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TAXATION SERVICES Ltd.

Tax Compliance | Tax Advisory

Uganda Tax (Amendment) Bills/ Proposals for 2022/2023



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April 2022

Background

The Uganda's Minister of Finance Planning and Economic Development tabled Tax Amendment Bills of 2022 before Parliament of Uganda for debate. These Bills include;

- Income Tax;**
- The Tax Procedure Code;**
- Value Added Tax;**
- Excise Duty;**
- Stamp Duty;**
- Traffic & Road Safety; and**
- Tax Appeals Tribunal, Amendment Bills.**

Background...

Once passed into law by the Parliament and assented to by the President of the Republic of Uganda, the Bills will take effect from 01 July 2022.

This presentation summarizes **some of the key proposals** in each Bill and what they mean to you.

Proposals under Income Tax Amendment Bill...

Definition of “beneficial owner” expanded

The definition of ‘beneficial owner’ has been expanded. This is building on the 2019 and 2021 revisions in the law. This definition is relevant in the case of claims to relief under double tax treaties and automatic exchange of information.

Proposals under Income Tax Amendment Bill...

Revision of Rental tax rates for Individuals & partnerships

The bill proposes to revise the rental tax rate applicable to an individual to **12%** of the gross rental income.



**RENTAL RATES FOR INDIVIDUAL
PRIOR TO 1/07/2021**

Example:

Annual rental income...20,000,000

Less:

- 1. Annual threshold..... (2,820,000)**
- 2. 20% to cover costs... (4,000,000)**
- 3. Interest on mortgage....(??)**

Chargeable Income13,180,000

Tax payable at 20% 2,636,000

**RENTAL RATES FOR INDIVIDUAL
AFTER 1/07/2021 (current position)**

Example:

Annual rental income20,000,000

Less:

**75% to cover costs..... (15,000,000)
(subject to URA verification)**

Chargeable Income..... ..5,000,000

Tax payable at 30%1,500,000

PROPOSED RENTAL RATES FOR **INDIVIDUAL**

Example:

Annual rental income20,000,000

Tax at 12%.....2,400,000



For a COMPANY

RENTAL RATES FOR COMPANY (current position)

Example:

Annual rental income....20,000,000

Less:

75% to cover costs.... (15,000,000)
(subject to URA verification)

Chargeable Income5,000,000

Tax payable at 30% 1,500,000

PROPOSED RATES

Example:

Annual rental income20,000,000

Less:

Actual expenses.....(????)
(not to exceed 50% of rental inc)

Chargeable Income..... ..????

Tax payable at 30%????

Proposals under Income Tax Amendment Bill...

Ceiling of allowable expenditure – rental tax for companies

Where the expenditure incurred by the company, exceeds 50% of the rental income, the allowable deduction shall be 50% of the rental income for that year of income and any excess of the expenditure shall be carried forward to the subsequent year of income.

Proposals under Income Tax Amendment Bill.....

Tax on Land Transactions

The bill proposes to offer clarity on Sect 118B(2) by defining a business asset as ;

For the purposes of this section “business asset” means land, the whole or any part of the land, which is used or held for use in any business except land held as a trading stock and includes—

(a) land that is **used in business to generate income** other than land of an individual that is subject to rental tax; or

Proposals under Income Tax Amendment Bill.....

(b) land owned by a company, trust or partnership.

(4) This section shall not apply to—

(a) a seller who the Commissioner is satisfied has regularly complied with the obligations imposed on that person under this Act; or

(b) the disposal of any property by means of gift, bequest, devise or inheritance that does not generate a gain included in business, employment or property income

Proposals under Income Tax Amendment Bill.....

More tax incentives proposed

- **Extension of tax holiday for Bujagali Hydro Power Project for another five years (to 2027);**

Proposals under Income Tax Amendment Bill.....

More tax incentives...

The income of a hospital facility developer, whose investment capital is, for over a period of at least ten years from the date of commencement of business, **at least United States Dollars five million.**

Proposals under Income Tax Amendment Bill.....

Income of a non-resident transporter of cargo or passengers “embarked” outside Uganda is not taxable in Uganda

Bill proposes to add Sect 85(5) as follows;

“For avoidance of doubt income derived from the carriage of passengers who do not embark or cargo or mail which is not embarked in Uganda **is not income derived from a Ugandan-source service contract.”**

Proposals under Income Tax Amendment Bill.....

Amending definition of “exempt Organisation”

- *The bill proposes to amend definition of exempt organisation to;*
- *“a religious, charitable, educational institution or **research institution** whose object is not for profit”*
- *Current definition:*
- *“ religious, charitable or educational institution whose object is not for profit”.*

Proposals under Income Tax Amendment Bill.....

Amortisation of intangible assets in petroleum exploration

- *The bill proposes that if the cost of acquiring an intangible asset is treated as petroleum exploration expenditure, the same shall be amortised at the rate of 100%.*

Proposals under Income Tax Amendment Bill.....

Penalty for failure to file a tax return by a petroleum or mining licensee

The bill proposes a higher penalty for taxpayers in the mining and petroleum sector who fail to file their income tax returns on time. The licensee will be liable to a penalty of not less than USD 50,000 and not exceeding USD 500,000.

Note: Other taxpayers are liable to a penal tax of 2% of the tax payable under the return or 10 currency points per month, whichever is higher.

Tax Procedures Code Bill

Bill proposes more enforcement measures as follows;

- 1. Temporary closure of business until compliance with the requirements of electronic receipting and invoicing (EFRIS) or tax stamps;**

Tax Procedures Code Bill

2. a person engaged in the **construction or extractive industry shall disclose to the Commissioner the names of persons contracted in the course of performance of their duties or business within seven days from the date of signing the contract.**

- A person who fails to comply with the above provision, is liable to pay a penalty of one thousand currency points.”

Tax Procedures Code Bill

More penalties & Fines

1. Making false or misleading statements –
revision of penalty from 200 currency points to
5,500 currency points (110m)

Tax Procedures Code Bill

- Further Tax Penalties

| | |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Failure to affix or activate tax stamps | Fine not exceeding 1,500 currency points or prison not exceeding 10 yrs or both |
| Prints over or defacing of a tax stamp | as above |
| Forgery of a tax stamp | as above |
| Failure to use EFRIS | as above |
| Forgery of EFRIS invoice | as above |
| Interfering with Electronic Fiscal device | as above |
| Offences relating to automatic exchange of information | Fine not exceeding 2,500 currency points or prison not exceeding 10 yrs or both |
| | |

Tax Procedures Code Bill

Payment of informers

Bill proposes to pay informers as follows;

(a) identification of un assessed tax or duty, one percent of the tax or duty assessed or UgShs 15 million, whichever is less; or

(b) recovery of un assessed tax or duty five percent of the tax or duty recovered or UgShs 100m whichever is less.

This section shall not apply to a staff of URA.

VALUE ADDED TAX

Amendments to 2nd schedule (exempt supplies)

1. oxygen cylinder or oxygen for medical use;
2. Repealed subparagraph (sd) – menstrual cups;
3. Repealed subparagraph (fff) – cotton seed cake;
4. the supply of assistive devices for persons with disability;
5. the supply of airport user services charge by Civil Aviation Authority.
6. The supply of furnishings and fittings to a hospital facility developer whose investment capital is at least USD 5,000,000 will also be exempted from VAT.

VALUE ADDED TAX

Amendments to 3rd schedule - Zero rated

- the supply of educational materials including educational materials manufactured in a Partner State of the East African Community;
- the supply of sanitary towels, menstrual cups, tampons and inputs for their manufacture;

Excise Duty Bill

- definition of “fruit juice”, “un-denatured spirits” and “vegetable juice”

“fruit juice” means unfermented liquid extracted from the edible part of a fresh fruit whether the extracted liquid is diluted or not;”

“un-denatured spirits” means spirits, that are not mixed with any substance to render the spirit unfit for human consumption or capable of being rendered unfit for human consumption, including neutral spirits or alcoholic beverages made from neutral spirits that are fit for human consumption

Excise Duty Bill

- definition of “fruit juice”, “un-denatured spirits”
and “vegetable juice”

“vegetable juice” means unfermented liquid extracted from the edible part of a vegetable whether the extracted liquid is diluted or not;”

Excise Duty Bill

Revision in rates

| Item | Current rate | Proposed rate |
|--------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------|
| Opague Beer | 20% or 230 per liter whichever is higher | 12% or 150shs per liter whichever is higher |
| Un-denatured spirit of alcohol volume of 80% or more made from local materials | | 60% or 1,500 shs per liter whichever is higher |
| Un-denatured spirit of alcohol volume of 80% or more made from imported raw materials | | 100% or shs 200 per liter whichever is higher |
| Any other un denatured spirit that is locally produced with alc volume of less that 80% | | 80% or shs 1,700 per liter whicever is higher |

Excise Duty Bill

Revision in rates

| Item | Current rate | Proposed rate |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------|
| Any other un denatured spirit that is imported with alc volume of less that 80% | | 100% of shs 2,500 per litre whichever is higher |
| Undenatured spirits made from locally produced materials that is used in prodn of disinfectants & sanitters for prevention of COVID of alc content not less that 70% | | NIL |
| | | |
| | | |

Excise Duty Bill

Revision in rates

| Item | Proposed rate |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| Fruit juice and vegetable juice, except juice made from at least 30% pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown. | 12% or Shs. 250 per litre, whichever is higher. |
| Any other non-alcoholic beverage locally produced other than the beverage referred to in paragraph (a) made out of fermented sugary tea solution with a combination of yeast and bacteria | 100% or Shs. 2500/= per litre whichever is higher |
| | |
| | |

Excise Duty Bill

Revision in rates

| Item | Proposed rate |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| Sacks and bags of polymers of ethylene and other plastics under HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juices, tea and coffee sacks and bags for direct use in the manufacture of sanitary pad | 40% or 4000/= per kilogram whichever is higher |
| Any other fermented beverages including cider, perry, mead or near beer produced from locally grown or produced raw materials | 30% or shs 550 per litre whichever is higher |
| Construction materials of a manufacturer, other than a manufacturer referred to in item 21, whose investment capital is, at least thirty five million United States Dollars in case of a foreigner or five million United States Dollars in the case of a citizen | NIL |

Stamp Duty Bill

| Item | Current rate | Proposed rate |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
| Agreement relating to deposit of title deeds, pawn pledge of total value | 1% | NIL |
| Security bond or mortgage deed executed by way of security for the due execution of an office or to account for money or other property received by virtue of security bond or mortgage deed executed by surety to secure a loan or credit facility. | 1% | NIL |

Stamp Duty Bill

| Item | Current rate | Proposed rate |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
| TRUST- concerning any property made by any writing including a transfer from a holder of letters of administration or Probate orders to a beneficiary | | 15,000 |
| | | |

Parting shot...

"The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it"

- Ronald Reagan -



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