



Uganda tax changes affecting extractive industries

There are new changes to the tax legislation that will be a welcome relief not only for those companies in the exploration phase (or contemplating exploration under the new bidding round), but also the prospective petroleum refinery and pipeline.

VAT on Mining and Petroleum Operations

The changes recently introduced to the VAT Act now recognize the fact that for extractive industries (mining, petroleum) VAT only represents an additional cost during the initial stages of exploration and development. Until recently, the VAT element on goods and services were an additional cost to anyone exploring for minerals (the Act also now sets out definitions of Mining Operations, Petroleum Operations, and the Contractors serving such companies).

From now on, those Contractors providing goods and services that are particular to the mining and/or petroleum sector would not physically collect VAT from their clients; instead, the VAT from those companies licensed for mining or petroleum operations (Licensees) will be deemed to have been paid, and neither party would include said VAT in their monthly calculations. This should result in the Contractors being eligible for VAT refunds on any excess VAT paid in, provided that they meet the threshold criteria for vatable supplies set out in the VAT Act.

Reverse-Charge VAT and Withholding Tax

Reverse-Charge VAT applicable on imported services consumed by a Contractor or Licensee is now allowable for credit in terms of their VAT turnover. Thus, Reverse-Charge VAT should no longer represent an additional cost for either recognized Contractors or Licensees.

The Income Tax Act has also expanded their definition of Ugandan source income to include “any payment” arising out of Uganda, however the Withholding Tax rate for non-resident Contractors to Licensees is now reduced to 10% (from the statutory rate of 15%).

Please contact our Tax Department on 0414 343850, tax@deloitte.co.ug or your usual Deloitte contact if you have any queries.