**A GUIDE TO TAXATION OF THE REAL ESTATE SECTOR**

**FY 2021-2022**

**AN OVERVIEW**

Real estate is property made up of land and the buildings on it, as well as the natural resources of the land including uncultivated flora and fauna, farmed crops and livestock, water, and any additional mineral deposits.

**What are the main segments of the Real Estate sector?**

* **Land**

Land is the baseline for all types of real property. Land typically refers to undeveloped property and vacant land. Developers acquire land and combine it with other properties and rezone it so they can increase the value of the property.

* **Residential real estate**

The residential sector focuses on the buying and selling of properties used as homes or for nonprofessional purposes. The residential real estate sector is comprised of single-family homes, apartments, condominiums, planned unit developments, and more.

* **Commercial real estate**

The commercial sector consists of real estate used for business purposes; common types include shopping malls, retail, office spaces, hotels, or other spaces used for business purposes.

* **Industrial real estate**

The industrial real estate segment is comprised of properties used for manufacturing and production, such as factories, plants, and warehouses.

**How to formalize a Real Estate sector business/ company registration in Uganda?**

The legal requirements for the incorporation / registration / formation of a company in Uganda are contained in the Companies Act, 2012. All businesses in Uganda are required to register with Uganda Registration Service Bureau (URSB) to formalize their legal status. The entity will receive either a Certificate of registration (if registered in your own names or business names) or Certificate of Incorporation if registered as a Limited liability company.

The legal status is to be registered and cleared by different interest stakeholders below who have stake in the entity business.

**Which laws and policies should a Real Estate business comply to?**

Upon registration, real estate entities are required to comply with the requirements of statutory bodies like;

* Uganda Investment Authority (UIA)
* Ministry of lands, housing and urban development.
* National Environment Management Authority (NEMA)
* KCCA/Local government

**REGISTRATION WITH URA**

A person liable to pay tax under a tax law shall apply to the Commissioner for registration with Uganda Revenue Authority (URA). On successful registration, the Commissioner shall issue to every applicant a Tax Identification Number (TIN). A person’s TIN shall be indicated on any return, notice, communication, or other document furnished, lodged, or used for the purposes of a tax law. A TIN is personal to the person to whom it has been issued and shall not be used by another person. Note: A TIN is obtained free of charge and therefore no one should charge you for it.

**DIRECTIVE TO MINISTRIES, GOVERNMENT DEPARTMENTS, AGENCIES AND INSTITUTIONS ON USE OF TINS**

Section 135(3) of the Income Tax Act (ITA), requires that every local authority, Government institution, or regulatory body shall require a Tax Identification Number from any person applying for a license or any form of authorization necessary for purposes of conducting any business in Uganda.

**What is a TIN?**

TIN stands for Tax Identification Number. A TIN is a 10-digit number which acts as an account of a taxpayer with Uganda Revenue Authority (URA). It shall be used for identification of each taxpayer, communication with URA and shall be used for all tax purposes under all tax laws.

**What are the requirements for tin registration?**

The key requirements for TIN registration include;

* For an individual: A National ID or any two of the following identification documents; Village ID, Employment ID, Passport, Driving Permit, Voter’s Card, Bank Statement, Work Permit, Financial Card, Visa, NSSF Card etc. This is also applicable to company directors.
* For a non-individual: Certificate of Incorporation/Certificate of Registration, Company Form 20 showing the directors of the company, and any other legal documents that confirms existence.
* For an individual with business, a business registration certificate is required.
* In case the directors do not have TINs, then their application(s) must be submitted together with the company application form under “group registration”.
* A valid email address and a mobile telephone number
* A referee – any person known to applicant and has a TIN
* An employee shall attach proof of employment

**How can one apply for a TIN?**

A TIN can be acquired through any of the processes below:

1. Through the URA Web portal:
2. Visit the URA web portal
3. Under e-Services, select register for taxes
4. Choose the appropriate registration form for individual or non-individual
5. Complete the form by filling in the mandatory fields (boxes)
6. Submit the completed form
7. Receive notification of approved or rejected TIN application
8. Download the appropriate registration form (Individual or Non-Individual),
9. Complete the form by filling in the mandatory fields (boxes)
10. Upload and submit online the completed form
11. Receive an acknowledgment notice
12. Print a copy of the form and sign it and together with the necessary attachments submit to the nearest URA office.
13. Receive notification of approved or rejected TIN application m. Print TIN Certificate sent to the email registered with URA from anywhere

**How can I register for a TIN in case I fail to register online?**

In case a taxpayer cannot register online, he or she can walk into any of the URA offices or One Stop Centre located in any Municipality or KCCA division and assistance shall be provided to complete the registration process. Ensure that you move along with the necessary attachments as listed above.

In case of failure to do any of the above, call the Contact Centre: 0800217000 or 0800117000 (Toll free) or send an email to services@ura.go.ug

**What are the benefits of acquiring a TIN?**

* Acquiring a TIN enables you to
* Import or export goods within and outside Uganda.
* Claim tax benefits that accrue to you e.g. tax refunds etc.
* Access bank loans.
* Acquire a license or any form of authorization necessary for purposes of conducting any business in Uganda from Local Government / KCCA, government institution or regulatory body.
* Register your Motor Vehicle ¬ Process land transactions of 10 Million UGX and above.
* Process land transactions of 10 Million UGX and above.

***It is mandatory for both parties (the seller and buyer) involved in land transactions of 10 million and above to have a Tax Identification number (TIN)***

The TIN acts as a security measure on transactions regarding some assets e.g. already validated motor vehicles, titled land since a notification is automatically sent to the owner’s TIN account and registered email.

**NOTE:** A local authority, government institution or regulatory body shall not issue a license or any form of authorization necessary for purposes of conducting any business in Uganda to any person who does not have a Tax Identification Number including one issued by foreign tax authorities with whom Uganda has a tax treaty or agreement for the exchange of information.

**TAXPAYER RIGHTS AND OBLIGATIONS**

|  |  |
| --- | --- |
| **Rights**  | **Obligations** |
| * To object to tax assessments where you are not contented with the tax assessed and even appeal for a review or to the Commissioner General, or to courts of law where you feel you have not been given satisfactory hearing.
* You have a right to equity:
* Tax laws and procedures shall be applied consistently to you
* All your tax affairs handled with impartiality
* You and your agent(s) shall be presumed honest until proven otherwise
* You shall always pay the correct tax
* Your tax affairs shall be kept secret and any tax information in our possession shall be used in accordance with the law.
* You and your authorized agent(s) shall be provided with clear, precise and timely information.
* You will receive courteous and professional services at all time
 | * Comply with all the taxation requirements and regulations.
* Make full disclosure of information and correct declaration of all transactions at all times.
* Pay the correct tax at the right time and place as required by the relevant laws.
* Not indulge in any form of tax evasion and other illegal practices.
* 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.
* Quote your Tax Identification Number (TIN) for all dealings with URA.
* Request for a proper receipt for all your purchases and keep records properly
 |

**BOOK KEEPING AND ACCOUNTS FOR TAX PURPOSES**

It is very important for taxpayers to;

* Keep proper records of all business transactions in English language;
* Keep records such that it is easy to determine their tax liability;
* Keep records for five years after the end of the tax period to which they relate for future purposes.
* In case a record is necessary for a proceeding which started before the end of the
* year period, a taxpayer shall keep the record until the end of the proceedings.
* The records kept should contain sufficient transaction information and should be saved in a format that is capable of being recovered and converted to a standard understandable record format.
* A taxpayer who wishes to keep records in a different language or currency shall apply in writing with clear reasons to the commissioner for permission.
* Where a record is not in English, the taxpayer will be required to meet the cost of translation into English by a translator approved by the Commissioner. However, the taxpayer shall file a tax return or provide other correspondence with the Commissioner in English.

**WHEN IS A PERSON DEREGISTERED BY URA?**

A person who no longer fulfils the registration conditions may, in the prescribed manner, apply to the Commissioner to be deregistered.

* The Commissioner shall by notice in writing, deregister a person if he is convinced that the person no longer satisfies the registration conditions
* A person who temporarily closes a business with an intention of resuming, shall not be deregistered but apply to the commissioner in writing to have his TIN deactivated and later on reactivated when they resume business

**What happens if a person fails to register for a tin, cancel a registration or notify the commissioner of a change in registration or circumstances?**

The penalty for a person who fails to apply for registration, cancel a registration or notify the Commissioner of a change in registration or circumstances is;

1. a fine not exceeding Shs. 3,000,000 or imprisonment not exceeding six years or both on conviction if the failure/act was done knowingly or recklessly.
2. to a fine not exceeding Shs. 1,000,000 or imprisonment not exceeding two years or both on conviction in any other case. The penalty to be paid under this section shall be recovered and collected as unpaid tax.

**Is using a false tin an offence?**

A TIN is personal to the person to whom it has been issued and shall not be used by another person.

A person who uses a false TIN on a tax return or other document prescribed or used for the purposes of a tax law, knowingly or recklessly or not, commits an offence and is liable on conviction to a fine not exceeding Shs. 3,000,000 or imprisonment not exceeding six years or both

**What penalties does oneface for failure to maintain proper records?**

The penalty for knowingly or recklessly or not failing to maintain records as required under any tax law is a fine not exceeding Shs. 2,000,000 or imprisonment not exceeding six years or both on conviction.

**Note**: A taxpayer, who cannot effectively handle his tax matters, can appoint a tax agent to transact with URA on his/her behalf.

**USE OF TAX AGENTS**

**Who is a tax agent?**

A tax agent is a person licensed by the Tax Agents Registration Committee (TARC) to handle tax related issues on behalf of the taxpayer. An agent can be an individual, partnership, or company. An agent engages in the following activities on behalf of the taxpayer:

* Preparation, certification, and filing tax returns, or other statements or reports required by the Authority. 6 A guide to taxation of the real estate sector
* Preparation of requests for ruling, petitions for reinvestigation, protests, objections, requests for refund or tax certificates, compromise settlements and/or reductions of tax liabilities and other official papers and correspondences with the Authority.
* Attending meetings and hearings on behalf of the taxpayer in all matters relating to a taxpayer rights, privileges or liabilities under the laws administered by the Authority.

**Who requires a tax agent?**

Taxpayers who need tax advisory services maybe helped by tax agents.

**TAX TYPES APPLICABLE TO THE REAL ESTATE SECTOR RENTAL INCOME TAX RENTAL INCOME TAX**

Rental income tax is tax charged on every person who has rental income for every year the person has earned rental income and is computed separately regardless of whether the person is an individual or a company.

Rental income is the total amount of Income derived by a person; individual or non-individual (company, partnership, trust retirement fund, government/ its agencies) for the year of income from the lease of immovable property in Uganda.

**IMPORTANT**: When declaring to URA, rental Income is treated separately and is not added to any other income Difference between rental income tax and property tax.

* Rental Income tax is different from Property tax. Rental income tax is paid to URA whereas Property tax is paid to the local government.
* Rental income tax is only paid when a person is letting out their immovable property (land or building) to another person and is earning income from it, but property tax is paid by a landlord for a commercial building (excludes residential), as long as it is occupied, it does not matter even if it is the landlord occupying it.

**Rental tax Computation**

**Step I**: Determine the total annual gross rental income (R) from all sources of the company

**Step II**: Deduct up to 50% of the annual gross rental income as allowance for expenditures and losses R-50%R = Chargeable income

**Note that**; the claimed expenses shall be subject to verification by Uganda Revenue Authority, therefore only expenses that have been incurred in the generation of rental income for the company can be claimed.

**Step III**: Determine rental income tax at 30%

Tax payable = 30% x chargeable income

**EXAMPLES**

1. **Individuals**

**Scenario**: If Gross rent say, Shs.6, 000,000 per annum, Expenses include: security guard (2,000,000), clearing services (800,000), repairs (500,000) and interest on mortgage is 800,000, calculate the rental tax payable

**Step I**: Determine Gross rent from all sources of the individual =Shs.6, 000,000

**Step II**: Deduct the threshold of 2,820,000 UGX

= 6,000,000 – 2,820,000

**Note**: No other deductions allowed

Chargeable income = 3,180,000

**Step III**: Calculate rental income tax at 12%

= 12/100 x 3,180,000

Rental tax payable

= 381,600 UGX

1. **Partnerships**

Using the calculation above, if Amos and Robert were in a partnership and their stake is in a ratio of 2:3, then;

**Partner Amos**

= 2/5 x 381,600

= 152,640 UGX

**Partner Robert**

= 3/5 x 381, 600

= 228,960 UGX

Therefore, Partner Amos will pay UGX 152,640 while Robert will pay UGX 228,960

**Companies**

**Scenario I:** If a company earns Ugx. 30 million out of which Ugx. 15 million was from rental property, Expenses include cleaning services (3,000,000), security guard (4,000,000) and repairs (4,000,000),

Rental tax is calculated as follows

**Step I**: Determine Gross rent from all sources of the company

=Shs.15, 000,000

**Step II**: Deduct up to 50% of the annual gross rental income as allowance for expenditures and losses.

Total expenses

=3,000,000+4,000,000+4,000,000 =11,000,000

**However**; Allowable expenses = 50% X15, 000,000 =7,500,000

Chargeable rental income =15,000,000 - 7,500,000 =7,500,000

**Step III**: Calculate rental income tax at 30%

= 30/100 x 7,500,000

Rental tax payable = 2,250,000 UGX

**INCOME TAX**

Any person dealing in real estate business is required to be registered for income tax. Income tax applies generally to all types of persons who derive income, whether an individual, nonindividual or partnership.

A person dealing in real estate business and also has another business besides real estate is required to pay tax on income derived from that other business.

**Note:**

* When declaring to URA, rental Income is treated separately and is not added to any other
* Resident persons are taxed on worldwide income, while non-resident persons are taxed only on income derived from sources in Uganda. The taxpayer is required to make a self-assessment by calculating taxable income and then calculate the tax due on that income. The taxpayer’s calculations are reviewed by revenue officials when returns are filed to ensure that the declarations made are correct. The income tax rates apply differently to;
* Tax payers with small businesses.
* Non-Individuals
* Individuals
1. **Tax rates for small business/ Presumptive**

This is imposed on small tax payers (both individuals and non-individuals) whose annual turnover is below UGX 150 million. The presumptive tax rates are based on turnover, however there is a standard of record keeping. Small business with no records will pay tax on a fixed basis whereas t hose with records will pay tax as a percentage of turnover.

**Schedule for the computation of “presumptive” income tax for small businesses**

|  |  |
| --- | --- |
| **GROSS TURNOVER** | **TAX PAYABLE** |
|  | **With Records** | **Without Records** |
| Gross turnover does not exceed UGX 10 million | Nil | Nil |
| Gross turnover exceeds UGX 10 million but does not exceed UGX.30 million | 0.4 % of annual turnover in excess of 10 million | UGX. 80,000 |
| Gross turnover exceeds UGX 30 million but does not exceed UGX 50 million | UGX 80,000 plus 0.5% of the annual turnover in excess of 30 million | UGX. 200,000 |
| Gross turnover exceeds UGX 50 million but does not exceed UGX 80 million | UGX 180,000 plus 0.6% of the annual turnover in excess of 50 million | UGX. 400,000 |
| Gross turnover exceeds UGX 80 million but does not exceed UGX 150 million | UGX 360,000 plus 0.7% of the annual turnover in excess of 80 million | UGX. 900,000 |

**Note**: The presumptive process provides an option for the taxpayer to select the business location, type of business, and generate an assessment/Payment Registration Slip which also acts as the RETURN for that year of income.

**B) Tax rates for non-individuals in business.**

The income tax rate for a company i.e. a body of persons, corporate or unincorporated, created or recognized under any law in Uganda or elsewhere, is 30% of the entity’s CHARGEABLE INCOME (gross income less tax allowable deductions.)

**Income tax worked example for a non-individual in business.**

The table below shows the income statement for Ziadi Investments Limited for the period 1/01/2019 to 31/12/2019

|  |  |  |
| --- | --- | --- |
| **SALES/REVENUE** | **UGX** | **UGX** |
| Sell of land | 875,025,000 |  |
| Sell of buildings | 291,675,000 |  |
| **Total Sales** |  | **1,166,700,00** |
| **COST OF SALES** |  |  |
| **Total Cost Of Sale** |  | **(370,428,000)**  |
| **EXPENSES** |  |  |
| Pay Roll | 332,177,000 |  |
| Employees Benefits | 56,865,000 |  |
| Direct Expenses | 54,835,000 |  |
| Bill board adverts | 33,834,000 |  |
| Media publicity | 11,667,00 |  |
| Utilities | 37,334,000 |  |
| Administrative Expenses | 46,668,000 |  |
| **Total Expenses** |  | **(573,380,000)** |
| Profit Before Interest And Tax |  | 222,892,000 |
| Interest |  | (84,000,000) |
| Profit Before TAX |  | 138,892,000 |
| **TAX =30% of 138,892,000 UGX** |  | **41,667,600** |

**C) Tax rates for Individuals in Business**

 The income tax rate for individuals depends on the income bracket in which the individual falls. Resident individuals enjoy a tax free annual income threshold of UGX. 2,820,000 per annum. The balance is taxed at 10%, 20% or 30% depending on the income bracket. Individuals who earn above UGX 120,000,000 per annum pay an additional 10% on the income above UGX 120 million.

**N.B CY represents chargeable income**

|  |  |
| --- | --- |
| **ANNUAL CHARGEABLE INCOME (CY) IN UGX** | **RATE OF TAX** |
| **Residents** |
| **0 to 2,820,000** | Nil |
| **2,820,000 to 4,020,000** | (CY – 2,820,000UGX) x 10% |
| **4,020,000 to 4,920,000** | (CY – 4,020,000UGX) x 20% + 120,000UGX |
| **4,920,000 to 120,000,000** | (CY – 4,920,000UGX) x 30% + 300,000UGX |
| **Above 120,000,000** | [(CY – 4,920,000UGX) x 30% + 300,000UGX] + [(CY – 120,000,000UGX) x 10%] |

|  |  |
| --- | --- |
| **ANNUAL CHARGEABLE INCOME (CY) IN UGX** | **RATE OF TAX** |
| **Non-residents** |
| **0 to 4,020,000** | CY x 10% |
| **4,020,000 to 4,920,000** | (CY – 4,020,000UGX) x 20% + 402,000UGX |
| **4,920,000 to 120,000,000** | (CY – 4,920,000UGX) x 30% + 582,000UGX |
| **Above 120,000,000** | [(CY – 4,920,000UGX) x 30% + 582,000UGX] + [(CY – 120,000,000UGX) x 10%] |

**INCOME TAX WORKED EXAMPLE FOR A RESIDENT INDIVIDUAL IN BUSINESS**

Using the example of Ziadi Investments Limited above; assuming the business is owned by Shakira Kakeeto a resident individual trading as Ziadi Investments Uganda, the tax payable would be:

Solution

 The chargeable Income UGX 138,892,000 falls in the bracket (above UGX 120,000,000) [(CY – 4,920,000) x 30% + 300,000] + [(CY –120,000,000) x 10%]

{(138,892,000-4,920,000) \*30%+300,000} + {(138,892,000-120,000,000) \*10%} =42,380,800 Tax payable =UGX 42,380,800

**PAYE AS YOU EARN**

 •Any person dealing in real estate and offers employment is required to be registered for Pay As You Earn (PAYE). Employment refers to a;

•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.

**What is meant by Cash received by the employee and benefits in kind?**

 Employment income includes gross cash received in form of; salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, allowances (entertainment, duty, utility, welfare, housing, medical, sitting, transport or any other allowances).

Benefits in kind include use of employer office Motor vehicle for personal errands, free accommodation, use of driver, domestic workers and free utilities (power, water) paid by the employer on behalf of the employee. The benefits in kind are computed using particular formulae in the 3rd Schedule of the Income Tax Act.

 The PAYE is tax withheld from all employees earning a salary income above the stated threshold as per the Income Tax Act and filed by the employer to URA by the 15th of the following month.

 1) Please **Note:**

 2) It is an obligation of the employer (not the employee) to deduct PAYE on a monthly basis and furnish the return by the 15th of the following month. The amounts withheld should also be paid over to URA by the 15th of the following month to avoid interest charges.

**The PAYE rates are applied based on the person’s resident status as shown in the table below. PAYE Tax rates that apply for both Residents and Non-Residents.**

|  |  |
| --- | --- |
| **CHARGEABLE INCOME (CY) UGX (MONTHLY)** | **RATE OF TAX** |
| **RESIDENTS** |
| **0 to 235,000** | Nil |
| **235,000 to 335,000** | (CY – 235,000UGX) x 10% |
| **335,000 to 410,000** | (CY – 335,000UGX) x 20% + 10,000UGX |
| **410,000 to 10,000,000** | (CY – 410,000UGX) x 30% + 25,000UGX |
| **Above 10,000,000** | [(CY – 410,000UGX) x 30% + 25,000UGX] +[(CY – 10,000,000UGX) x 10%] |

|  |  |
| --- | --- |
| **CHARGEABLE INCOME (CY) UGX (MONTHLY)** | **RATE OF TAX** |
| **Non-residents** |
| **0 to 335,000** | CY x 10% |
| **335,000 to 410,000** | (CY – 335,000UGX) x 20% + 33,500UGX |
| **410,000 to 10,000,000** | (CY – 410,000UGX) x 30% + 48,500UGX |
| **Above 10,000,000** | [(CY – 410,000UGX) x 30% + 48,500UGX] +[(CY – 10,000,000UGX) x 10%] |

**PAYE worked examples for resident employee**

1. Kamonde is a resident employed by Jonayi property agents ltd. He earns a monthly salary of UGX 200,000. Is the company obliged to deduct PAYE tax from Kamonde?

 Solution; No, because Kamonde’s monthly salary is less than the threshold UGX 235,000 so his salary does not attract PAYE.

1. If Kamonde in addition to the monthly salary of UGX 200,000 is given travelling monthly allowance of UGX 95,000 and medical monthly allowance of UGX 55,000. Monthly allowance for accommodation UGX 150,000

 Compute his monthly amount of PAYE to be deducted from Kamonde’?

Solution;

 **Computation of Monthly Employment Income**

Salary 200,000

Travelling allowance 95,000

 Medical allowance 55,000

Accommodation allowance 150,000

**Total {chargeable income} 500,000**

Computation of the PAYE to be deducted:

{500,000 falls under the bracket (Exceeding Shs. 410,000 but not exceeding 10,000,000)} Thus the PAYE applicable will be (30% of the amount by which chargeable income exceeds Shs. 410,000 + 25000

Chargeable Income 500.000

Less 410.000

Balance 90,000

30 % 27,000

 Add 25,000

**Tax there on in UGX**  **53,000**

**PAYE worked examples for non-resident employee.**

1. Mr. Brown is a non-resident employed by Jonayi property agents ltd. He earns a monthly salary of UGX15, 000,000. Compute his monthly amount of PAYE to be deducted?

**Solution**

15,000,000 falls under the bracket (Exceeding UGX 410,000)

Thus PAYE = (48,500 + 30% (15,000,000 - 410,000)) + 10% (15,000,000 - 10,000,000) = UGX 4,925,500

**What is withholding tax (WHT)**

Withholding tax (WHT) is income tax that is withheld at source by one person (withholding agent) upon making payment to another person (payee).

**Who is a Withholding Agent**

 A withholding agent is a person legally obliged to withhold tax on payment. To become a withholding agent one must;

* Be on the list of selected / designated withholding agents published by the Minister of finance in a gazette or
* Be making a payment on a transaction that is required by law to be deducted from WHT.

**Can Withholding taxes be final or creditable?**

* Under the final withholding tax system, the amount of income tax withheld by the withholding agent is constituted as a full and final payment of the income tax due from the payee on the said income. The payee is not required to file an income tax return for the particular income that has faced final withholding tax.
* Under the creditable withholding tax system, taxes withheld on certain income payments are advance tax payments which are offset against a final tax liability in an assessment for a particular year of income. The payee required to file an income tax return to report the income and/or pay the difference between the tax withheld and the tax due on the income.

**Which payments should qualify from WHT?**

**Employment income**: Tax is deducted by the employer from the employment income of every liable employee on a monthly basis under the PAYE system.

**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.

**Payments to non-resident Contractors or professionals:** Tax is imposed on every non-resident person deriving income under a Ugandan source service 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 the payment.

**Payments 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. 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.

**Payment for Goods and services:** Any payment of amounts in total exceeding Shs. 1,000,000 to any person in Uganda for the supply of goods, materials of any kind or services, 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.

**Payments to insurance agents:** An insurance service provider who pays commission to an insurance agent is required to withhold 10% of the payment.

**Payments to advertising agents**: A person who makes a commission payment to an advertising agent is required to withhold 10% of the gross amount of the payment.

**Can taxes be withheld from Payments on purchase of an asset?**

* A resident person who purchases an asset from a non-resident person is required to withhold tax on the gross amount of the payment at the rate of 15%
* A resident person who purchases a business or business asset is required to withhold tax at a rate of 6%

**For example:**

If Jane who has been earning rental income from a property, decides to sell that property. The purchaser of Jane’s property is required to withhold tax at the rate of 6%.

**What is the responsibility of Filing a WHT return and Payment of WHT?**

The responsibility for payment of the tax rests primarily on the person making payment as a withholding agent. Thus, in case of his/her failure to withhold the tax or in case of under withholding, the under-collected tax becomes due from the withholding agent.

A WHT Agent is required to pay the tax withheld within 15 days after the end of the month in which the payment subject to withholding tax was made by the WHT Agent. Note; this is not only for PAYE but also all other Withholding taxes.

**What is capital gains tax**?

Capital gains arise from the disposal of a business asset that is not a depreciable asset, such as land and buildings.

Where a business asset say a building is sold; the Capital gain is the excess of the consideration over the cost base of the asset. Contrarily, 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 incurred in acquiring the asset and it includes the market value at the date of acquisition of any consideration in kind given for the asset. In the calculation of capital gains tax on a business asset, one will consider inflation among other factors that influence the asset value. However, **this consideration only applies where the asset is sold after 12 months from the date of purchase of that Asset.**

The prescribed formula for computing the cost of acquisition of the business asset with inflation considered is:

CB x CPID/CPIA, where;

CB is the cost of the business asset or expense incurred;

CPID is the Consumer Price Index number published for the calendar month of sale; and

CPIA is the Consumer Price Index number published for the month immediately before the date on which the business asset was acquired

**Illustration:**

Ziadi investments Limited purchased a building in June 2015 for shs.10, 000,000 and rented it out. The company decided to sell the building in August 2016 for shs.25, 000,000. The Consumer Price Index for 2015 is 153.25 and for 2016 is 181.67

In this case, the cost of acquisition of the building with inflation considered would be;

10,000,000 x 181.67/153.25 = 11,854,486

Where CB=10,000,000

CPID=181.67 CPIA=153.25

So, the taxable capital gain would be 25,000,000 – 11,854,486 = 13,145,514 And tax at 30% would be Shs.3, 943,654.

**If the building was purchased and sold within 12 months from the date of the purchase**, the capital gains would be computed with no consideration for inflation by deducting the original purchase price (cost base) from the selling price. So, the taxable capital gain would be 25,000,000 – 10,000,000 = 15,000,000 and tax at 30% would be Shs.4, 500,000.

**What is value added tax (VAT)?**

VAT is an indirect tax on consumption charged on value added to taxable supplies at different stages in the chain of distribution. Taxable supplies are goods or services supplied by a taxable person i.e. persons registered or required to register for VAT purposes. Taxable supplies are not exempt and can either be; Standard rated at 18% VAT or Zero-rated at 0% VAT

The threshold for VAT registration is an annual turnover of taxable supplies of Shs.150 million, or Shs. 37.5 million in the first 3 consecutive months. Voluntary Registration

1. The Commissioner General shall register a person who applies for registration and issue to that person a certificate of registration including the VAT registration number (TIN) unless the Commissioner General is satisfied that;
2. the person has no fixed place of abode or business; or
* the Commissioner General has reasonable grounds to believe that that person :–
* will not keep proper accounting records relating to any business activity carried on by that person;
* will not submit regular and reliable tax returns as required by Section 31; or • is not a fit and proper person to be registered

**VAT ON INCOME FROM COMMERCIAL PROPERTY OR SERVICE APARTMENTS**

Where the property is used for commercial purposes or is a service apartment and the income earned is beyond 37.5 million shillings every three consecutive months or 150 million shillings annually, a person who receives such income is obliged to register for VAT and charge VAT.

**Note;** Some transactions are beyond the scope of VAT and these are classified as Exempt supplies. Supplies on which VAT is charged at 0% are classified as zero-rated supplies.

**VAT ON SALE OF LAND**

Undeveloped land is VAT exempt and developed land (where utilities, structures, and other developments have been put on the land) is charged VAT at the standard rate.

**VAT ON SALE OF COMMERCIAL PROPERTY OR SERVICE APARTMENTS**

Where the property is being sold as a going concern, no VAT is charged. For example, Ziadi investments limited has a commercial building where it earns rental income and is selling the building to another person who will continue with the same business(rental) without making any significant changes for a period of at least two years. The sales agreement/contract should clearly state that.

However the following conditions must be fulfilled;

* Both the purchaser and buyer should be VAT registered
* The nature of the business will not change after the transaction.
* The purchaser and seller should within 21 days of the sale, notify the Commissioner General in writing of the details of the sale.

**Note:** A mere disposal of an asset used by the business is not a supply of a going concern and therefore not VAT exempt.

**IMPORTANT:**

**Issuance of e-invoices or e-receipts by all VAT registered taxpayers**

It is mandatory for all VAT registered taxpayers to issue e-invoices or e-receipts as no tax credit is allowed or claimable on purchases unless they are supported by e-invoices or e-receipts.

**What is the period for claiming input tax?**

The law allows a period of six (6) months from the date of issue of the invoice within which a person can apply for an input tax credit.

**What is customs duty?**

These are taxes which are charged on all goods entering into or leaving our country. The taxes charged depend on the Value and nature of the item imported.

**Below are the Steps we follow when computing customs duties**

Step 1 Determine Customs Value (CV);

Step 2 Convert the Customs Value to Local Currency (UGX);

Step 3 Classify the item (HSC) as per the common external tariff;

Step 4 Determine taxes collectable

Step 5 Apply the duty rates on the Customs Value

**Customs duties comprise of.**

1. **Import duty**

This is a tax collected on imports and some exports not listed in the exemption schedule by URA. It is based on the customs value of the goods that are imported. The customs value is Cost, Freight and Insurance up to Mombasa or cost and insurance if by Air. The rate of import duty is either 0%, 10%, 25% or more for sensitive items like wheat and powdered milk.

***NB****. For more information on import duty rates, please refer to our common external tariff book on the portal under tax assistant, A-Z tax topics. Formulae for calculating import duty*

* Import Duty (ID) = ID rate x Customs value
* VAT = VAT value x 18%= (ID+EXD+CV) x 18% Where;

ID= Import duty EXD= Excise duty CV= Customs value

**b) Excise duty at Importation**

This tax is only charged on specific goods imported at varying rates.

Formulae for calculating excise duty

* Excise duty (EXD)= EXD value x EXD rate= (ID + Customs value ) x EXD rate

**c) VAT at importation**

This is a tax on consumption charged on taxable goods imported into the country and is charged at a rate of 18% if the importer is registered for VAT and at 15% on the 18% of the value if the importer is not registered for VAT but importing taxable goods of a value of UGX 4,000,000 and above.

***NB****. If the importer is registered for VAT, he/she can claim any VAT incurred at importation through her/his monthly VAT returns*.

Formulae for calculating VAT at importation

* VAT

 = VAT value x 18%

 = (ID+EXD+CV) x 18%

* Domestic VAT

= 15% (VAT value x 18%)

 = 15% ((ID+EXD+CV) x 18%)

**d) Withholding Tax (WHT) at importation**

This is income tax withheld at importation of a good. It is at a rate of 6% of customs value. It can be claimed by the importer when he/she is filing his/her final income tax return as advanced tax already paid.

NB. If the importer is exempted from WHT, he/she should not be charged this tax at importation Formulae for calculating WHT at importation  WHT = Customs value x 6%

 **e) Infrastructural levy**

This levy is only applicable to dutiable items imported from outside EAC Region.

**NB:** *The following will not attract the 1.5% Infrastructure Levy*

1. Items that are at 0% Import duty rate

2. All items imported under conditional Exemptions as indicated in the 5th Schedule of the EACCMA (East African Community Customs Management Act)

*Formulae for calculating infrastructural levy*

IL = Customs value x 1.5% Where; IL= Infrastructural levy

**f) Environmental levy**

This is tax levied on imports that may be harmful to the environment for example on used clothes and used vehicle. Formulae for calculating infrastructural levy

* EL on used clothes = Customs value x 10%
* EL on used vehicles of YOM between 5 and 10years = Customs value x 35% EL on used vehicles of YOM 10years and above = Customs value x 50% Where; EL= Environmental levy

**INCENTIVES APPLICABLE TO THE REAL ESTATE SECTOR.**

|  |
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| **EXCISE DUTY** |
| **Type of incentive** | **Conditions for granting exemption** |
| Nil duty on construction materials of a factory or warehouse exclusive of those available on the local market, locally produced raw materials and inputs. Beneficiary: Developers of industrial parks and free zones, operators and other investors in specified business which include; i. Processing agricultural goods; ii. Manufacture or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobile, house hold appliances; i. Manufacture of furniture, pulp, paper, printing and publishing of instructional materials; v. Establish or operate vocational or technical institutes; vi. Carry on business in logistics and ware housing, information technology or commercial farming; vii. Manufacture of tyres, footwear, mattress or toothpaste. | A minimum capital investment requirement for duty exemption of US$10 million in the case of a foreigner or US$ 300,00 in case of a citizen; or US$150,000, for a citizen whose investment is placed up country. The business that qualifies for duty exemption; is required to employ at least 70% of its employees being citizens, earning an aggregate wage of at least 70% of the total wage bill. |
| Nil duty on construction materials for development of industrial parks or free zones by a developer | Must invest a minimum of USD 50m for foreign investors & USD 10m for EAC citizens. The incentive takes effect from the date of commencement of construction. |
| **STAMP DUTY** |
| **Type of incentive** | **Conditions for granting exemption** |
| No Stamp duty on debentures, lease of land, Increase of share capital, transfer of land. | Developer of an industrial park/free zonea) Capacity to use at least 50% of the locally produced raw materials, subject to availability. b) Capacity to employ a minimum of one hundred citizens c) Must invest a minimum of USD 50m And incentive takes effect from the date of commencement of construction. |
| No Stamp duty on debentures, lease of land, Increase of share capital, transfer of land. | Operator within industrial park or free zone or an operator of a single factory or other business outside the industrial park who invests in agro processing, food processing, medical appliances, building materials, light industry, automobile manufacturing and assembly, household appliances, furniture, logistics and warehousing, information technology or commercial farming, operating vocational or technical institutes. Must invest a minimum of Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill. |
| **VAT** |
| **Type of incentive** | **Conditions for granting exemption** |
| Exports Zero rated | All exporters |
| A tax refund of 5% of the VAT amount, to be paid back to consumers who purchase goods or services from a taxable person and is issued with an electronic receipt or invoice. | Purchase should be worth five million shillings within a consecutive period of thirty days. |
| No VAT on any payment for feasibility studies, design construction services, construction materials and earth moving equipment and machinery. Developer of an industrial park or free zone | The investment must be at least USD 50m. The development must be for an industrial park or free zone. |
| No VAT on the supply of feasibility study and design services and on the supply of locally produced raw materials and inputs. | Investment in processing agricultural product manufacturing or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobiles and house hold appliances; manufacturing furniture, pulp, paper, printing and publishing of instructional materials; establishing or operating vocational or technical institutes; or carrying on business in logistics and warehousing, information technology or commercial farming. Must invest a minimum of USD 10m for foreign investors and USD 300,000 for EAC citizens or USD 150,000 where the investment is made upcountry. Incentive takes effect from the date of commencement of the specified business, same incentives applies to an existing operator in an Industrial Park or Free Zone. The investor must use at least 70% of |
|  | locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill. |
| Deemed VAT: Tax payable on a taxable supply made by a supplier to a contractor executing an aid-funded project is deemed to have been paid by the contractor provided the supply is for use by the contractor solely and exclusively for the aid funded project. | Contractors executing aid-funded projects |
| **INCOME TAX** |
| **Type of incentive** | **Conditions for granting exemption** |
| 6% WHT exemption | 6 months renewable Where the Commissioner is satisfied that the taxpayer has regularly complied with the obligations under the tax laws |
| Indexation in the calculation of capital gains in order to account for inflation. | Before determining Capital tax on a business asset one will factor in inflation among others that influence the asset value. However, indexation shall not apply to an asset that is sold within twelve months from the date of purchase. |
| Preferential treatment of capital gains tax for a venture capital fund registered under the Capital Markets Authority Act |  A venture capital fund shall be entitled to non-recognition of a gain or loss equivalent to the percentage of reinvested proceeds. |
| Cost of constructing an approved Industrial Building | A person who incurs expenditure in constructing a building to be used as a factory/ manufacturing premise, and the factory/ manufacturing premise is being used in generating income, is allowed a deduction in his return (Industrial Building Deduction) at a rate of 5% per year for a period of 20 years from the time he starts using the building. |
| Cost of constructing an approved Industrial Building | If for any year of income, the total business income earned by a taxpayer is less than the total expenses relating to the generation of the business income, the excess (loss) shall be carried forward and allowed as a loss in the following year. Note that it must be declared and proved by URA in the current year of income as a loss. |
| Recognition of losses | Wear and Tear allowance is granted for assets and equipment’s owned by the entity and registered in the business names. The rates are as provided for in the Income Tax Act |
| Wear and Tear | Allowable deduction of purchase expense from a supplier designated to use e-invoicing system. These suppliers will be gazetted and these expenses should be supported by e-invoices or e-receipts. |
| Allowable deduction of purchase expense from a supplier designated to use e-invoicing system | Allowable deduction of purchase expense from a supplier designated to use e-invoicing system. These suppliers will be gazetted and these expenses should be supported by e-invoices or e-receipts. |
| 100% deduction of Scientific research expenditure | A person who incurs expenditure for scientific research |
| 100% deduction of training expenditure | Employers who train permanent residents or provide tertiary education not exceeding in the aggregate 5 years |
| 10 year Exemption of income derived from renting out or leasing facilities established in an industrial park or free zone. | Must invest a minimum of USD 50m for foreign investors or USD 10m for EAC citizens, Incentive takes effect from the date of commencement of construction. Also applies to an existing investor making an additional investment of the same value. |
|  | Must invest a minimum of USD 10m for foreign investors and USD 300,000 for EAC citizens or USD 150,000 where the investment is made upcountry. Incentive takes effect from the date of commencement of the specified business, same incentives applies to an existing operator in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill. |
| 10 year exemption of Income derived by a person from undertaking any of the specified business activities. | Investor outside an industrial park or free zone carrying out activities listed above Must invest a minimum of USD 10m for foreign investors and USD 300,000 for EAC citizens or USD 150,000 where the investment is made upcountry. Incentive takes effect from the date of commencement of the specified business, same incentives applies to an existing operator in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill. |
| Income tax exemption for Collective Investment Scheme | Must be licensed to operate as a collective investment scheme. Participants in the scheme should not have day to day control over the management of the property. Participants contributions and ultimate income/ profits must be pooled Property must be managed as a whole by the operator of the scheme |
| Double Taxation Agreements (DTA): Investors from countrieswith active DTA’s with Uganda i.e. United Kingdom, Denmark, Norway, South Africa, India, Italy, Netherlands and Mauritius. Withholding tax rates applicable to dividends, interests, management fees and royalties are 10% except UK at 15% | Beneficial owner of investment as defined in the Income Tax Act established with economic substance in a country with which Uganda has a DTA. |
| Deduction of 2% Income tax for employers that employ PWDs | 5% of employees must be PWDs |
|  |  |

**What is required of you as a taxpayer after tin registration?**

 You will be required to meet your tax obligations through filing returns and making payments

**RETURNS**

* A tax return is the tax format of reporting business income for the year to URA and declares business profits or losses for tax purposes
* A Tax period is the duration for which a return is required i.e. a year, month or week Due date is the deadline for filing a return beyond which a person is required to pay a penalty for late filing.

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| --- |
| **ANNUAL RETURNS** |
| **Tax Type** | **Provisional return due date** | **Final Return Due date** |
| • Individual Income tax • Rental Income tax – Individual | The last day of the 3rd month after the start of the year of Income. | The last day of the 6th month after the end of the year of Income. |
| • Corporate income tax • Rental Income tax- Non individual | The last day of the 6th month after the start of the year of Income. | The last day of the 6th month after the end of the year of Income. |
| • Presumptive/Small business income tax | - | The last day of the 6th month after the end of the year of Income. |
| Trust Income tax(Chargeable in the hands of beneficiary | The last day of the 3rd month after the start of the year of Income. | The last day of the 6th month after the end of the year of Income. |
| Trust Income tax(Chargeable in the hands other than beneficiary) | The last day of the 6th month after the start of the year of Income. | The last day of the 6th month after the end of the year of Income. |
| Partnership Income tax | - | The last day of the 6th month after the end of the year of Income. |
| **MONTHLY RETURNS** |  |  |
| * With Holding Tax
* PAYE
* Excise Duty (Goods & Services)
 | - | By the 15th day of the following month. |

**Note:** The law provides for a separate quarterly return for non-resident suppliers of services deemed to be supplied in Uganda when made to non-taxable persons. A taxable person who is providing services to a non-taxable person in Uganda and is engaged in providing services in connection to.

* Immovable property in Uganda;
* Radio or television broadcasting services received at an address in Uganda;
* Electronic Services delivered to a person in Uganda;
* Transfer, assignment, or grant of a right to use a copyright, patent, trademark, or similar right in Uganda;
* Telecommunication services other than those by a supplier of telecommunication services or services to a person who is roaming while temporarily in Uganda

These shall be required to file returns within 15 days after the end of the three consecutive calendar months.

**Key return issues Advance return**

An advance return is a return of income submitted by a taxpayer before the end of a given year of Income. Instances when an advance Return is required.

i. Before the end of the period for which it is due

ii. At any time of any year of income, where a taxpayer has died, is bankrupt, wound up, gone into liquidation, is about to leave Uganda permanently or any other reason where the Commissioner considers appropriate that such a taxpayer may be required to file an advance return by a specified date.

Where an Advance Return is not furnished by the due date, an Advance Assessment is issued.

**Note:**

A notice requesting for such a return shall be in writing specifying the due date for filing the return.

**Extension of Return Filing date**

If a person is not able to file a return, he can apply for an extension to file his return providing reasons justifying the extension. The extension if granted will not exceed 90 days and does not change the due date for payment of the tax due. Interest will therefore accrue on any outstanding tax liability. However multiple extensions can be applied for provided the number of days does not exceed 90 days.

**Note:** If the taxpayer is dissatisfied with the Commissioner’s decision about the extension, he may challenge it under the objection and appeals procedure. Offences and penalties on returns

**What happens if a person fails to furnish a return by the due date?**

The penalty for failure to furnish a tax return by the due date or within a further time allowed by the Commissioner to a fine not exceeding Shs. 1,000,000 and failure to furnish the return within the time prescribed by court to a fine not exceeding Shs. 2,000,000 on conviction**.**

**What happens if a person understates provisional tax estimates?**

If you understate provisional chargeable income by more than 10% of the actual chargeable income, the penalty is 20% of the difference in tax on your estimated income and 90% of the actual chargeable income. Penalty = 20% (Tax on Estimated chargeable Income-Tax on 90% of actual Changeable income)

**What happens if a person provides False statements?**

The penalty for knowingly or recklessly making false or misleading statements or omitting from a statement to a tax officer, a matter or thing is a fine not exceeding two hundred currency points that is Shs. 4,000,000 or imprisonment not exceeding ten years or both on conviction.

**What happens if a taxpayer doesn’t file his return?**

He will receive an assessment from the URA officer.

**What is a tax assessment?**

An assessment is a document/ form showing the estimated taxable income of a person and the tax payable on it including any penalty

Default assessment

This is a tax assessment made to a person based on estimated taxable income of that person. It is generated and issued by the Commissioner due to failure by the taxpayer to furnish a selfassessment return for any given tax period.

**What is an advance assessment?**

Is a declaration issued if the Commissioner is satisfied that there is a risk that a taxpayer may delay, obstruct, prevent, or render ineffective payment or collection of tax that has not yet become due.

It may be made before the date on which the taxpayer’s tax return for the period is due.

It can be issued if a taxpayer defaults in submitting an advance return when requested by the Commissioner. However the Commissioner can also issue this assessment without notice. This assessment can be objected to and can also be amended.

Where the taxpayer files a returns for a given period on which a Default or Advance assessments was issued, the taxpayer’s return for that period shall be accepted and takes precedence over the default assessment. Taxpayer is allowed to submit his/her return together with the objection.

**What is an Additional assessment?**

This is an amendment of an original tax assessment issued by the commissioner for any tax period to ensure that correct tax liability is obtained. It is made at any time where fraud or any gross or wilful neglect has been committed by, or on behalf of the taxpayer or new information has been discovered in relation to the tax payable for a tax period.

**What is a Return amendment?**

A taxpayer may amend the tax return on condition the return is not under investigation and amendment is done within 3 years from the date on which the original return was lodged by the taxpayer.

**PAYMENT OF TAX**

**What next after filing the return?**

The taxpayer will be required to register a payment and then pay. Note; The due date of making the payment is the due date of filing the return.

**How does one register a payment?**

To register a tax payment, Visit the web portal (ura.go.ug) Click on eservices, select Payment Registration under payments. Select the tax head, go to details of Tax Type, select the tax head from the drop down and input the tax amount. Fill in the details of the Taxpayer and bank mode of payment (VISA, MasterCard, American Express, Union Pay, Mobile Money, EFT, RTGS and Swift, Cash, Cheque, Demand draft, or Point of Sale), enter the given image and click Accept and Register. Print out the Payment Registration Slip that appears on submission and take the form to the bank to effect payment.

**What are the different modes you can use to pay tax?**

Payment for any tax type can be done using; VISA, MasterCard, American Express, Union Pay, Mobile Money, EFT, RTGS and Swift, Cash, Cheque, Demand draft, Point of Sale.

**PAYMENT OF TAX**

All taxpayers are required to pay the tax liable by the due date. Any unpaid tax shall be collected by the Commissioner through serving a notice of demand on the person liable. The taxpayer will be given at least 28 days from the date of service of the notice within which they can pay any outstanding amount specified in the demand notice.

**What happens if a person fails to pay tax?**

Failure to pay attracts interest at a rate of 2%.per month the tax is not paid.

**Payment allocation to outstanding tax**

If a taxpayer has any outstanding liability and pays any amount, the payment will be allocated in the order of PPI (Principal tax liability, penal tax and Interest due). If a taxpayer has more than one tax liability at the time a payment is made, the amount will be used to clear the oldest / earliest liability first in the same order as above (PPI).

**Extension of payment of tax**

A taxpayer can apply in writing to the Commissioner for an extension to pay tax at a later date. The date of payment can be extended but the payment due date is maintained. Interest shall accrue from the due date of the payment.

**OBJECTIONS AND APPEALS**

**What happens to a taxpayer who has been assessed and is dissatisfied?** The taxpayer has an option and a right to object to the decision against her/him.

What is an objection? An objection is a communication from a taxpayer to the Commissioner expressing dissatisfaction with either an assessment raised on him/her or any other tax decision made by the Commissioner. This is always presented in the format prescribed by the Commissioner.

**Objection timelines**

A person who is dissatisfied with any tax decision may lodge an objection with the Commissioner within 45 days after receiving notice of the tax decision.

* A person may apply in writing to the Commissioner for an extension of time to lodge an objection and wait for the Commissioner’s decision.
* The Commissioner will serve a notice of an objection decision to the person objecting within 90 days from the date of receipt of the objection.
* In case an objection decision has not been served within 90 days, the person objecting may, by notice in writing to the Commissioner, consider the Commissioner as having allowed his objection decision. This is called “electing”
* The time limit for making an objection decision is waived in case a review of a taxpayer’s records is necessary for settlement of the objection and the taxpayer is notified.
* A person dissatisfied with an objection decision may; a) Apply to the Commissioner to resolve the dispute using alternative dispute resolution procedures. This may present other avenues for taxpayers who would like to review tax decisions issued by URA without necessarily lodging an appeal to the Tax Appeals Tribunal. b) Lodge an application to the Tax Appeals Tribunal (TAT) for review of the objection decision.
* A person dissatisfied with a decision of the Tribunal may, within 30 days after being served with a notice of the decision, lodge an application with the High Court for review of the decision.
* A person dissatisfied with a decision of the High Court, arising from appeals to the TAT, may, within 30 days after being served with a notice of the decision or within further time as the Court of Appeal may allow, lodge an application with the Court of Appeal for review of the decision. This appeal will be on questions of law only.
* The Court of appeal shall inquire and determine the appeal expeditiously and shall declare its findings not later than 60 days from the date of filing the appeal.
* An appeal to the Supreme Court may be lodged with a certificate of the court of appeal that the matter raises questions of law of great public importance or if the Supreme Court in its overall duty to see that justice is done, considers that the appeal should be heard.
* The Supreme Court shall inquire and determine the appeal expeditiously and shall declare its findings not later than 30 days from the date of filing the appeal.”
* Where the decision maker is required to refund an amount of tax to a person as a result of a decision of a reviewing body, the tax shall be repaid with interest at the rate specified in the relevant law on the amount of the refund for the period commencing from the date the person paid the tax refunded and ending on the last day of the month in which the refund is made. Reviewing body means the Tribunal, the High Court, the Court of Appeal and the Supreme Court.

**BURDEN OF PROOF**

In any objection proceeding;

1. It is upon the tax payer to prove that the assessment is incorrect.

OR

b. In case of a decision made to prove that the decision should not have been made or should have been made differently.

**ENFORCEMENT OF TAX**

**Collection of tax from persons leaving Uganda permanently**

The Commissioner may issue a certificate containing particulars of the tax payable to the officer responsible for immigration control and request the Commissioner for Immigration to prevent that person from leaving Uganda until that person; (a) Makes payment of the tax in full; or (b) Executes a financial bond guaranteeing payment of the tax liability.

**RECOVERY OF TAX**

When a person refuses or fails to comply with payment of taxes as and when required, the commissioner may collect the outstanding tax using various methods, such as:

* By Distress: Goods on which the assessed person has a claim are sold in order to recover tax.
* By Agency Notice: Any other person who has money or other liabilities of the person to whom tax is assessed and being demanded from , is required to pay the amount held directly to URA.
* Temporary closure of business premises.
* Charge over immovable property: The Commissioner writes to the Registrar of Titles, directing the Registrar to the effect that the land or buildings in the notice are a subject of a security for unpaid tax.
* Seizure of goods in cases where there is proof that the taxes due have not been paid especially in respect of the supply, removal or import of the goods.

**Note:**

If there is reason to believe that; (a) A taxpayer establishing a business in Uganda intends to carry on the business for a limited time only; or (b) A taxpayer may not pay tax when it becomes payable. The Commissioner may write to a taxpayer to give security by bond, deposit, or anything else that is satisfactory to the Commissioner for the payment of tax that may become payable.

**INVESTIGATIONS**

 **Access to premises, records and any information**

The Commissioner is entitled to have at all times and without prior notice, full and free access to;

1. Any premises or place;
2. (ii) Any record, including a record in electronic format; or
3. (iii) Any data storage device

Make an extract or copy, seize any record, data storage device that may contain data relevant to a tax obligation; and retain any record or data storage device seized for as long as it is required for determining a taxpayer’s tax obligation and liability, including any proceedings.

**INFORMATION OR EVIDENCE**

The Commissioner may, request any person; To furnish, any information or

(a) To attend and be examined at the time and place designated for that purpose concerning the tax affairs of that person or any other person, and for that purpose the Commissioner may require the person to produce any record, including an electronic format, in the control of the person.

**OTHER IMPORTANT INFORMATION**

Who requires a tax clearance certificate?

* A tax payer providing a passenger transport service; or a freight transport service with a goods vehicle with a capacity of two tonnes or more.
* A tax payer providing ware housing or clearing and forwarding services.
* A taxpayer supplying goods or services to the Government.

**What other offences can be committed?**

* Failure to furnish a return or any other document
* Failure to comply with an agency notice or the requirements of a receiver
* Failure to maintain proper records
* Failure, without good cause, to comply with a request for information
* Improper use of a taxpayer identification number
* Making false or misleading statements
* Obstructing an officer
* Aiding and abetting another person to commit an offence.
* Offering bribes to officers

**Is there any advice to the players in the sector?**

1. For Associations, mobilize your members and invite URA to sensitize them.
2. For Tax payers in the real estate sector
* Register for taxes
* Periodically assess yourselves by filing returns and Pay liabilities due (or claim refunds) by the due dates to avoid any penalties and interest that may accrue due to non-compliance
* Always attend URA Tax clinics whenever called upon
* Engage URA as much as possible to avoid being misled about taxes

**Are there any initiatives to train those in the real estate sector?**

One of URA’s focus areas this Financial Year is going to be the real estate sector thus we urge traders to fully participate and attend URA Tax Clinics and Workshops when called upon Taxpayer Registration Expansion Program is being implemented to ease the registration process and compliance process.

**References:**

1. THE TAX PROCEDURES CODE ACT, 2014.
2. THE INCOME TAX ACT (IT A), CAP.340
3. THE VALUE ADDED TAX ACT (VAT A), CAP.349
4. THE EXCISE DUTY ACT,2014
5. THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT