for business purposes. The purchases could be from local sources or imported.

2.3 Taxable Supply

This is a supply of goods and/or services other than an exempt supply, by a taxable person for a consideration.
A Taxable supply is charged to VAT at either zero rate or standard rate.

2.4 **Taxable Person**
This is a person who is either registered for VAT or one who is not yet registered but is required to be registered. Such person may be any of the following: an individual, partnership, company, trust, Government as well as public or local authority e.g. town council.

2.5 **Taxable Value**
This is the total consideration or price for a particular supply. This could be in money or in kind. It is the tax base upon which the VAT rate is applied to compute VAT.

2.6 **Consideration**
This is the total amount paid or payable in money or in kind for a supply of goods or services.

2.7 **Exempt Supply**
This is a non-taxable supply of goods or services that does not attract VAT i.e. neither at zero rate nor at standard rate. These supplies are specified in the Second Schedule of the VAT Act Cap 349.

2.8 **Zero-rated Supply**
This is a taxable supply of goods or services that attracts VAT at 0%. These supplies are specified in the Third Schedule of the VAT Act Cap 349.
2.9 **Standard-rated Supply**

This is a taxable supply of goods or services that attract VAT at a value above zero rate. The current rate is 18% of the taxable amount. These are supplies that are neither exempt nor zero rated.

2.10 **Exempt Import**

An import of goods and services is an exempt import if the goods are either exempt from customs duty under the Fifth Schedule of the East African Community Customs Management Act (EAC-CMA), or would be exempt had they been supplied locally in Uganda i.e. as specified under Second schedule of the VAT Act Cap 349.

3 **Scope of VAT**

VAT is chargeable on both local and imported taxable supplies (goods or services).

The three major categories of supplies where VAT is applied are:

(i) Taxable supply of goods or services made by a taxable person within Uganda. The person liable to tax is the taxable person making the supply.

(ii) **Import of goods** other than those classified by the VAT Act as exempt. The person liable to tax is the person making the importation.

(iii) **Imported services.** The person liable is the receiver of the imported service.
4 VAT Registration

VAT registration is the process of getting eligible persons put or recorded on the VAT Register.

4.1 Key Terms under Registration

4.1.1 VAT Threshold
This refers to the minimum level of taxable turnover above which a person is required to register for VAT. The current annual threshold is **Shs 50 million**. However for registration purposes, this is determined on a quarterly basis. i.e. it is Shs **12.5 million** in any three consecutive calendar months.

4.1.2 Turnover
This is the total value of taxable sales of both goods and services.

4.2 Persons Required / Eligible to Register for VAT

4.2.1 Persons Required to Register for VAT (Compulsory Registration)
There are two categories of persons that are required to register for VAT under the VAT Act. These are:

Persons who make taxable supplies (turnover) in excess of 12.5 million in any 3 consecutive calendar months.

Public bodies that engage in business activities. These include Government Ministries, departments, parastatals, town councils and District...
Administrations among others. These bodies should apply for registration on the date they start dealing in business activities.

The business activities include hall hire, tendering of services, markets, street parking, toilet management services, street bill board adverts and disposal of assets, among others.

4.2.2 Persons Eligible to Register for VAT (Voluntary Registration)

Persons whose taxable turnover is below the VAT threshold are eligible to register if they wish to do so provided they meet the requirements specified in 4.2.3.

4.2.3 General Requirements for VAT Registration

(i) The applicant must have a fixed place of abode or business.

(ii) The applicant should be able to keep proper books of accounts.

(iii) The applicant should be able to submit regular and reliable tax returns.

(iv) The applicant should be a fit and a proper person in the opinion of the Commissioner General.

4.3 VAT Registration Processes

4.3.1 Application for Registration

(a) Application under compulsory basis

Historical test: A Person who makes taxable supplies that exceed the VAT threshold is required
to register for VAT. The person shall apply to register **within 20 days** after a period of three consecutive calendar months if in that period the person’s taxable supplies exceeded a quarter of the annual threshold (currently Shs 12.5 million). For example, if one’s taxable sales in the months of January to March 2011 exceed Shs 12.5 million, that person must apply for registration in the first 20 days of April 2011.

**Future test:** Where a person expects to make taxable supplies of more than a **quarter of the annual threshold** (Shs 12.5 million) in the next three months, that person is required to apply for registration **at the beginning** of that period of the projected **three consecutive calendar months**. This is especially common with contractual jobs where one would be certain of what to earn and when. For example if at the beginning of January one projects that he/she will make taxable sales over shs,12,500,000 in the next three months (from January to March 2011), then that person is required to apply for registration on 1st January 2011.

Furthermore, in case the Commissioner General finds reasonable grounds to believe that the person is required to apply to registration but has failed to register, he/she shall register such person and registration shall take effect as he/she deems.
(b) **Compulsory registration for Public Bodies**

Public Bodies should apply for registration on the date they start engaging in any business activity.

(c) **Application under Voluntary Registration**

The date of application is as per the taxpayer’s choice.

### 4.3.2 Inspection / Notification

This exercise is conducted to confirm the correctness of the information provided in the application form by the taxpayer. It is on the basis of the findings that the decision whether or not to register that person is made and the taxpayer notified accordingly.

### 4.3.3 Effective date of registration

In the case of compulsory registration, the effective date of registration is the first day of the month following the month in which the application was required to be made. For instance, if due date to apply for registration fell in the month of April 2011, effective date of registration would be 1st May 2011.

In the case of voluntary registration, the effective date of registration is the first day of the month following the month in which the application was made. For instance, if the application was in the month of January, 2011, effective date of registration would be 1st Feb. 2011.
4.4 VAT Registration Entitlements

Upon being registered the person will be entitled to Input tax credit on both capital goods and trading stock at hand on the effective date of registration provided they were purchased not more than six months prior to effective date of registration.

4.5 Penalty for late registration

A person who fails to apply for registration by the due date is liable to a penalty of double the tax due from the date the person ought to have been registered to when he is registered.

4.6 Determination of when to apply for Registration (under compulsory registration)

<table>
<thead>
<tr>
<th>Illustration 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>A dry cleaning company made the following sales for the period December 2006 to June 2007</td>
</tr>
<tr>
<td>December 2006 .............................................................................. 3,500,000</td>
</tr>
<tr>
<td>January 2007 ................................................................................ 5,000,000</td>
</tr>
<tr>
<td>February 2007 ............................................................................... 3,000,000</td>
</tr>
<tr>
<td>March 2007 .... 7,340,000 (includes 1,670,000 exempt supply)</td>
</tr>
<tr>
<td>April 2007 .................................................................................... 6,000,000</td>
</tr>
<tr>
<td>May 2007 ....................................................................................... 7,500,000</td>
</tr>
<tr>
<td>June 2007 ...................................................................................... 9,300,000</td>
</tr>
</tbody>
</table>
### Part C – Value Added Tax (VAT)

#### Value Added Tax (VAT)

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Sales</th>
<th>Exempt Sales</th>
<th>Taxable Sales</th>
<th>VAT</th>
<th>Turnover for registration purposes</th>
<th>Three month Turnover G</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 06</td>
<td>3,500,000</td>
<td>-</td>
<td>3,500,000</td>
<td>533,898</td>
<td>2,966,102</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 07</td>
<td>5,000,000</td>
<td>-</td>
<td>5,000,000</td>
<td>762,712</td>
<td>4,237,288</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb 07</td>
<td>3,000,000</td>
<td>-</td>
<td>3,000,000</td>
<td>457,627</td>
<td>2,542,373</td>
<td>9,745,763</td>
<td></td>
</tr>
<tr>
<td>Mar 07</td>
<td>7,340,000</td>
<td>1,670,000</td>
<td>5,670,000</td>
<td>864,915</td>
<td>4,805,085</td>
<td>11,584,746</td>
<td></td>
</tr>
<tr>
<td>Apr 07</td>
<td>6,000,000</td>
<td>-</td>
<td>6,000,000</td>
<td>915,254</td>
<td>5,084,746</td>
<td>12,432,204</td>
<td></td>
</tr>
<tr>
<td>May 07</td>
<td>7,500,000</td>
<td>-</td>
<td>7,500,000</td>
<td>1,144,068</td>
<td>6,355,932</td>
<td>16,245,763</td>
<td></td>
</tr>
<tr>
<td>Jun 07</td>
<td>9,300,000</td>
<td>-</td>
<td>9,300,000</td>
<td>1,418,644</td>
<td>7,881,356</td>
<td>20/6/07 (Apply)</td>
<td></td>
</tr>
</tbody>
</table>

**Step I (Column C & D)**

Exclude exempt sales.

**Step II (Column E)**

Compute VAT on taxable sale using the tax fraction.

**Step III (Column F)**

Deduct VAT from taxable sales.

**Step IV (Column G)**

Add the turnover for the three consecutive months until the Shs 12.5 million three month threshold is surpassed e.g.:

Shs 11,584,746 = (4,237,288 + 2,542,373 + 4,805,085)

**Step V**

Application to register is due within twenty days of the preceding month after attainment of the Shs 12.5 million three month threshold, i.e. 20th June 2007.
4.7 **Deregistration**

This is the process of removing or cancelling a registered person from the VAT register.

### 4.7.1 Conditions for deregistration

(i) When one ceases to make taxable supplies. This may occur when one changes the nature of business from taxable to exempt supplies or through legal re-categorisation of supplies, from taxable to exempt e.g. road construction works changed from being taxable to exempt effective 1st July 2004. It can also be through winding up of business.

(ii) Decline in turnover. This is a two-way test involving:

- Taxable turnover excluding VAT in the last 3 months no longer exceeds 25% of the threshold (currently Shs 12.5 million); and
- Taxable turnover excluding VAT in the last 12 months no longer exceeds 75% of the threshold (currently Shs 37.5 million).

(iii) In the case of a taxpayer registered voluntarily, deregistration can only be effected after 2 years from the date of registration.

### 4.7.2 Process of Deregistration

(a) Application for deregistration arises in two ways:

(i) Upon application in writing by the taxpayer.
(ii) On the Commissioner General initiative if (s)he is satisfied that the taxpayer was **not required** to apply for registration. This happens even if the taxpayer does not apply for it.

(b) The Commissioner General may initiate deregistration under the following circumstances:

(i) When the taxpayer has no fixed place of abode or business premises.

(ii) The taxpayer has no proper accounting/business records for the business carried on.

(iii) The taxpayer does not submit regular and reliable tax returns.

(iv) The taxpayer is not fit and proper in the opinion of the Commissioner General.

**4.7.3 Effective date of deregistration**

Cancellation of registration takes effect at the end of the period (month) in which the de-registration decision is made e.g. if the decision to deregister is on 20th March 2010, deregistration will be effective on 31st March 2010.

**4.7.4 Obligations at date of Deregistration**

Where input tax has been claimed on goods in stock, including capital goods, the deregistered person is liable to VAT on the market value of such goods still in stock.
Illustration 2

Kiyembe Co. Ltd. was compulsorily registered six years back. On June 15, 2007 they applied for deregistration from VAT. A visit was made by URA and the following sales were established for the last 12 months.

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2007</td>
<td>2,500,000</td>
</tr>
<tr>
<td>April 2007</td>
<td>4,100,000</td>
</tr>
<tr>
<td>March 2007</td>
<td>4,400,000</td>
</tr>
<tr>
<td>February 2007</td>
<td>5,670,000</td>
</tr>
<tr>
<td>January 2007</td>
<td>3,000,000</td>
</tr>
<tr>
<td>December 2006</td>
<td>5,000,000</td>
</tr>
<tr>
<td>November 2006</td>
<td>3,500,000</td>
</tr>
<tr>
<td>October 2006</td>
<td>3,950,000</td>
</tr>
<tr>
<td>September 2006</td>
<td>4,200,000</td>
</tr>
<tr>
<td>August 2006</td>
<td>3,000,000</td>
</tr>
<tr>
<td>July 2006</td>
<td>2,550,000</td>
</tr>
<tr>
<td>June 2006</td>
<td>1,500,000</td>
</tr>
</tbody>
</table>

Solution

1. Test the last three months’ sales = 2,500,000 + 4,100,000 + 4,400,000 = Shs 11,000,000 = passes the condition of deregistration i.e. sales are less than Shs 12.5 million.

2. Test the total sales for the twelve months = Shs 43,370,000 (it is 86% of Shs 50 million. This does not pass the condition of deregistration i.e. it would pass if sales were less than 75% of the Shs 50 million, which is Shs 37,500,000.

Therefore Kiyembe Co. Ltd does not qualify to be deregistered. One qualifies only when both conditions are met. In the above illustration, only one was met.
5 Supply of Goods and Services

5.1 Supply of Goods

This includes the following:

(a) An arrangement where the owner parts or would part with the possession of the goods. It includes an agreement of sale or purchase i.e. irrespective of whether goods have changed hands or not.

(b) Supply of electrical, thermal energy, heating, gas, refrigeration, air conditioning or water.

(c) Goods put to own use.

5.2 Supply of Services

This refers to supply of anything which is not supply of a good or money. It includes the following:

(a) Performance of services for another person, for example, accounting, legal, architectural designing, and other services performed by other professionals, consultants, brokers and agents.

(b) Making available any facility or advantage, for instance facilities for hire (halls, tents, gardens, etc.)

(c) The toleration of any situation, or the refraining from the doing of anything. For example, surrender of any rights to stay (in/at), use or enjoy any facility or moment.

Exception: Supply of services by an employee to an employer by reason of employment is not a supply of services for VAT purposes.
5.3 Supply by an Agent

There are two types of agents:

(a) Agents who are dependent on the principal. These are agents whose actions or operations are dictated by the principal. These are mainly commission earners.

Supplies (goods or services) made by these agents are made by or on behalf of the principal (one who is dependent on the principal), and therefore the obligation to account for the tax is on the principal and not the agent.

However, *agency services* provided by the agent to the principal are attributed to the agent. That is, the agent will not be held accountable for goods or services sold on behalf of the principal but will be held accountable for commission earned from the principal for the agency services.

(b) Agents who are independent of the principal. These are persons who are entrusted with supplying goods or services of another person but whose decisions are not dictated by the principal. These usually benefit through discounts and not commission.

5.4 Place of Supply

For a supply of goods to attract VAT, the supply must be made in Uganda.

In the case of goods, the supply takes place where the goods are delivered or made available in Uganda by
the supplier or where it involves transportation, the goods are in Uganda when transportation commences in Uganda if the businesses supplier is in Uganda.

In the case of services, the supply takes place where the services are rendered.

**Note:** However the following should be observed:

(i) The supply of services is physically performed in Uganda.

(ii) The supply of services is in connection with unmovable property.

(iii) The supply of services are radio, television broadcasting services received at an address in Uganda.

(iv) The supply of electronic services in Uganda.

(v) Transfer, assignment or grant of a right to use a copyright, patent, trademark right in Uganda.

(vi) Telecommunication Services initiated by a person in Uganda but not a supplier of telecommunication services for a person roaming temporarily in Uganda.

### 5.5 Time of Supply

This refers to the date on which a supply is deemed to have taken place. The purpose of time of supply is to guide in determining the tax point. Tax point determines the VAT period in which output tax should be accounted for and credit for input tax be taken into consideration.

There are different provisions for the different circumstances as detailed below.
<table>
<thead>
<tr>
<th>No.</th>
<th>Nature of supply</th>
<th>Time of supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Goods/Services applied to own use.</td>
<td>Date on which goods or services are first applied to own use</td>
</tr>
<tr>
<td>b.</td>
<td>Supplies by way of gifts.</td>
<td><strong>Goods:</strong> Date when ownership passes to the recipient.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Services:</strong> Date when the performance of services is completed.</td>
</tr>
<tr>
<td>c.</td>
<td>In case of rental agreements or periodic payments, e.g. rent and monthly billed utilities.</td>
<td>The earlier of the following:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Date when payment is due.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Receipt of the payment for each successive payment.</td>
</tr>
<tr>
<td>d.</td>
<td>Supply under cash basis.</td>
<td>Date when one receives cash to account for output or date when one pays cash to account for input tax credit.</td>
</tr>
<tr>
<td>e.</td>
<td>Ordinary (usual) supply.</td>
<td>The earlier of the following:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Invoice date.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Payment date.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Delivery date.</td>
</tr>
<tr>
<td>f.</td>
<td>Import of goods.</td>
<td>For goods where import duty is payable, time of supply is the date when the duty is payable. Where duty is not applicable, time of supply is the date when goods enter into the country.</td>
</tr>
</tbody>
</table>

5.6 **Mixed Supplies**

Under the VAT regime, supplies are categorised as either goods or services. There are times when a supply of a good involves a supply of a service; or vice versa. This type of supply where one is incidental to the other is referred to as a mixed supply.
Illustration – Uganda Clays
Uganda clays supplies goods i.e. the clay tiles. But after one buys the clay tiles, Uganda Clays Ltd could offer to transport for the customer at subsidised price quoted on the same invoice. The supply of transport service would be incidental to supply goods (the tiles).

6 Calculation of VAT

Computation of VAT occurs at two levels:

(a) VAT on a transaction i.e. a sale or a purchase
(b) VAT payable or claimable by the taxpayer other way put is VAT collectable or refundable by URA.

6.1 Key terms in VAT Computations

6.1.1 Tax rate and Fraction

Tax rate is the percentage that is applied to the consideration for a transaction or taxable value, so as to determine the VAT amount. For example: if the consideration or taxable value is Shs 20,000 and the VAT rate is 18% (18/100), then VAT = 20,000 x 18/100 = Shs 3,600

The Tax fraction refers to the ratio used to determine the amount of VAT where the consideration is inclusive of VAT. The fraction is given by the formula:

\[
\frac{r}{r + 100}
\]

where \( r \) is the VAT rate.
Illustration

If the rate of tax \( (r) = 18\% \) then the tax fraction = \( \frac{18}{(18+100)} = \frac{18}{118} \).
For example if the consideration (VAT inclusive) is Shs 20,000,
then VAT = \( 20,000 \times \frac{18}{118} \) = Shs 3051.

6.1.2 Computation of VAT on a Transaction

\[ \text{VAT} = \text{Taxable value} \times \text{VAT Rate} \] (where taxable value excludes VAT)

Or

\[ \text{VAT} = \text{taxable value} \times \text{VAT ratio} \] (where the amount is VAT inclusive).

See Illustrations in 6.1.1 above.

6.1.3 Computation of VAT Payable or Refundable

\[ \text{VAT} = \text{output tax} - \text{input tax} \]

Where output tax is greater than input tax, the taxpayer pays the difference. Where input tax is greater than the output tax, the taxpayer claims the difference.

Illustration

(a) If output tax = 100,000 and input tax = 77,000 then
\[ \text{VAT payable} = 100,000 - 77,000 = 23,000 \]
(b) If output tax = 100,000 and input tax = 140,000 then
\[ \text{VAT claimable} = 140,000 - 100,000 = 40,000 \]

6.1.4 Conditions for granting Input Tax Credit

To claim input tax, there should be documentary evidence to show:

(i) For local purchases/expenses, there should be an original tax invoice.
(ii) For imports, there should be the customs bill of entry, URA tax receipt or other forms of evidence for proof of payment, airway bill/bill of lading and other documents prescribed under the Customs Management Act.

(iii) The purchases (Inputs) must be for business purposes.

**Exception:** Input tax credit may be allowed where the failure to acquire a tax invoice is not the fault of the taxpayer and the amount claimed is correct. Also if the original tax invoice is lost, one can use a certified copy from the supplier.

### 6.2 Apportionment of Input Tax Credit

For a taxable person that deals in both taxable and non-taxable supplies, input tax credit is apportioned and claim only that part or percentage that relates to taxable supplies/sales using the formula:

\[
\text{Input tax credit} = A \times \frac{B}{C}
\]

Where:

- **A** is the total input tax in the period.
- **B** is the total taxable sales in the period.
- **C** is total sales (both taxable + exempt).

#### 6.2.1 Standard Alternative Method (SAM)

Another method of apportionment called SAM is used when disadvantaged by the above method. It is used when a taxable person obtains an approval from
URA upon application. Under this method, input tax credit is determined as follows:

(i) Claim all input tax that is directly attributable to taxable supplies.
(ii) Disallow all input tax that is directly attributable to exempt supplies.
(iii) Apportion all input tax that is not directly attributable to either taxable or exempt supplies using the above formula \( A \times \frac{B}{C} \).

### 6.3 Non-Allowable Input Tax Credit

The general rule is that input tax incurred for business purposes should be allowed or credited to the taxpayer. However, the VAT Act disallows some input tax credits.

The following input tax credit is not allowed though incurred in respect to business activities.

(a) **Passenger automobiles.** VAT incurred on purchase or importation of passenger automobiles is not credited to the taxpayer. This includes purchase of spare parts, repairs and maintenance of Passenger automobiles.

**Exception:** Input tax is allowed for purchase of passenger vehicles as stock for resale in a business activity and carrying on the business of tour operations.

(b) **Entertainment.** VAT incurred on entertainment is not allowed. Entertainment includes food, drinks, tobacco, accommodation, amusement, recreation, or any other form of hospitality.
Exception:
(i) This can be allowed if the taxpayer is in the business of providing entertainment itself.
(ii) It can also be allowed if supplies were meals or refreshments to the taxpayer’s employees in premises operated by the taxpayer or on behalf of the taxpayer solely for the benefit of the taxpayer’s employees.

(c) **Telephone services.** Ten per cent (10%) of input tax on telephone services is not allowed.

**Exception:** If at the hotel a client was charged output VAT for using the telephone, the corresponding input tax charged to the hotel owner is allowed.

### 6.4 Computation of Tax Payable

**Illustration 3**

Mukunzi Ltd deals in a variety of goods, both taxable and exempt. In the month of July 2007, it operated as follows:

Sales: All VAT inclusive where applicable.
(i) Made standard rated sales worth Shs 236,000,000.
(ii) Made exempt sales worth Shs 350,000,000
(iii) Made zero rated sales worth Shs 500,000,000

Purchases and costs: all exclusive of VAT
(i) Purchase of 1,000 bags of sugar at Shs 50,000 per bag.
(ii) Rent for the month of Shs 40,000,000
(iii) 200 bags of different fruits all at Shs 250,000,000.
(iv) 1,000 cans of milk from Fresh Foods U Ltd at Shs 200,000,000
(v) 20 new refrigerators at Shs 1,500,000 each; of which 10 were used to preserve milk, the balance for fresh fruit salads.
(vi) Staff salaries for the month worth Shs 110,000,000.
(vii) Electricity bill was Shs 5,000,000.
<table>
<thead>
<tr>
<th>Rated</th>
<th>Amount Inclusive</th>
<th>Amount Exc. VAT</th>
<th>Output Tax</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Column: a</td>
<td>Column: b</td>
<td>Column: c</td>
<td>Column: d</td>
</tr>
<tr>
<td>Exempt</td>
<td>350,000,000</td>
<td>350,000,000</td>
<td>0</td>
<td>Exempt</td>
</tr>
<tr>
<td>Zero-rated</td>
<td>500,000,000</td>
<td>500,000,000</td>
<td>0</td>
<td>Taxable</td>
</tr>
<tr>
<td>Standard rated</td>
<td>236,000,000</td>
<td>200,000,000</td>
<td>36,000,000</td>
<td>Taxable</td>
</tr>
<tr>
<td>Total</td>
<td>1,086,000,000</td>
<td>1,050,000,000</td>
<td>36,000,000</td>
<td>Taxable + Exempt</td>
</tr>
</tbody>
</table>

**Solution**

**Step 1**: Determination of output tax, total sales and total taxable sales

\[
\begin{align*}
  C &= 350,000,000 + 500,000,000 + 200,000,000 = 1,050,000,000 \\
  B &= 500,000,000 + 200,000,000 = 700,000,000
\end{align*}
\]
### Step 2(a): Determination of input tax using normal apportionment method

<table>
<thead>
<tr>
<th>Item</th>
<th>Note</th>
<th>Excl. Value</th>
<th>Input Tax (d = c \times \frac{18}{100})</th>
<th>Fully attributable to taxable</th>
<th>Full Attributable Exempt</th>
<th>Not full Attributable to taxable on exempt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>Taxable</td>
<td>50,000,000</td>
<td>9,000,000</td>
<td>9,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rent</td>
<td>Taxable</td>
<td>40,000,000</td>
<td>7,200,000</td>
<td>-</td>
<td>-</td>
<td>7,200,000</td>
</tr>
<tr>
<td>Fruits</td>
<td>Exempt</td>
<td>250,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Milk</td>
<td>Zero-rated</td>
<td>200,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refrigerators</td>
<td>Taxable</td>
<td>30,000,000</td>
<td>5,400,000</td>
<td>2,700,000</td>
<td>2,700,000</td>
<td>-</td>
</tr>
<tr>
<td>Staff salaries</td>
<td>Exempt</td>
<td>110,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Electricity</td>
<td>Taxable</td>
<td>5,000,000</td>
<td>900,000</td>
<td>-</td>
<td>900,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>22,500,000</strong></td>
<td><strong>11,700,000</strong></td>
<td><strong>2,700,000</strong></td>
<td><strong>2,700,000</strong></td>
<td><strong>8,100,000</strong></td>
</tr>
</tbody>
</table>

\[ A = 9,000,000 + 7,200,000 + 5,400,000 + 900,000 = 22,500,000 \]

\[ \text{Input tax allowed} = A \times \frac{B}{C} = \frac{22,500,000 \times 700,000,000}{1,050,000,000} = 15,000,000\]
Step 2(b): Determination of input tax using SAM

(i) Input tax fully attributable to taxable sales (all allowed) = 9,000,000 + 2,700,000 = 11,700,000.
(ii) Input tax fully attributable to exempt sales (all disallowed) = 2,700,000.
(iii) Input tax attributable to both exempt and taxable (apportionable).
(iv) Input tax apportionment =

\[
\begin{align*}
A &= 8,100,000 \\
B &= 700,000,000 \\
C &= 1,050,000,000 \\
A \times \frac{B}{C} &= \frac{8,100,000 \times 700,000,000}{1,050,000,000} = 5,400,000 \\
\text{Total input tax allowed} &= 11,700,000 + 5,400,000 \\
&= 17,100,000
\end{align*}
\]

Step 3(a): Determination of VAT payable using normal method

\[
\begin{align*}
\text{VAT payable} &= \text{Output tax} - \text{Input tax} \\
&= 36,000,000 - 15,000,000 \\
&= 21,000,000
\end{align*}
\]

Step 3(b): Determination of VAT payable using SAM

\[
\begin{align*}
\text{VAT payable} &= 36,000,000 - 17,100,000 = 18,900,000
\end{align*}
\]

7 Tax Invoice

This is a document that is required to be issued by a taxable person upon making a taxable supply. A tax invoice must include the following:

(a) The words “tax invoice” written in a prominent place.
(b) The commercial name, address, place of business, and the tax identification number of the taxable person making the supply.

(c) The commercial name, address, place of business, and the tax identification 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.

(h) Either -

(i) The total amount of the tax charged, the consideration for the supply exclusive of tax and the consideration inclusive of tax; or

(ii) Where the amount of tax charged is calculated under section 24 (2), the consideration for the supply, a statement that it includes a charge in respect of the tax and the rate at which the tax was charged.

8 **VAT Return and Payment of Tax**

8.1 **VAT Return**

A VAT return is a declaration of tax payable or claimable on a form prescribed by the Commissioner General for a tax period.
8.1.1 **Due Date for submitting a VAT return**
A return should be filed within fifteen days after the end of a tax period. For example a VAT return in respect of March 2010 should be submitted within 15 days after 31st March, 2010 i.e. by the 15th of April, 2010.

8.1.2 **Tax Period**
A tax period is one calendar month.

8.1.3 **Penalty for late submission of a VAT return**
Where a taxable person fails to submit a return by the due date, is liable to a penalty whichever is greater of the following:

(a) Shs 200,000 or
(b) 2% per month compounded of the amount on the return, for the period the return is outstanding.

8.2 **Payment of Tax**
Tax is supposed to be paid by taxpayers as it falls due. The due date for paying tax is as follows:

(a) In case of a taxable supply by a taxable person in respect of the tax period, the due date is the date the return for the tax period must be lodged.
(b) In the case of an assessment issued; the due date is the date specified in the notice of assessment.
(c) In any other case, the due date is the date the taxable transaction occurs e.g. VAT on services supplied by international entertainers.
9 VAT Assessments

Assessments are raised by the Commissioner General or a representative of the Commissioner General under the following circumstances:

(i) When a taxable person fails to lodge returns.
(ii) When the Commissioner General is not satisfied with the returns lodged.
(iii) When there are grounds to believe that a person will become liable to pay tax but is likely not to pay the tax due.

9.1 Basis for raising an Assessment

An assessment is based on the taxpayers’ records and information about his business. In the circumstance where proper records are not available the assessment will be estimated based on best of judgement.

9.2 Notice of Assessment

Upon ascertaining outstanding tax, a notice of assessment is issued to the taxpayer specifying the following elements:

(i) The tax payable,
(ii) The date the tax is due and payable
(iii) An explanation of the tax assessed
(iv) The time, place and manner of objecting to the assessment.
10 Objections and Appeals

10.1 Objections to URA assessment

A Person who is dissatisfied with an assessment may object to the assessment within 45 days after the receipt of the assessment notice. The period of objection may be extended by the Commissioner General when good cause is shown on application.

An objection should be in writing stipulating the grounds for the objection.

10.1.1 Objection Decision

An objection decision is a response given by the Commissioner General in respect of the taxpayer’s objection. The Commissioner General may allow the objection in full or part; and amend the assessment accordingly; or may reject the objection and confirm the assessment.

A decision must be given within 30 days from the date of receipt of the objection or else the taxpayer may elect to deem the Commissioner General to have allowed the objection.

10.2 Appeals to the Tax Appeals Tribunal

Where the taxpayer is dissatisfied with the objection decision, he/she may appeal to the Tax Appeals Tribunal within 30 days from the date of receipt of the Commissioner General’s objection decision.
Conditions for Appealing to TAT

(i) The taxpayer is required to pay the greater of tax not in dispute or 30% of the tax in dispute.

(ii) The taxpayer is required to serve a copy of the appeal to the Commissioner General.

10.3 Appeal to the High Court

Any party (URA or taxpayer) that is dissatisfied with the decision of the Tax Appeals Tribunal may appeal to the High Court within 30 days from the date of receipt of the decision of TAT.

An Appeal to the High Court is only on the question of law. The burden of proof lies with the appellant.

Structure of Appeal System.

```
High Court
  ↓
Tax Appeals Tribunal
  ↓
URA Commissioner General
    ↓
Taxpayer
```

VAT Refund

A VAT refund occurs in two ways:

(a) By cash
(b) By an offset
Currently a cash refund is applied when the amount claimable is greater than Shs 5million or where the taxpayer deals in mostly zero rated supplies.

### 11.1 Circumstances under which VAT is refundable

(a) When input tax is greater than output tax, for instance if for a given period the input tax is Shs 500,000 and output tax is Shs 300,000, then the difference of Shs 200,000 would be refunded to the taxpayer.

(b) When a taxpayer pays more than what was supposed to be paid, the excess is refunded. For example if one pays Shs 1,000,000 and it is discovered that the true tax was supposed to be Shs 900,000, then the excess of Shs 100,000 is refunded.

(c) When there is a proven bad debt. A bad debt for VAT refund considers the following:

- Should have been outstanding for a period of at least two years.
- There should be proof that all necessary steps were taken to recover the money to no avail.

(d) When one loses the stock through fire, burglary and any other proven methods.

(e) VAT refund to privileged persons. Privileged persons claim back VAT incurred on all expenses they make in Uganda. Privileged persons include Diplomats, Diplomatic missions e.g. embassies and entities listed in the first schedule of the VAT Act. These must show proof of VAT paid and each
individual expenditure should be exceeding Shs 50,000.

The refund in case of monthly return, is paid within thirty (30) days beyond which interest accrues.

### Administrative Issues

#### Records

The VAT Act and the VAT regulations define the records that a VAT registered person must keep. A Taxpayer is expected to keep records that explain the taxpayer business transactions. These records should be kept for a minimum of six years.

These include:

(i) All business correspondences.

(ii) Orders and delivery notes.

(iii) Appointment and job books/cards.

(iv) Annual accounts including trading accounts, profit and loss accounts and balance sheet.

(v) Bank statements and paying in records.

(vi) Original tax invoices including simplified invoices as well as original debit and credit notes received from suppliers.

(vii) Customs import and export entries.

(viii) Sales records – These are divided into three separate accounts.

(a) Taxable sales at the standard rate and the VAT thereon or VAT charged thereon.
(b) Taxable sales at the zero-rated.
(c) Exempt sales.

(ix) Transit documents
(x) Contracts.
(xi) Computer generated records

Failure to keep proper records attracts a penalty which is equivalent to double the amount of tax assessed for any tax period where the records are improper.

12.2 Offences

Failure to comply with any tax obligation is an offence which is liable to a fine or imprisonment or to both if convicted.
Local Excise Duty

1. Local Excise Duty

1.1 Excise Duty

Excise duty is a tax on consumption of specified goods and services. It is imposed in respect of the supply of specified locally manufactured goods and provision of specified services in Uganda. It is also levied on specified imported goods.

1.2 Imposition of the Tax

This tax is administered under the East African Excise Management Act, Cap 28 while the rates applicable are listed under the Excise Tariff Act 338 of the Law of Uganda as amended.

2. Taxable Value

Local Excise duty is payable on:

- The *ex-factory price* of specified locally manufactured goods. The ex-factory price includes Raw material costs, Direct labour costs, Overhead costs, non-production costs plus profit. Sec 47(i) of EAEMA Fourth schedule Sec. 1.

- Sales value of airtime and talk time

3. Tax Point

This is the point at which the transaction becomes taxable which is at the time of delivery of the excisable products.
4 Licensing

It is a requirement that all persons dealing in excisable goods should get a licence from URA for the purpose of local excise management and regulation. This license is renewed annually.

A license is issued in respect of a factory and class of goods or services.

5 Remission (waiver) of Excise Duty

Excise duty will be waived or exempted under the following conditions:

(a) Where goods are exported
(b) Goods that are returned to the factory

6 Returns and Payment

Dealers in excisable goods and services are required to file monthly returns.

The return of excisable goods is to be submitted by 21st day of the month following the month in which delivery was made; while the return for services is due by the 15th day of the month following the month in which payment for the services was made.

Failure to comply with the requirement leads to penalties as specified in the Act.
7 Tax Computation/ Tax Rates

Local excise duty rates may be ad valorem or specific:

An *ad valorem* rate is a fixed percentage of the value of the goods that is the ex-factory price e.g. 10% of value X.

A *specific* rate is a value of a specific amount of money that does not vary with the price of the good but with its weight, volume, surface, etc. The specific rate stipulates how many units of currency are to be levied per unit of quantity (e.g. sugar is charged at a specific rate of Shs 50 per kg).

**On Goods: (using ad valorem rate)**

Excise duty is payable on the ex-factory price of the manufactured goods. If the Ex-factory price of water (price at delivery) is Shs 1,000 per litre, therefore excise duty will be 10% of the Shs 1000 per litre.

\[
i.e. \text{Ex-factory price} = \text{Shs } 1,000 \\
\text{Excise duty at a given rate (10%) } = 1,000 \times 10%, \\
= \text{Shs } 100.
\]

Total price before VAT will be Ex-factory price plus excise duty.

**OR Total price before VAT = Ex-factory price + Excise duty.**

\[
= 1,000 + 100 \\
= \text{Shs } 1,100
\]

**VAT thereof at a given rate of (18%)**

\[
= 1,100 \times 18% \\
= \text{Shs } 198
\]

**Selling price = Shs 1298**
**On Goods (using specific rate)**

If the total amount of sugar delivered out of the factory is 120,000 kg for a given period, then excise duty on the sugar will be Shs 50 for every kg delivered.

<table>
<thead>
<tr>
<th>i.e. Number of kg delivered</th>
<th>= 120,000 kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise duty on the delivery</td>
<td>= 120,000 × Shs 50</td>
</tr>
<tr>
<td>= Shs 6,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**On services**

Excise duty on services (airtime usage) is payable on the usage charged by the telephone services providers.

**Sec. 2 of the Excise Tariff Act.**

Section 5 of the Excise Tariff Act states that the excise duty shall be charged together with Value Added Tax.

Therefore if the value of Airtime cards is Shs 1,539.

Then excise duty will be 12% of the Shs 1,539 and VAT will be 18% of the Shs 1,539.

<table>
<thead>
<tr>
<th>Therefore cost of airtime card</th>
<th>Shs 1,539</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise duty 12%</td>
<td>= 1,539 × 12%</td>
</tr>
<tr>
<td></td>
<td>= Shs 184</td>
</tr>
<tr>
<td>VAT at 18%</td>
<td>= 1,539 × 18%</td>
</tr>
<tr>
<td></td>
<td>= Shs 277</td>
</tr>
<tr>
<td>Total taxes 30%</td>
<td>= 277 + 184</td>
</tr>
<tr>
<td></td>
<td>= 461</td>
</tr>
</tbody>
</table>

**Selling price of airtime card**

<table>
<thead>
<tr>
<th>= Shs 2,000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>= 461 + 1539</th>
</tr>
</thead>
</table>
### Excise Tariff rates (2011 – 2012)

<table>
<thead>
<tr>
<th>Product</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cigarettes</td>
<td></td>
</tr>
<tr>
<td>(a) Extracts, essences and concentrates</td>
<td>10%</td>
</tr>
<tr>
<td>(b) Cigars, cheroots, cigarillos containing tobacco</td>
<td>150%</td>
</tr>
<tr>
<td>(c) Soft cup (whose local content is more than 70% of its constituents)</td>
<td>Shs. 22,000 per 1000 sticks</td>
</tr>
<tr>
<td>(d) Other soft cup</td>
<td>Shs. 25,000 per 1000 sticks</td>
</tr>
<tr>
<td>(e) Hinge Lid</td>
<td>Shs. 55,000 per 1000 sticks</td>
</tr>
<tr>
<td>(f) Other</td>
<td>160%</td>
</tr>
<tr>
<td>2. Beer</td>
<td></td>
</tr>
<tr>
<td>(a) Made from malt</td>
<td>60%</td>
</tr>
<tr>
<td>(b) Whose local raw material content, excluding water is at least 75% by weight of its constituents</td>
<td>20%</td>
</tr>
<tr>
<td>3. Spirits</td>
<td></td>
</tr>
<tr>
<td>(a) Made from locally produced raw materials</td>
<td>45%</td>
</tr>
<tr>
<td>(b) Other</td>
<td>70%</td>
</tr>
<tr>
<td>4. Wines</td>
<td></td>
</tr>
<tr>
<td>(a) Made from locally produced raw materials</td>
<td>20%</td>
</tr>
<tr>
<td>(b) Other</td>
<td>70%</td>
</tr>
<tr>
<td>5. Soft drinks e.g. soda, Juices Water including mineral waters and aerated waters, containing sweetening matter or flavored</td>
<td>13%</td>
</tr>
<tr>
<td>Product</td>
<td>Rate</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>6. Drinking water</td>
<td></td>
</tr>
<tr>
<td>Mineral water, bottled and other water purposely for drinking</td>
<td>10%</td>
</tr>
<tr>
<td>7. Airtime/Service fee on cellular phones</td>
<td>12%</td>
</tr>
<tr>
<td>8. Landlines and public payphones</td>
<td>5%</td>
</tr>
<tr>
<td>9. Cement</td>
<td>Shs. 500 per 50kg</td>
</tr>
<tr>
<td>10. Fuel</td>
<td></td>
</tr>
<tr>
<td>(a) Motor Spirit (gasoline)</td>
<td>Shs. 850/- per litre</td>
</tr>
<tr>
<td>(b) Gas Oil (automotive, light, amber for high speed engine)</td>
<td>Shs. 530/- per litre</td>
</tr>
<tr>
<td>(c) Other gas oils</td>
<td>Shs. 530/- per litre</td>
</tr>
<tr>
<td>(d) Gas oil for thermal power generation to national grid</td>
<td>Nil, effective 1st March 2006</td>
</tr>
<tr>
<td>(e) Illuminating kerosene</td>
<td>Nil</td>
</tr>
<tr>
<td>11. Sugar</td>
<td></td>
</tr>
<tr>
<td>Cane or beet sugar and chemically pure sucrose in solid form</td>
<td>Shs. 25 per kg</td>
</tr>
<tr>
<td>12. Cane or beet sugar for industrial use</td>
<td>0%</td>
</tr>
<tr>
<td>13. Sacks and bags and other plastics</td>
<td>120%</td>
</tr>
</tbody>
</table>
Part E

Non-Tax Revenue (NTR)
Non-Tax Revenue (NTR)

This refers to duties, fees, and levies that are charged by Government for the provision of specific services and penalties for specified offences. Non-Tax Revenues (NTR) are imposed by specific Acts of Parliament and administered by ministries and other government departments. The NTR directly administered by URA includes stamp duty and motor vehicle licences and fees.

However, URA collects Other Non-Tax revenue (ONT) on behalf of ministries and government departments. The most common examples include:

- Passport fees
- Work permit fees
- Court fees and fines
- Traffic Express penalties
- Land transfer fees
- Royalties
- Business and Company registration fees
- Tender fees

Stamp Duty

This is a duty payable on every document that confers any right or liability upon being created, transferred, limited, extended, extinguished or recorded. These documents are referred to as instruments (currently 66)
and they are listed in the schedule to the Stamps Act as amended and their duty rates specified therein.

Stamp duty payable on specified instruments is either ad valorem (at a percentage rate) or fixed.

The clients of U.R.A who draw, make and execute various instruments for stamp duty include the following:

- Banks / Financial Institutions
- Insurance Companies
- Registrar General’s office
- Registrar of Titles
- Commissioners of Oaths
- Administrator General
- Hire Purchase Companies
- Bonded Ware Houses

Listed below are the most common instruments upon which stamp duty is drawn, made and executed.

**Instruments with a fixed stamp duty rate**

<table>
<thead>
<tr>
<th>No</th>
<th>Instrument</th>
<th>Current rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Affidavit including an affirmation or declaration</td>
<td>5,000</td>
</tr>
<tr>
<td>02</td>
<td>Agreement or Memorandum of an agreement</td>
<td>5,000</td>
</tr>
<tr>
<td>03</td>
<td>Articles of Association of a Company</td>
<td>10,000</td>
</tr>
<tr>
<td>04</td>
<td>Cancellation</td>
<td>5,000</td>
</tr>
<tr>
<td>05</td>
<td>Caveat (Under the Registration of Titles Act)</td>
<td>5,000</td>
</tr>
<tr>
<td>06</td>
<td>Memorandum of Association of a Company</td>
<td>10,000</td>
</tr>
<tr>
<td>07</td>
<td>Partnership</td>
<td>5,000</td>
</tr>
<tr>
<td>08</td>
<td>Policy of Insurance</td>
<td>5,000</td>
</tr>
<tr>
<td>09</td>
<td>Power of Attorney</td>
<td>5,000</td>
</tr>
</tbody>
</table>
Non Tax Revenue (NTR)

<table>
<thead>
<tr>
<th>No.</th>
<th>Instrument</th>
<th>Current rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Promissory Note</td>
<td>5,000</td>
</tr>
<tr>
<td>11</td>
<td>Release of instrument</td>
<td>5,000</td>
</tr>
<tr>
<td>12</td>
<td>Solemn or Statutory Declaration</td>
<td>5,000</td>
</tr>
</tbody>
</table>

**Instruments attracting an ad valorem (percentage) rate**

<table>
<thead>
<tr>
<th>No</th>
<th>Instrument</th>
<th>Current rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Debenture</td>
<td>0.5% of total value</td>
</tr>
<tr>
<td>02</td>
<td>Equitable Mortgage</td>
<td>0.5% of total value</td>
</tr>
<tr>
<td>03</td>
<td>Gift</td>
<td>1% of total value</td>
</tr>
<tr>
<td>04</td>
<td>Hire Purchase Agreement</td>
<td>1% of total value</td>
</tr>
<tr>
<td>05</td>
<td>Lease</td>
<td>Ground rate multiply by the number of the lease term plus premium then multiply by 1% of the total value</td>
</tr>
<tr>
<td>06</td>
<td>Mortgage Deed</td>
<td>0.5% of total value</td>
</tr>
<tr>
<td>07</td>
<td>Security Bond or Mortgage Deed</td>
<td>1% of Total value</td>
</tr>
<tr>
<td>08</td>
<td>Transfer</td>
<td>1% of total value</td>
</tr>
<tr>
<td>09</td>
<td>Capital Duty:</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>On nominal share capital or any increase of it of any company incorporated in Uganda with limited liability</td>
<td>0.5% of the total value</td>
</tr>
<tr>
<td>2</td>
<td>Capital duty on companies listed on the Uganda stock exchange</td>
<td>Nil</td>
</tr>
</tbody>
</table>

2.1 **Motor Vehicle Related fees and licenses**

This consists of fees and licences collectable under the Traffic and Road Safety Act Cap 361, Laws of Uganda.
2.1.1 Motor Vehicle Registration

This is the process of verifying a motor vehicle, its ownership and the allocation of number plates and registration books, including re-registration and alterations.

Registration occurs at different levels:

(i) **First Registration.** This applies to registration of vehicles imported into Uganda.

First Registration is currently carried out in Kampala at the Motor Vehicle Registration Unit (MVRU) within Customs Business Centre (Nakawa) and Malaba Border.

Complete registration includes:

- Issuing a Motor vehicle Registration Card or Logbook.
- Issuance of a Motor vehicle number plate.
- Opening a Vehicle Register.

**Requirements for First Registration**

For a vehicle to be registered, the following must be established:

- The vehicle was legally imported into the country from the country of origin.
- It is fit for the purpose for which it is intended to be used.
- All relevant duties have been paid.
- All other legal documents have been furnished.
- The vehicle was legally exported from the country of origin.
- The importer of the vehicle, other than a motor cycle, must have a Tax Identification Number (TIN).
(ii) **Re-registration.** Re-registration occurs when a previously registered motor vehicle in Uganda is issued with a new series of number plates. This arises under the following circumstances:

(a) Changing from old number plates to new number plates. This requires payment of re-registration fees and new plates.

(b) Changing from duty free to ordinary number plates and vice versa. This requires payment of Import duties on the vehicle at its current value, registration fees and new plates.

(c) Changing from personalised to ordinary number plates and vice versa. This requires payment of re-registration fees and new plates.

### 2.1.2 Transfer of Ownership of a Motor Vehicle

This refers to change of ownership of a motor vehicle from one person to another. This function is currently centralised in Kampala Licensing Office where the motor vehicle files are kept.

Transfer of ownership of a motor vehicle should be done within fourteen (14) days from the date of sale. A person who does not transfer a vehicle on sale within the prescribed time commits an offence and is liable to a penalty or imprisonment or both.

**Requirements for Transfer**

Duly completed and signed transfer forms in quadruplicate.

Where the person is a corporate body, the official stamp/seal must be affixed and a letter of consent to transfer or sell.
Both the transferor and the transferee must present themselves to the Licensing Officer for identification.

2.1.3 **Duplicate Number plate and Registration Book**
A person may apply to obtain duplicate number plates or registration book under the following circumstances:

(i) Where the number plate or registration book is lost
(ii) Where the number plate or registration book is defaced
(iii) In case of a registration book, where the engine particulars have changed

2.1.4 **Owners Transport Vehicle (OTV)**
This is a license that is issued to permit transportation of persons on a vehicle not adopted for the carriage of passengers.

2.1.5 **Driver’s Permit**
A driving permit is a legal document that permits one to drive a motor vehicle on the Road. It is issued to an applicant who is 18 years and above and for specific classes of vehicles. In the process of acquiring the driving permit, it necessitates a person to visit both a URA Licensing office and a Face Technology Centre.

**Types of permits**

1. **Learner’s Drivers permit.** This is a provisional driving permit that allows the holder to learn how to drive a motor vehicle under the supervision of an instructor. This is issued for a renewable period of three months.
2. **Full driving permit.** A full driving permit is issued to a learner driver who has passed a driving test. This is issued for one year or three years and is renewable for similar further periods on expiry. Altogether, there are 12 existing classes, however only 4 classes are permissible for a beginner’s driver’s license. These include:

- Group B (Passenger vehicles up to 7 people and Goods vehicles up to 3.5 tonnes), Group A (Motor Cycles), Group H (Agricultural Tractors) and Group F (Pedestrian controlled Vehicles).

### Drivers Application Types

1. **Driving permit Renewal.** Upon expiry of a driver’s permit, an application for renewal, for a period of one or three years, may be made to any URA licensing office. **Application for renewal should be made within 5 years from the date of issue or renewal; or else the validity of the permit lapses and a new permit must be applied for.**

2. **Addition / Extension of driving classes.** A permit is issued for a specific class or classes of vehicles. However, a person may apply to have a particular class of motor vehicle added to an existing driver’s permit for qualifying drivers.

**Note:** Driving Groups CM (Medium goods vehicles), CH (Heavy goods vehicles), DL (Light Omni Bus), DM (Medium omni bus), DH (Heavy omni bus), G (Engineering Plant), I (Hover vehicles) and E (Combination of vehicles) can only be added on to one’s permit if they are 25 years and above and in case of omni bus classes the applicant must have held group B for at least 5 years.
3. **Duplicate Driving Permit.** This is a replacement permit issued to an applicant when their original driver’s permit is lost, defaced or when one seeks to make legal name changes on the permit.

4. **Foreign exchange driving permit.** This is the issuance of a Ugandan driving permit based on particulars of a foreign driver’s permit, from any other country, for qualifying applicants.

**Note:** International Driving Permits are inadmissible for exchange. Only National driving permits issued by the respective countries’ national traffic authorities are accepted.
Part F

Customs
Customs

Customs Department

The Customs Department of the Uganda Revenue Authority is charged with administering the East African Community Customs Management Act 2004 (EAC-CMA) which provides the legal framework for customs operations.

The major roles of the Customs Department are:

(i) Assessing and collecting revenues from imports, exports and all other dues, in accordance with EAC -CMA.

(ii) Supervising and controlling the entrance and clearance of vehicles, vessels and aircraft engaged in international trade, and the movement of goods and people across the Ugandan borders.

(iii) Promoting exports through facilitation and administration of duty drawback schemes and other incentives.

(iv) Detecting and preventing smuggling and fraud in the Customs administration.

(v) Supervising and controlling all import and export cargo, landed or stored at the various terminals, including Internal Container Depots (ICDs).

(vi) Implementing Government objectives and commitments relating to International and
Regional treaties on trade and other related arrangements.

(vii) Generating and providing timely and quality statistics to facilitate both organisational and national planning.

Unlike the Income Tax and VAT Acts, the EAC-CMA is not limited to Uganda; but covers all countries that are members of the East African Community, which are otherwise known as the Partner States.

## 2 Operating Environment

### 2.1 The East African Community (EAC)

The East African Community is an organisation comprising the independent states of Kenya, Tanzania, Uganda, Rwanda Uganda, Rwanda and Burundi, whose aim is to progressively move from an economic partnership to a political union.

In promoting of international trade between the partner states, a protocol for the establishment of the East Africa Customs Union was signed in 2005.

In 2007 Rwanda and Burundi joined the EAC and became part of the East African Customs Union. The incorporation into the Customs Union was effected in July 2009.

### 2.2 Objectives of the Customs Union

The main objective of the Customs Union is the formation of a single customs territory with trade at the core. Within a Customs Union, partner states
operate as a single customs territory and trading bloc. This enables Partner states to enjoy a wider market for goods and services with a view of enhancing economic development.

This is achieved through:

(i) Elimination of internal tariffs and non-tariff barriers that could hinder trade between the partner states, in order to facilitate formation of one single market and investment area.

(ii) Harmonisation of policies relating to trade between the Partner states and other countries, such as the external tariffs.

2.3 Main Features of a Customs Union

The main features of a Customs Union include the following:

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

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

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

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

(v) A common coding and description of tradable goods (Common Tariff Nomenclature (CTN)).
(vi) A common valuation method for tradable goods for tax (duty) purposes (common valuation system).

(vii) A structure for collective administration of the Customs Union.

(viii) 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.

Such features of the EAC Customs Union are embodied in the Customs Union Protocol and its annexure, Common Customs Law (EAC-CMA) and regulations prescribed by the East African Treaty which in totality impacts on customs operations.

In addition to the EAC-CMA, the Common External Tariff (CET) and the EAC Protocol, there are several international conventions and other instruments designed to harmonise and simplify customs procedures such as; the Revised Kyoto Convention which contains the basic principles for all customs procedures and practices. The Kyoto Convention aims at ensuring integrity, facilitation and control, client service, standardisation, automation and compliance improvement.
3 Definition of Key Terms

3.1 Customs Duty

This refers to taxes levied on imported or exported goods. The two types of customs duties collected under international trade are import and export duty. The duties are listed in the country’s tariff schedule. Duties may be ad valorem or specific.

- An *ad valorem* duty is a fixed percentage of the value of the goods that are being imported e.g. 10% of value \( X \).
- A *specific* duty is a duty of a specific amount of money that does not vary with the price of the goods but with its weight, volume, surface, etc. The specific duty stipulates how many units of currency are to be levied per unit of quantity (e.g. fuel could be charged at a specific duty of Shs 600 per litre. If this were *ad valorem* it would be say 10% of a CIF value which would be determined from time to time.

3.2 Import

This means to bring or cause to be brought into the Partner states goods from a foreign country.

3.3 Imported Goods

These are goods that are brought into the Partner states from a foreign country.
3.4 Goods

These include all kinds of articles, wares, merchandise, livestock and currency, and, where such goods are sold under the EAC-CMA, the proceeds of such sale. Goods may be brought into the Partner states by sea, air or overland as a means of transport.

3.5 Prohibited Goods

These are goods whose importation or exportation is not allowed under the EAC-CMA, for instance narcotic drugs, hazardous wastes, used tyres for light commercial vehicles and passenger cars, all soaps and cosmetic products containing mercury.

3.6 Restricted Goods

These are goods whose importation or exportation is only allowed under specific conditions as provided for by the EAC-CMA. For example, arms and ammunitions, ivory, timber from any wood grown in the Partner states and fresh unprocessed fish, among others.

3.7 Tariff

This is a rate of tax levied on imports or exports.

3.8 CET

This means the Common External Tariff and is an identical rate of tariff imposed on goods imported from foreign countries into Partner states.
3.9 **CIF**

This means Cost, Insurance and Freight.

3.10 **Goods in Transit**

These are goods being conveyed through the customs territory (Partner states) from a foreign country to another foreign country e.g. Goods from South Africa through Tanzania and Uganda to DRC.

3.11 **Import Duty**

This refers to the customs duties that are payable at importation.

3.12 **Export Duty**

This refers to any customs duty payable on exportation of goods.

3.13 **Customs Area**

This is a place appointed by the Commissioner by notice in writing for the deposit of goods subject to customs control.

3.14 **Proper Officer**

Proper Officer means any officer whose right or duty is to require the performance of, or to perform the acts referred to in the EAC-CMA.
4 Customs Procedures

4.1 Declaration of Goods

When goods are brought into a customs area e.g. a border entry point, customs must be informed of the person responsible to fulfill the customs obligations with regard to the goods on board. This can be the owner of the goods or a third party, including customs brokers, agents and transporters referred to as declarants. The importer or his authorised agent (declarant) enters the goods on a Customs Single Bill of Entry or the Single Administrative Document (SAD).

The declarant must furnish a formal report to Customs within 24 hours and make the necessary declaration in respect of the imported goods to the Customs Officer.

The EAC-CMA prohibits the removal of any goods from a Customs area before they have been duly reported and entered. Goods may be entered for:

(i) Direct home use, where goods are entered and paid ready for home consumption.

(ii) Transit, where goods are entered to be moved from one customs area to another and across the border into another country.

(iii) Temporary importation, i.e. where goods are imported temporarily for a specific period of time and intended to be returned after use.
(iv) Warehousing, i.e. where an importer is not ready to clear the goods immediately, the goods must be kept in a customs bonded warehouse until such a time when they can be released.

4.2 Automated System for Customs Data (ASYCUDA)

ASYCUDA is used for processing transactions of all goods imported in, and exported out of the country. The system allows self declaration, assessment and payment of taxes by the importer/exporter.

4.3 Assessment of Duties and Taxes

Determination of tax payable is made using tax rates defined in the customs tariff nomenclature (EAC-CET) or other instruments of the law, which are provided for in the relevant schedules of the EAC-CMA.

In Uganda duties and taxes are payable through self-assessment procedures where taxpayers use Direct Trader Input (DTI) centres to make declarations which are captured into the ASYCUDA system to enable payment of tax in designated banks.

This declaration system provides a quicker and more efficient service with less paperwork. It also provides an effective means of identifying and preventing fraud.

4.4 Selectivity of Documents

Upon payment of taxes assessed, goods are subjected to random selectivity based on risk management
assessment criterion leading to either physical examination or documentary check or direct release of the goods.

4.5 Physical Examination

This refers to the verification of goods to confirm their quantity, quality and description as per the declaration. In case of discrepancy, the goods will be subjected to offence procedures.

4.6 Document Check

This refers to examination of documents for completeness and correctness.

For any importation of goods, the following documents are required for making a declaration to customs:

(i) Bill of lading/airway bill.
(ii) Insurance certificate.
(iii) Pro-forma invoices.
(iv) Commercial invoices.
(v) Certificates of origin.
(vi) Permits for restricted goods.
(vii) Purchase order.
(viii) Packing list
(ix) Sales contract
(x) Any other supporting documents.
4.7 **Direct Release**

Declarations that fully comply with the selectivity criteria are released without being subjected to some customs procedures.

4.8 **Valuation of Goods**

Valuation is the determination of the Customs value for taxation purposes. This then forms the basis for the computation of taxes due on the imported/exported goods.

Valuation is based on the General Agreement on Tariff and Trade (GATT). This is a World Trade Organisation (WTO) agreement which prescribes the following six methods:

(i) Transaction value.
(ii) Transaction value of identical goods.
(iii) Transaction value of similar goods.
(iv) Deductive value.
(v) Computed value.
(vi) Fall back value.

The methods are applicable sequentially and adjusted according to the law. When declaration is not complete and accurate, an uplift of the value may be made based on the ruling international export price of the goods.

In case of failure to declare taxes accordingly, penalties are instituted against the declarant and the importer based on the magnitude of the offence as prescribed under the EAC-CMA.
5 Clearance of Passengers and Baggage

5.1 Clearance of Passengers

Embarking and disembarking passenger clearance is done only at Customs gazetted areas such as airports, seaports, landing sites and points of entry at land borders.

All disembarking passengers must make a declaration to Customs through the Red or Green Channel according to the EAC-CMA.

- Green Channel means “NOTHING TO DECLARE”.
- Red Channel means “SOMETHING TO DECLARE”.

5.2 Passengers’ Baggage and Personal Effects

Baggage and personal effects imported into Uganda by passengers may be declared and due taxes paid or are exempted from taxes in the manner specified below:

(a) General

For goods to be exempted from taxes, the general condition is that the goods must be the property of and in the company of the passenger. They should be for the personal or household use of the passenger and of such kinds and quantities as the Customs Officer may allow and in accordance with the specified restrictions. Any trade goods or goods for sale or disposal to other persons accompanying a passenger are cleared in the same manner as other imported goods on
which duty is payable except that the customs value shall not include air freight.

(b) **Duty Free Allowances for Passengers**

The following items may be imported as duty free items:

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

(ii) Perfume and toilet water not exceeding in all one half litre, of which not more than a quarter may be perfume.

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

The import duty free allowance shall be granted only to passengers who have attained the age of eighteen years.

Goods up to the value of US$ 500 for each traveler, other than the goods specified above, are granted exemption when imported by the traveler in his/her accompanied baggage or upon his person and declared to a proper officer provided the person has been outside Uganda for a period exceeding 24 hours.

6 **Exemptions under the Fifth Schedule of EAC-CMA**

Section 114 of the EAC-CMA provides for exemption of customs duties and taxes on importations by specified categories of people and goods outlined in the 5th Schedule of the law.
Exemptions fall in two broad categories namely specific and general exemptions. Below are some of the examples:

(a) **Specific Exemptions**
These apply to goods imported by or on behalf of;
(i) The President.
(ii) Donor agencies with bilateral or multilateral agreements with the partner states.
(iii) International and regional organisations with diplomatic accreditation.
(iv) Disabled, blind and physically handicapped persons.
(v) Rally drivers (one motor vehicle and parts).

(b) **General Exemptions**
These apply to goods of a general nature that fall in various categories which include the following:
(i) Deceased person’s effects.
(ii) Passenger’s baggage and personal effects of passengers.
(iii) Mosquito nets and materials for the manufacture of mosquito nets.
(iv) Inputs for use in the manufacture of medicaments.
(v) Educational articles and materials as specified in the Florence Agreement.

6.1 **BonaFide Passengers Changing Residence**
The following goods may be exempted under this item when imported, as baggage by a person entering
a Partner state, to whom the proper officer is satisfied is bonafide changing residence from a place outside a Partner state to a place within a Partner state, where the person has neither been granted an exemption under this paragraph nor resided in a Partner state before his arrival other than on temporary non-resident visits:

(i) Wearing apparel.

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

(iii) 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).

6.2 Temporary Visit

The following goods may be exempted under this item when imported as baggage by a person whom the proper officer is satisfied is making a temporary visit not exceeding three months to a Partner state.

(i) Non-consumable goods imported for his personal use during his visit which he intends to take out with him when he leaves at the end of his visit.

(ii) Consumable goods and non-alcoholic beverages in such quantities and of such kinds as are in the opinion of the proper officer consistent with his visit.
(iii) That the goods are imported by a returning resident being an employee of an international organisation the headquarters of which are in a Partner state and who has been recalled for consultations at the organisation’s headquarters.

6.3 Returning Residents

The following goods may be exempted under this category when imported as baggage by a person who the proper officer is satisfied is a resident of a Partner state returning from a visit outside a Partner state and who is not changing residence:

(i) Wearing apparel.

(ii) Personal and household effect which have been in his personal use or household use.

7 Specific Duty

Illustration 1

Acul Ocolo imports 100 cartons of jute bags from Hong Kong. Each carton contains 200 pieces. The CIF Mombasa for the goods is US$ 5,000. The customs duty rate for the jute bags is US$ 0.45 per piece. Assuming the exchange rate is Shs 1,700 to a dollar, determine the customs duty payable.

Solution

Step 1: Deriving customs duty

Applying the duty rate of US$ 0.45 per piece

100ctns × 200pcs .................................................. 20,000 pieces

Import duty (ID) will be;

ID = 20,000 × US$0.45 ........................................... US$ 9,000

ID = US$ 9,000 × 1,700 ........................................... Shs 15,300,000.

Therefore, the customs duty payable is Shs 15,300,000.
# Illustration 2

Assuming Acul Ocolo imports a used motor vehicle from Dubai at a CIF value of US$ 4,300 attracting 25% import duty, VAT of 18%, withholding tax of 6% and environmental levy of 20%. The current exchange rate is Shs 1,700 to a dollar.

## Solution

### Step 1

Convert exchange rate to Uganda shillings.

- Customs value (CIF) = $4,300 × 1,700
- CIF value in Uganda shillings = Shs 7,310,000

### Step 2

- Import duty
- Apply 25% import duty rate to the customs value Shs 7,310,000.
- I.D = Shs 7,310,000 × 25%
- I.D = Shs 1,827,500.

### Step 3

- Value Added Tax at 18%
- The VAT value is derived by adding the customs value to import duty (CIF + I.D)
- VAT value = (Shs 7,310,000 + Shs 1,827,500)
- To derive VAT you apply the VAT rate to the VAT value
- VAT = (Shs 7,310,000 + Shs 1,827,500) × 18%
- VAT = Shs 9,137,500 × 18%
- VAT = Shs 1,644,750

### Step 4

- Withholding tax at 6%
- To derive withholding tax you apply the withholding tax rate to the customs value.
- Customs value = Shs 7,310,000 × 6%
- Withholding tax = Shs 438,600
Step 5

Environmental levy of 20% (Finance Bill 2008/09)
Shs 7,310,000 × 20% = Shs 1,462,000
Therefore, the total tax payable by Acul Ocolo on the vehicle imported from Dubai will comprise of:
Import duty ................................................................. 1,827,500
VAT .............................................................................. 1,644,750
Withholding tax ............................................................ 438,600
Environmental levy of .................................................. 1,462,000
Total taxes payable ...................................................... 5,372,850

Note: Please remember that this total excludes registration fees and other costs.

Illustration 3

Acul Ocolo imported a 1 × 20 container of tiles from Egypt.

Note: Egypt is a member of COMESA so the duty rate is 6%.

On examination, 3 pallets were found with each package consisting of granite, polished porcelain and ceramic tiles. Below are the particulars:

<table>
<thead>
<tr>
<th>Qty and description</th>
<th>Size</th>
<th>Qty sq m total surface area</th>
<th>CIF value</th>
</tr>
</thead>
<tbody>
<tr>
<td>922ctns × 20pcs Porcelain</td>
<td>30cm × 30cm</td>
<td>1,6596.0</td>
<td>US$ 4,978</td>
</tr>
<tr>
<td>357ctns × 6pcs Ceramic</td>
<td>50cm × 50cm</td>
<td>5,355.0</td>
<td>US$ 3,213</td>
</tr>
<tr>
<td>435ctns × 4pcs Granite</td>
<td>60cm × 60cm</td>
<td>6,264.0</td>
<td>US$ 11,282.4</td>
</tr>
<tr>
<td>Total</td>
<td>(d)</td>
<td>(e)</td>
<td>US$ 19,473.4</td>
</tr>
</tbody>
</table>
Computation

**Step 1: Determining customs value**

Convert exchange rate to Uganda shillings
Customs value (CIF)
US$ 19,473.4 × 1,700
= Shs 33,104,780

**Step 2: Deriving import duty**

Apply 6% import duty rate (COMESA rate) to the customs value in Uganda shillings
I.D = 33,104,780 × 6%
I.D = Shs 1,986,287

**Step 3: Determining VAT at 18%**

The VAT value is derived by adding the customs value to import duty and excise duty (CIF + I.D + E.D)
VAT value = CIF + I.D + E.D
To derive VAT you apply the VAT rate to the VAT value
VAT = Shs (33,104,780 + 1,986,287 + NIL) × 18%
= Shs 35,091,067 × 18%
= Shs 6,316,392

**Step 4: Determining withholding tax (WHT) 6%**

Apply 6% withholding tax rate to the customs value in Uganda shillings.
I.D = 33,104,780 × 6%
I.D = Shs 1,986,287
Therefore, the **Total tax payable (T.T.P)** by Mr. Acul Ocolo on tiles from Egypt (COMESA Region) will comprise of:
Import duty .................................................................1,986,287
Excise duty .................................................................NIL
VAT .................................................................6,316,392
Withholding tax ..........................................................1,986,287
**Total tax payable** .................................................10,288,966
8 Export Duty

This refers to any customs duties payable on exportation of goods.

For the EAC, there is a Common External Tariff (CET) where goods are categorised based on the international harmonised commodity description and coding system. However export duty is computed based on the tax rate imposed by the exporting country.

8.1 Examination of Goods

The goods are examined and if the proper officer is satisfied with the valuation and documentation, the goods are released for export. The examination is based on grades ranging from Grade I - IV and the weight per kilogram.

8.2 Export Duty Computation

Determination of export duty involves the following processes:

- Determination of the customs value may be based on the FOB cost or on quantity of the product. For example export tax on hides and skins is determined according to the quantity as illustrated below:

- Determination of the tax payable on export of some specified grades of hides and skins is US$ 0.25 per kilogram as contained in the Finance Act.

Illustration 4

Acul-Ocolo Tanners Ltd is an exporter of hides and skins. They have 10 plates of wet salted hides & skin of various grades and weights and values in a 1 × 20 container with details as here below:
### Computation of Import Duty

**Import duty = Customs value \times Import duty rate**

Customs value = C+ I + F which is cost, insurance and freight.

However, for air freight cargo, value is based on only the cost and insurance (C&I) of the goods. It excludes the cost of freight.

Determination of the tax payable using the tax rates is as defined in the customs tariffs contained in the CET.

The CET stipulates three tax bands (rates) of:

(i) 0% for raw materials.

(ii) 10% for intermediate goods or semi processed goods.

(iii) 25% for finished goods originating outside the EAC.

Furthermore, duty payable may be determined by giving consideration to origin and other existing trade agreements due to preferential rates for example COMESA rates.
Finally, the goods are examined by a proper officer and if satisfied with the valuation and documentation, the goods are released after payment of taxes.

10 Objections and Appeals

10.1 Objection to the Commissioner

A person affected directly by the decision or omission of the Commissioner may lodge an objection within 30 days of the decision or omission and apply for a review.

The Commissioner may extend the period of objection where there is good cause. The Commissioner shall respond to an objection within 30 days of receiving it or else be deemed to have allowed it.

10.2 Appeals to the Tax Appeals Tribunal

A person dissatisfied with the decision of the Commissioner may appeal to the Tax Appeals Tribunal.

A party dissatisfied with the ruling or decision of the Tax Appeals Tribunal may, within 30 days after being notified of the decision or within such further time as the High Court may allow, appeal the decision of the Tribunal in the High Court.

Appeal to the High court is only on the questions of the law.

Structure of the Appeal System.
Part G

Special Features of the Taxes Administered by the URA
Special Features of the Taxes Administered by the URA

1 Payment of Tax

The law allows the Commissioner General to enforce the collection of tax that has been assessed where the assessed person has refused or failed to comply.

In this case, the taxes may be collected using various methods, such as:

1.1 By Distress

Whereby goods on which the assessed person has a claim are sold in order to recover tax.

1.2 By Agency Notice

Whereby a person who has money or other liability of the assessed person is required to pay the held amount directly to the URA.

1.3 From Receivers

They recover debts from the taxpayer.

2 Regulations

The Minister responsible for Finance and in respect of customs taxes at the EAC makes regulations for the better carrying out of the provisions of the main Acts.
The regulations other than for customs are made by way of Statutory Instruments, which include:

(i) The VAT Regulations.
(ii) Distrait Rules.
(iii) Withholding Tax Regulations.

3 Rulings

3.1 Practice Notes

To achieve consistency in the administration of taxes and to provide guidance to taxpayers and officers of the URA, the Commissioner may issue practice notes setting out the Commissioner’s interpretation of the Income Tax Act and Value Added Tax Act. However, practice notes are not binding on the taxpayers though binding on the Commissioner General until revoked.

3.2 Private Rulings

A taxpayer may apply in writing to the Commissioner seeking the Commissioner’s position regarding the application of a taxation Act to a transaction proposed entered into by a taxpayer.

A taxpayer in this case is required to make full disclosure of the circumstances of the transactions and to apply it as stated.

A private ruling can then be made to the taxpayer on the facts disclosed. However where there is any inconsistency between a practice note and a private ruling, priority is given to the terms of the private ruling.
4 Remission of Tax

In some cases, tax cannot be recovered from a taxpayer by reason of:

(i) Consideration of hardship.
(ii) Impossibility, undue difficulty or excessive cost of recovery in such cases.

However, this is subject to the Commissioner General’s opinion which is also subject to the Minister’s approval.

5 Double Taxation Treaties

Uganda has treaties with some countries such as the United Kingdom, Netherlands, South Africa, Denmark, Mauritius, India and Italy, which provide different tax regimes from that in the Income Tax Act i.e. different tax regimes from that in the Income Tax Act i.e. different tax rates for dividends, interest, loyalties, technical and management fees, among others.

**Note:** It is important to observe that the terms treaty or international agreement prevail over the provisions of the Income Tax Act.

6 Taxpayers’ Charter

The URA operates a taxpayers’ charter as shown herein.
The Taxpayers’ Charter

Preamble

The URA Taxpayers’ Charter spells out the rights and obligations of the Taxpayer, guides URA in upholding these rights and facilitates the Taxpayer to meet his or her obligations.

It was launched in 2002 and first revised in April 2006 to accommodate the developments in Uganda Revenue Authority (URA) and later in December 2006 to align it with the Public Service Client Charter and the latest revision in June 2011.

The Charter derives authority from the various Tax laws and Regulations governing the administration of taxes in Uganda and clearly outlines the expectations of both the Taxpayer and the Tax Authority.

It acts as a reference point for the Taxpayers in managing their interaction with URA and provides the Tax body with the necessary benchmark for its Client Service Standards. This is done by recognising its clients as viable partners in the administration and collection of taxes.

The Taxpayers charter is therefore a set of guidelines that guarantees a meaningful relationship between URA and its various stakeholders.
a  Who we are

Uganda Revenue Authority was set up in 1991 by the Uganda Revenue Authority Statute No. 6 of 1991 as a central body for the assessment and collection of specified tax revenue, to administer and enforce laws relating to such revenue and to account for all the revenue to which those laws apply. The Uganda Revenue Authority (URA) is also required to advise the Government on matters of policy relating to all revenue, whether or not this revenue is specified in statute No. 6.

b  URA’S Vision, Mission, Core Values and Tagline

URA’s Vision
To be a model for best practice and innovation in revenue services.

URA Mission Statement
To provide excellent revenue services with purpose and passion.

Core values
- Excellence.
- Integrity.
- Team work.
- Respect.

Tagline
Developing Uganda Together
How we are organized to Serve you

Administration: Uganda Revenue Authority is administered by a Board of Directors, which is the policy making body entrusted with general oversight of the organisation. The Management of URA is headed by the Commissioner General, who at the same time is responsible for two divisions namely:

(i) Public and Corporate Affairs Management: This division manages Uganda Revenue Authority’s interface with the Public through Client’s Relations and Tax Education.

(ii) Research, Planning and Development: This division is entrusted with the overall responsibility to coordinate the planning and monitoring of the implementation of business processes in the organisation.

Administratively, URA has six Departments, as follows:

1 Legal Service and Board Affairs

The main role of the Department is to serve as an in-house legal firm to provide legal services on all issues that may arise in the day-to-day operation of the organisation. The Department represents URA in the courts of law as well as quasi courts.

2 Customs Services Department

This department is responsible for handling all customs issues including assessing and collecting revenues in accordance with the relevant tax laws.
3 Domestic Taxes Department

This department is charged with the responsibility of administering all domestic tax affairs; registration, receipt of returns, filing, auditing, assessments, collections, and refunds. In addition to tax revenue, it also administers non-tax revenue as mandated by Ministry of Finance, Planning and Economic Development.

4 Corporate Services Department

This department is responsible for all the support service functions in the organisation. These include; Research and Planning, Finance, Administration, Information Technology and Human Resources.

5 Internal Audit and Compliance Department

This department offers audit assurance services to other departments on the adequacy of internal control systems and monitors adherence to the set standards.

6 Tax Investigations Department

This department is charged with monitoring and pursuing all cases of tax crime and evasion-related activities.

Specified Targets

Uganda Revenue Authority receives annual revenue targets from its parent Ministry, The Ministry of Finance, Planning and Economic Development. URA’s long-term goal is to collect Revenue that will fully finance the Government recurrent and Development expenditure.
Feedback from clients

URA values feedback and shall continue to inculcate a communication culture through the following initiatives:

- Taxpayers’ Days
- Tax Clinics
- The Annual Taxpayers’ Appreciation Day
- The Annual Client Satisfaction Surveys and
- The Media.

Other tools used to generate feedback from clients include:

- The URA Web portal
- The URA Toll Free line 0800117000
- Suggestion boxes
- The Client Feedback Form

Feedback is invaluable to URA for the following reasons:

- It enables us to know how well we are performing against the parameters put in place. Through this, we are constantly kept in a position to determine our strategic direction.
- It also provides a basis for the short term activities we must carry out in order to satisfy our client.

URA is committed to placing the customer first and shall undertake all possible measures to achieve this.
Managing Complaints

URA recognises that managing feedback is a critical factor in Client Service and is therefore committed to giving instant responses to all complaints raised using established feedback tools.

Accountability

Accountability is a primary tool of ensuring continuity in any relationship.

URA shall:

- Uphold zero tolerance to corruption. We have launched an Integrity Enhancement Project that will oversee integrity issues in URA.
- Avail all the necessary information to all our stakeholders.
- Be responsive to the environmental and societal needs of the community in which we operate through comprehensive Corporate Social Responsibility programs.
- Hold periodic press briefs to keep the public informed in regard to tax and tax related issues.
- Disseminate information to the public on demand through established channels.
- Establish strong internal controls to check on the performance of our procedures.
Performance improvement

URA has embraced several initiatives aimed at improving organisational effectiveness and efficiency including the following:

(i) **Restructuring**: URA reorganised itself to provide a leaner, more efficient and focused institution with a highly motivated and proactive workforce.

(ii) **Attitude Change**: URA shall uphold the Organisational Core Values while undertaking Team Building Events and staff Training to achieve positive behavioural change.

(iii) **URA Client Service Standards**: The standards will provide a benchmark for the measurement of performance levels across the organisation.

Dissemination of information

Is key in the relationship between URA and the Public; and this will be achieved through:

(i) Appointed Regional Spokespersons who deal with all public relations issues in a bid to improve information flow to all stakeholders.

(ii) Developed a Web portal to cater for our vast clientele. This is aimed at giving our clients one quick access to handy material in regard to URA, its processes and procedures.

(iii) Profile and segment all sectors of the business community to enable a focused approach in
designing and conducting Tax sensitisation programs.

(iv) Participate in Exhibitions where Tax Information Centers are established to handle client issues.

(v) Partner with the media to take the tax message to the grass roots.

(vi) Hold periodic press briefings to enlighten the public on current issues pertaining to the Authority or its dealings.

(vii) Produce simplified tax material to benefit its vast clientele.

(viii) Translate simplified tax material in local languages to empower all the taxpayers with tax information.

(ix) Implemented the Taxation course units in the Ugandan School Curriculum.

**h Monitoring and evaluating performance**

URA shall continue to monitor and evaluate performance through a number of avenues. These include:

(i) Periodic client satisfaction surveys – Feedback from such surveys will be used to improve on our service delivery.

(ii) The URA Client Service Standards. These Standards detail how URA shall relate with all her stakeholders. They are an open commitment on what the ‘customer’ should expect as the
minimum service levels from all URA staff. Our stakeholders are encouraged to know the provisions therein and give feedback relating to staff performance.

### Rights of the Taxpayer

#### Equity

You have a right to equity:

- Tax laws and procedures shall be applied consistently to you.
- All your tax affairs shall be handled with impartiality.
- You and your agents shall be presumed honest until proven otherwise.
- You shall always pay the correct tax.

#### Confidentiality

- Your tax affairs shall be kept secret and tax information in our possession shall be used in accordance with the law.

#### Facilitation of Tax Compliance

- You and your authorised agent(s) shall be provided with clear, precise and timely information.
- You shall receive courteous and professional services at all times.
- You will receive timely, clear and accurate responses to your enquiries, complaints or requests.
- You shall be availed with reasons for decisions taken.
- You shall be sensitized about your tax obligations.
4 Objections and Appeals

- Your tax objections shall be attended in accordance with the relevant laws and procedures.
- You shall be facilitated to exercise your right(s) of appeal both within the organization and to an independent tax tribunal in accordance with the law.

5 Prior Notices

- You shall be given prior notice whenever your premise(s) are to be subjected to routine inspection or if an audit is to be conducted.

6 Accountability

- Your tax account shall be promptly updated for the tax paid.
- We shall maintain an updated database of your tax records

7 Tax Refunds

Where a tax refund is due to you, we shall process it within the prescribed time limits under the laws subject to budget refund limits.

8 Processing Returns, Customs Entries and other Documents

- We shall process your tax returns, entries and any other documents relating to your tax affairs as stipulated under the relevant laws.
Customer Care

We shall ensure excellent customer care by:

- Being courteous to you.
- Offering ourselves for constructive criticism and advice from you at all times.
- Receiving and acting promptly on all complaints made against our officers in accordance with the URA staff code of conduct.

Obligation of the Taxpayer

Registration

Ensure that you voluntarily register with Uganda Revenue Authority as a taxpayer.

- This requires you to obtain a Tax Identification Number (TIN), which is free to every applicant and is your unique identifier for all tax purposes.
- You can apply for a TIN online through URA’s e-services.
- Simply visit URA’s web portal (http://ura.go.ug)

Filing Returns and Entries

- File correct Tax Returns, Customs Entries or any forms relating to taxes and other revenue related obligations at the right time and place and as required by law. This can also be done through our e-services.

Tax Payment

- Pay the correct tax at the right time and place as required by the relevant laws.
Cooperation with the Authority

- In handling your tax matters, you and or your appointed agent(s) shall be expected to deal and cooperate only with the Authority’s authorized staff.

Disclosure/ Declaration

- Be honest with URA
- Treat URA staff fairly and with courtesy
- Let URA know if you need an interpreter
- Quote your Tax Identification Number (TIN) for all dealings with URA.
- Comply with the taxation requirements and regulations
- Make full disclosure of information and correct declaration of all transactions at all times. Do not indulge in any form of tax evasion and other illegal practices.

When you are travelling

- Ensure that you have accurately completed all the necessary forms before you reach the arrival / departure processing point.
- Be aware of and comply with customs, quarantine, wildlife, currency and passenger concession requirements.
- Declare your goods on arrival and have them ready for inspection.

When you are importing or exporting cargo

- You may wish to use the services of a licensed customs agent to complete Customs entries and related clearance formalities.
We will regularly review our charter so that it remains relevant and accurate.

If you have any complaints, compliments, queries or suggestions to make, our contacts are:

**Uganda Revenue Authority,**  
**Public and Corporate Affairs Division,**  
**P. O. BOX 7279, Kampala, Uganda.**  
Tel: 0417 442054/5 or 0417 443150  
URA Toll free help line: **0800117000**  
Email: **info@ura.go.ug**  
URA Web portal: **//ura.go.ug**

**Disclaimer:**  
This information is strictly for the purpose of guidance to our clientele and is subject to change on amendment of Tax legislation and any other regulations governing Tax administration.