FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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JUNE 2015

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For further advice or information please contact:

City        Name          Contact Information
Kampala    Charles Oguttu  +312 305800
coguttu@ug.pkfea.com

BASIC FACTS

Full name:    Republic of Uganda
Capital:      Kampala
Main language: English, Swahili, Luganda
Population:   36.82 million (2013 Census)
Major religion: Christianity, Islam
Monetary unit: Ugandan Shilling (UGX)
Internet domain: .ug
Int. dialling code: +256 41 4341 523

KEY TAX POINTS

• Resident companies are taxable on their worldwide income and gains whereas non-residents are subject to tax on income sourced in Uganda.

• The standard rate of corporate income tax applicable to resident and non-resident companies is 30%, although special rates apply to small businesses and mining companies.

• Capital gains and losses only arise in respect of non-depreciable assets owned by a business. Gains are added to and taxed along with ordinary income.

• A tax at 15% is charged on repatriated profits of overseas companies with branches in Uganda.

• VAT is charged at a standard rate of 18% but some supplies are zero rated or exempt.

• Dividends are generally subject to withholding tax where paid to residents or non-residents at a rate of 15% (or 10% where the payer is listed on the Ugandan Stoke Exchange).

• Other payments for goods and services are subject to withholding tax with different rates in some cases depending on whether the recipient is resident in Uganda.

• Income tax is levied on the worldwide income of resident individuals (a foreign tax credit is granted for foreign sourced income not exceeding the appropriate Uganda income tax payable) and on the income of non-resident individuals sourced from Uganda.

A. TAXES PAYABLE

COMPANY TAX

Resident companies are taxable on their worldwide income and gains whereas non-residents are taxed on income sourced in Uganda. Uganda-sourced income is clearly defined for purposes of the

The tax rates applicable to residents and non-residents are as follows:

- For companies (other than mining companies) and retirement funds – 30%;
- For mining companies – calculated according to the following formula:
  \[70 - \frac{1500}{X}\] where \(X\) is the number of percentage points represented by the ratio of the chargeable income to the gross revenue of the company.
- If the rate of tax calculated above exceeds 45%, then the rate of tax shall be 45% and, if the rate of tax calculated above is less than 25%, then the rate of tax shall be 25%.

Special rates of tax apply to income from small businesses (i.e. those businesses where the income does not exceed UGX 50m per year). These presumptive tax rates fall in defined bands/ranges of gross income.

The fiscal year in Uganda runs from 1 July to 30 June. Companies must file a return of income each year by 31 December following the end of the tax year.

A different accounting period (referred to as substituted year) can be opted for by seeking permission from the revenue authorities. In such cases, return of income should be filed within six months of applicable year end.

**CAPITAL GAINS TAX**

Capital gains are added to the income from all other sources and taxed at the rate applicable to that person.

**BRANCH PROFITS TAX**

Non-resident companies are subject to Ugandan corporate income tax in respect of profits earned from branches in Uganda. In addition, the branch is taxed on the repatriated income at the rate of 15%.

**RENTAL INCOME TAX**

Effective July 2014, rental income, expenditure and losses generated by a taxable individual or company is required to be declared in a rental income tax return separate from the usual business income tax return.

**VALUE ADDED TAX (VAT)**

VAT is payable on:

- Every taxable supply in Uganda made by a taxable person;
- Every import of goods other than an exempt import;
- The supply of any imported services by any person.
A taxable supply is defined as ‘a supply of goods or services, other than an exempt supply, made by a taxable person for consideration as part of his business activities’.

A taxable person is a person who is required to be registered under the statute. Persons who are required to be registered are those who:

- During any period of three calendar months make taxable supplies, the value of which exclusive of any tax exceeds one quarter of the annual registration threshold;

- Have reasonable grounds to expect that in any period of three calendar months will make taxable supplies, the total value of which will exceed one-quarter of the annual registration threshold;

- The annual registration threshold is, at present, UGX 50m.

**RATES OF TAX (VAT)**

There are three categories of supplies for VAT purposes: exempt, zero-rated and standard rated. The standard rate is 18%.

Some types of supplies are zero rated or exempt.

**FRINGE BENEFITS TAX**

This is not applicable in Uganda but benefits to employees are valued as per rules of valuation under the Income Tax Act 1997 and added to the employment income to determine the tax.

**LOCAL TAXES**

Local service tax is levied by local authorities on resident individuals (with a few exceptions) who are above the age of 18 and are in gainful employment with effect from 1 July 2008.

Local Hotel Tax was also introduced with effect from 1 July 2008, collected and remitted to the local authority on a monthly based on bands.

**OTHER TAXES**

Excise, import and custom duties are applicable on several items either on ad valorem basis or at specific rates.

**B. DETERMINATION OF TAXABLE INCOME**

**CAPITAL ALLOWANCES**

The Industrial building allowance is 5% on straight-line basis. Effective July 2014, initial allowance deduction on eligible items and industrial buildings was revoked.

The mining allowance is 100% of capital expenditure incurred in searching for, discovering and testing or winning access to deposits of minerals in Uganda.

Start-up costs for a business or expenditure incurred in the initial public offering at the stock market
are allowed at a rate of 25% on a straight-line basis. Horticulture business allowance is 20% on straight-line basis of the capital expenditure incurred in the acquisition or establishment of a horticultural plant or the construction of a greenhouse.

**DEPRECIATION**

Depreciation is allowable on written-down value basis at the following rates:

<table>
<thead>
<tr>
<th>No.</th>
<th>Details</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Computers and data handling equipment</td>
<td>40%</td>
</tr>
<tr>
<td>2.</td>
<td>Automobiles, buses and minibuses with a seating capacity of less than 30 passengers, goods vehicles with a load capacity of less than 7 tonnes, construction and earth-moving equipment</td>
<td>35%</td>
</tr>
<tr>
<td>3.</td>
<td>Buses with a seating capacity of 30 or more passengers, goods vehicles designed to carry or pull loads of 7 tonnes or more; specialised trucks, tractors, trailers and trailer-mounted containers, plant and machinery used in farming, manufacturing or mining operations</td>
<td>30%</td>
</tr>
<tr>
<td>4.</td>
<td>Railroad cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, specialised public utility plant, equipment and machinery, office furniture, fixtures and equipment, any depreciable asset not included in another group.</td>
<td>20%</td>
</tr>
</tbody>
</table>

**STOCK / INVENTORY**

A deduction is allowed for the cost of trading stock disposed of during a year of income. The closing value of trading stock is the lower of cost or market value of trading stock on hand at the end of the year.

**CAPITAL GAINS AND LOSSES**

Capital gains or losses are taxable only if the asset on which the gain or loss arises is owned by a business and is a non-depreciable asset. This is determined by subtracting the cost base of the asset from the consideration received on sale of the asset.

Cost base of the asset is the original cost to the taxpayer as increased by any expenditure incurred to alter or improve the asset which has not been allowed as a deduction. In case of immovable property purchased prior to 31 March 1998, the taxpayer may substitute the market value of the property as on 31 March 1998 for the original cost of the asset.

Capital gains and losses are added or subtracted from the other income of the taxpayer for that year of income and not taxed separately.

**DIVIDENDS**

Dividends are subject to 15% withholding tax except dividends paid by companies listed on the stock exchange to resident individuals which is 10%.

Effective July 2013, dividends have been expanded to include issue of bonus shares. However, the shares are only taxable upon disposal.
INTEREST DEDUCTIONS

Allowable in full except where a foreign-controlled resident company which is not a financial institution has a foreign debt-to-equity ratio in excess of 1:1 at any time during a year of income. A deduction is disallowed for the interest paid by the company during the year on that part of the debt which exceeds the 1:1 ratio.

LOSSES

Assessed losses are allowed to be carried forward and allowed as a deduction in determining the taxpayer’s chargeable income in the following year of income. These are allowed to be carried forward indefinitely.

FOREIGN SOURCED INCOME

The gross income of a resident person includes income derived from all geographic sources and the gross income of a non-resident includes only income derived from sources in Uganda.

INCENTIVES

Industrial zones for the production of exports are being set up and investors locating in these zones will be entitled to:

- A ten-year corporation tax holiday;
- Duty exemption on raw materials, plant and machinery and other inputs;
- Stamp duty exemption;
- Duty drawback to apply on import of goods from domestic tariff area;
- No export tax on goods exported;
- Exemption of withholding tax on interest on external loans; and,
- Dividends repatriated to get relief from double taxation.

From 1 July 2008, the following new incentives were granted:

1) Resident airlines have been granted exemption from income tax and withholding tax on lease rentals.

2) From July 2014, the tax exemption on business income derived from managing, operating and running schools and tertiary educational institutions was revoked.

3) From July 2014, the exemption on interest income earned by a financial institution on a loan granted to any person for the purpose of farming, forestry, fish farming, bee keeping, animal and poultry husbandry or similar operations has been revoked.

4) New agri-processing investments set up outside a 30 km radius of Kampala are exempt from income tax. With effect from 1 July 2009 this has been modified to exempt income of a person derived from agro-processing where the person applies in writing to the Commissioner to be issued with a certificate of exemption at the beginning of his or her investment and invests in new plant and machinery to process agricultural products for final consumption. The process should involve processing of agricultural products grown or produced in Uganda.
C. FOREIGN TAX RELIEF

A resident taxpayer is entitled to a credit for any foreign income tax paid by the taxpayer in respect of foreign-sourced income included in the gross income of the taxpayer.

D. RELATED PARTY TRANSACTIONS

In order to regulate transactions between related parties, Transfer Pricing Regulations have been introduced with effect from 1 July 2011. The regulations shall apply to a “controlled transaction” where a taxpayer, who is a party to the transaction, is located in or outside Uganda. The regulations expressly require that a taxpayer who has transactions with related non-resident or resident entities must prepare transfer pricing documentation. This documentation, for a year of income, must be in place prior to the due date of filing the income tax return for that year.

E. WITHHOLDING TAX

Withholding tax is a final tax on:

- Interest paid by a financial institution to a resident individual;
- Interest paid to any person on treasury bills by the Bank of Uganda;
- Dividends paid to a resident individual.

RATES OF WITHHOLDING TAX

<table>
<thead>
<tr>
<th>Description</th>
<th>Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fees and royalties</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Consultancy, agency fees, etc</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Professional fees</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Dividends&lt;sup&gt;1&lt;/sup&gt;</td>
<td>15% or 10%</td>
<td>15%</td>
</tr>
<tr>
<td>Interest&lt;sup&gt;2&lt;/sup&gt;</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Sports persons and public entertainers</td>
<td>Nil</td>
<td>15%</td>
</tr>
<tr>
<td>Re-insurance premiums</td>
<td>Nil</td>
<td>15%</td>
</tr>
</tbody>
</table>

NOTES:

1. It does not apply where the dividend income is exempt from tax in the hands of a shareholder.
2. It does not apply to residents where: (i) interest is paid to a natural person; and (ii) interest other than interest from government securities paid to a financial institution.

The 6% withholding tax does not apply to taxpayers whom the Commissioner has exempted from withholding tax. Interest on deposit auction funds issued by Bank of Uganda is taxable at 20%. Withholding tax at 10% is applicable on purchase of an asset by a resident person from a non-resident. Interest payment on government securities to non-residents is subject to tax at 20%.

Besides the above, withholding tax is also applicable and charged on import of goods at the rate of 6%.
In case of local transactions of goods and services, 6% withholding tax is applicable where the payer is the Government, a Government body or a company/person designated by the Minister. The rate of withholding on payments to non-residents is reduced in some cases under the provisions of double taxation agreements entered into with a small number of overseas territories (see Section I below).

From July 2014, a person who makes payments for winnings of sports betting or pool betting shall withhold tax on the gross amount of the payment at of 15%. From July 2014, a resident person who makes a payment of premium for reinsurance services to a non-resident person shall withhold tax on the gross amount of the payment at a rate of 15%. This does not apply to reinsurance services provided by a few specified reinsurers.

F. EXCHANGE CONTROL

There are no restrictions on foreign currency flows in and out of the country. Realised exchange gains and losses are taxable/allowable in the year of realisation.

G. PERSONAL TAX

Income tax is levied on the worldwide income of resident individuals and on the income of non-resident individuals from sources in Uganda. An individual will be regarded as resident in Uganda if he or she:

- Has a permanent home in Uganda;
- Is present in Uganda for a period of, or periods amounting in aggregate to 183 days or more in any 12-month period that commences or ends during the year of income;
- Is present in Uganda during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income;
- Is an employee or official of the government of Uganda posted abroad during the year of income.

The income tax rates applicable to resident individuals are as follows:

<table>
<thead>
<tr>
<th>Chargeable income (UGX)</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding UGX 235,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Exceeding UGX 235,000 but not exceeding UGX 335,000</td>
<td>10% of the amount by which chargeable income exceeds UGX. 235,000.</td>
</tr>
<tr>
<td>Exceeding UGX 335,000 but not exceeding UGX 410,000</td>
<td>UGX. 10,000 plus 20% of the amount by which chargeable income exceeds UGX. 335,000.</td>
</tr>
<tr>
<td>Exceeding UGX 410,000</td>
<td>UGX 25,000 plus 30% of the amount by which chargeable income exceeds UGX. 410,000 plus 10% of chargeable income exceeding UGX 10,000,000</td>
</tr>
</tbody>
</table>

The income tax rates applicable to non-resident individuals are:
Uganda

<table>
<thead>
<tr>
<th>Chargeable income (UGX)</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding UGX 335,000</td>
<td>10%</td>
</tr>
<tr>
<td>Exceeding UGX 335,000 but not exceeding UGX 410,000</td>
<td>UGX 33,500 plus 20% of the amount by which chargeable income exceeds UGX 335,000.</td>
</tr>
<tr>
<td>Exceeding UGX 410,000</td>
<td>UGX 48,500 plus 30% of the amount by which chargeable income exceeds UGX 410,000 plus 10% percent of chargeable income exceeding UGX 10,000,000</td>
</tr>
</tbody>
</table>

Where a taxpayer’s income consists exclusively of employment income derived from a single employer and from which tax has been withheld, no tax return needs to be filed.

Small businesses with income not exceeding UGX 50m per year run by resident individuals do not need to file a return.

**H. TREATY RATES OF WITHHOLDING TAX**

<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
<th>Technical / Management Fees (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individuals / Companies (%)</td>
<td>Qualifying Companies (%)</td>
<td>Royalties (%)</td>
<td>Royalties (%)</td>
</tr>
<tr>
<td>Denmark</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>India</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Mauritius</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>South Africa</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Italy</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Netherlands</td>
<td>15</td>
<td>0 - 5</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

**NOTES:**

1. A company is a ‘qualifying company’ if it owns at least 25% of the capital of the company paying the dividend.