



Keeping you in the loop

Uganda DRAFT Tax Amendment Bills 2022 – 2023

The DRAFT Amendment Bills which propose changes to the Income Tax Act, The Value Added Tax, The Tax Procedure Code Act among others are currently before Parliament for debate. This Alert highlights the key changes to the tax laws as contained in the amendment bills.

Income Tax (Corporate tax, PAYE, WHT)

Interpretation

- Redefinition of “beneficial owner” to mean a natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is conducted, including a person who exercises ultimate control over a legal person or arrangement.
- Introduction of the definition of “legal person” to include a natural person who either directly or indirectly has at least 10% shareholding or voting rights, a natural person exercising control of the legal person through other means including personal or financial superiority; or a natural person who has power to make or influence a decision of the legal person.
- Inclusion of “research institutions / organisations” whose object is not for profit under exempt organisations

Rental income

- Deductible expenses and losses allowable to taxpayers earning rental income shall be capped to 50% of their rental income in that year of income. Any excess shall be carried forward to the subsequent year;
- Repeal of the deduction of interest expense incurred on a mortgage from financial institutions and applied towards the acquisition or construction of premises from which rental income was generated. This is currently an allowable deduction for individuals;
- Change in computation of rental tax for individuals from 30% on chargeable income to 12% on gross rental income.

Income tax exemption

- Extension of income tax exemption for the Bujagali Hydro Power Project from 30th June 2022 to 30th June 2027;
- Exemption from income tax the income of manufacturers making new or additional investment meeting the minimum investment thresholds of USD 35 million (foreigner) and USD 5 million (citizen), sources at least 50% of their raw materials locally and employs at least 100 citizens, operating in or outside industrial parks and free zones over a minimum period of 10 years; and
- Exemption from income tax for a hospital facility developer with an aggregate capital investment of at least USD 5 million over a minimum period of 10 years.
- Guidance for base period in formula for computing value of investment to be considered for tax incentives



Ugandan-source services contract

- Income derived from the carriage of passengers, or cargo or mail not embarked in Uganda does not amount to income derived from Ugandan-source service contract

Definition of the “business asset” for purposes of WHT

- A business asset is defined to mean land, the whole or any part of it which is held for use in any business except land held as a trading stock.
- Exemption from 6% WHT on sale of business asset for compliant taxpayers

Mining and petroleum industry

- The due date of payment of mining or petroleum revenue and other taxes has been changed from seven days after the due date of filing returns to the actual due date of filing the returns.
- Amortisation of an intangible asset at a rate of 100% if the cost of acquiring it is treated as a petroleum exploration expenditure; and
- Penal tax of at least USD 50,000 but not exceeding USD 500,000 to be paid by a licensee who fails to furnish a return or to provide any other document within the prescribed timeline.

Extension of list of listed institutions

- International Development Law Organisation (IDLO) and Foreign, Commonwealth and Development Office (FCDO) (formerly Department for International Development (DFID)) have both been added to institutions whose income is exempt from tax as listed under the First Schedule to the Income Tax Act.

Value Added Tax (“VAT”)

- Amendment to the definition of an exempt imported service to exclude imported services supplied as part of the provision of an exempt supply in Uganda
- Addition of taxpayers to the listed entities that enjoy certain tax benefits under the First Schedule i.e.
 - International Development Law Organization
 - Foreign Commonwealth and Development Office (formerly Department for International Development)
- Addition of exempt supplies to the Second Schedule e.g.
 - Oxygen cylinders or oxygen for medical use;
 - The supply of assistive devices for persons with disability
 - the supply of airport user services charge by Civil Aviation Authority;
- Revocation of exemption from certain supplies previously in the Second Schedule e.g.
 - The supply of menstrual cups
 - Supply of cotton seed cake
- Introduction of a broader definition of the “supply of educational materials” under the Second Schedule to include those materials manufactured from within the EAC that enjoy zero-rated tax benefit
- Zero rating the supplies of menstrual cups, sanitary towels, tampons and inputs for their manufacture

Excise Duty

- Introduction of the definitions of “fruit juice”, “un-denatured spirits”, and “vegetable juice” as technical terms under Section 2
- Revision of excise duty rates and charges on items like locally produced alcoholic and non-alcoholic beverages ranging from 12% to 100% or Ushs 2,500 per liter whichever is higher
- Inclusion of incoming international calls from Tanzania among the exempted calls on which no duty is charged

Tax Procedures Code

- Change of the effective date of expiry of all tax agents' registration to 31st December every calendar year irrespective of their registration commencement date
- Extension of the penalty of Ushs 50 million or double the tax due (whichever is higher) to taxpayers who fail to activate a tax stamp on locally manufactured or imported goods as prescribed by the Minister
- Temporary closure of businesses that do not comply with the requirements of electronic receipting and invoicing or tax stamps
- Requirement for disclosure of information by persons engaged in the construction or extractive industry and introduction of a penalty of Ushs 20 million for failure to comply
- Introduction of penalties for offences relating to misuse of tax stamps for locally manufactured or imported goods as may be prescribed by the Minister
- Introduction of penalties for offences relating to misuse of the electronic receipting and invoicing system
- Introduction of penalties for breaching automatic exchange of information laws
- Introduction of rewards to informers whose information leads to the collection or recovery of tax

Uganda Revenue Authority (URA)

- Granting the Minister of Finance Planning and Economic Development authority by statutory instrument to amend the Second Schedule of the URA Act

Stamp Duty

- Removal of stamp duty on the execution of agreements relating to deposits of title-deeds and pawn pledges
- Removal of stamp duty on the execution of instruments relating to security bonds or mortgage deeds
- Imposition of stamp duty on instruments executed in relation to Trusts concerning any property made by any writing including a transfer from a holder of letters of administration or Probate orders to a beneficiary
- Reduction of the minimum investment capital thresholds from USD 50 million to USD 35 million for manufacturers to qualify for stamp duty exemption on instruments executed under strategic investment projects

Tax Appeals Tribunal Act (TAT)

- increase in the number of other Tax Appeals Tribunal members from four to eight, in addition to the chairperson



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