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Uganda Revenue Authority

DEVELOPING UGANDA TOGETHER

A GUIDE TO TAXATION OF THE REAL ESTATE SECTOR

VOL 1. FY 2025-2026

AN OVERVIEW OF THE SECTOR

Real estate is property that consists of land, buildings, and structures on the land. The real estate sector includes everything from raw land to fully developed commercial complexes.

MAIN SEGMENTS OF THE REAL ESTATE SECTOR

Land: Land is the baseline for all types of real property. Land typically refers to undeveloped or vacant property. Developers acquire land, develop it in conjunction with other properties, and rezone it to enhance the property's value.

Residential real estate

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

Commercial real estate

The commercial real estate sector comprises real estate used for business purposes, including shopping malls, retail spaces, office buildings, hotels, and other facilities utilized for commercial activities.

Industrial real estate

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

Business registration for persons involved in the real estate sector business 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 the Uganda Registration Service Bureau (URSB) to formalize their legal status.

The entity will receive either a Certificate of registration (if registered in its own names or business names) or a 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 a stake in the entity's business.

Compliance with laws and policies

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;
- Uganda Revenue Authority.

TAXPAYER RIGHTS AND OBLIGATIONS

Rights	Obligations
• You have a right to equity: • Tax laws and procedures shall be applied consistently to you • All your tax affairs will be handled with fairness • 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 • You and your authorized agent(s) shall be provided with clear, precise, and timely information • You will receive courteous and professional services at all times	• Ensure that you voluntarily register with the Uganda Revenue Authority as a Taxpayer. • File correct Tax Returns, Customs Entries or any forms relating to taxes and other revenue. • Pay the correct tax at the right time and place • In handling your tax matters, you or your appointed agent(s) shall be expected to deal and cooperate only with URA's authorized staff. • Be honest with URA. • Quote your TIN for all dealings with URA. • Comply with all the taxation requirements and regulations. • Make full disclosure of information and correct declaration of all transactions at all times. • Do not indulge in any form of tax evasion and other illegal practices. • Request for a proper receipt/invoice for all your purchases and keep records properly.

MAJOR OBLIGATIONS UNDER THE REAL ESTATE SECTOR

A. **REGISTRATION**

How do I register for taxes?

All businesses in Uganda are required to register with the Uganda Registration Services Bureau (URSB) to formalize their legal status. At URSB, it will receive either a Certificate of Registration (if registered in its own name or Business Name or incorporated outside Uganda) or a Certificate of Incorporation if registered as a Limited entity. This will enable it to register and get a Tax Identification Number (TIN) from URA, either as an individual or a Non-Individual

What is a TIN?

TIN stands for Tax Identification Number. It is a 10-digit number that acts as an account of a taxpayer with Uganda Revenue Authority (URA). All taxpayers are required to quote this number in all their communications with URA and business transactions.

A TIN is obtained free of charge, and therefore, no one should charge you for it.

Please note: Any person applying for a license or any form of authorization from a local authority, Government institution, or regulatory body necessary for purposes of conducting any business in Uganda is required to present a TIN.

What are the requirements for TIN registration?

The key requirements for TIN registration include;

1. Individuals

An individual is a living person who applies for a TIN. The required documents include:

- A copy of the National identification card or,
- **Any two of the following identification documents:** Passport, Employee ID, NSSF Card, Voter's Card, Driving License, Work Permit, Village Identity Card, Financial Card, Certified Bank Statement (past 90 days), VISA card Number, Diplomatic Foreign Affairs ID.

Please take note of the following categories that need additional requirements

a. Foreign Directors

A Foreign Director is a non-Ugandan who has incorporated a company in Uganda.

For resident foreign directors to qualify for a TIN in Uganda, they are required to have the following documentation:

- A valid passport, and
- Either a National ID for a citizen, a Refugee ID, and a work permit for a non-citizen (non-East African).

b. Non-resident directors

At least two valid identification documents are mandatory, ie valid passport and a foreign national security card, among others.

Note: A work permit is not mandatory for a non-resident foreign director, as it is a requirement to have a TIN to process a work permit.

c. Minors

A Minor is a person who is under 18 years of age. For minors to qualify for a TIN, a copy of a Legal / Court document of guardianship shall be attached.

2. Non-Individuals

A Non-Individual is an entity that is not a natural person, and it includes a partnership, a trust, a company, a retirement fund, a government, etc.

Entity Type	Entity Sub Type	Documents required (M- Mandatory, O- Optional)
Company	• Public Company	• Certificate of Incorporation(O) • Memorandum between Governmentand Entity (M)
	• Private Company	• Company form 7(20) (M) • Certificate of Incorporation (M) • Company form 8 (O)
	• Foreign Company	• Certificate of Registration (M) • Company form 19 (M) • Company form 21 (M)
Other Entity types	• Club, Society Associations	• Certificate of Registration (M) • Club Constitution (O)
	• Estate or Trust	• Certificate of registration (M) • Trust deed (O)
Partnership	• General Partnership	• Partnership deed (O) • Certificate of Registration (M) • Statement of Particulars (M)

Partnership	• Joint Venture (JV)NB: i) Where the name of the JV is different from the corporate names of all partners which are corporations. ii) Where a partner in the JV is a resident person, the JV shall be registered as a resident partnership. iii) Where none of the partners inthe JV is a resident person, theJ shall be registered as a non-resident partnership.	• Joint venture agreement duly endorsed by theRegistrar of Companies • Registration/incorporation documents shall be required for the individual partners in the JV • Certificate of Registration of the JV under the Registration of Business Names Act
Partnership	• Limited Liability Partnership	• Certificate of Registration of the Limited Liability Company • Partnership (M) • Statement of Particulars (M) • Memorandum and Articles of Association (M)

How can one apply for a TIN?

For Instant TIN application;

- Go to the URA website, www.ura.go.ug
- Click on the icon marked "Get a TIN" to access the instant TIN link
- Click the Instant TIN button to access the form
- Click into the circle to select "Individual (For individuals)"
- Input your National ID
- Fill in the correct details, such as title, marital status, surname, and first name
- Select the source of income and fill in the address, email, and contact details
- Select that you are not a robot, and click submit
- Your TIN will be sent to you instantly on the registered contacts on your application i.e. mobile phone and e-mail address

For Non-Individual TIN application

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

1. Through the URA Web portal: For Non-Individual TIN application

- Visit the URA web portal https://ura.go.ug and on the home page, click 'Get a TIN'
- Next, click 'TIN Registration- Non-Individual'
- On the Non-Individual TIN application page, click 'Click to apply for a non-individual TIN'
- Select 'New form' and under Download template for registration, click 'TIN Non-Individual' to download the registration template.
- Save the downloaded registration template at a preferred location. It is an MS Excel template (Please do not rename it.)
- Open the downloaded registration template and enable macros or content. (Please do not cut and paste any values in the sheet)
- Fill all the required fields of the registration template. Fields labeled with a red asterisk (*) are mandatory fields.
- After filling in the required fields of the registration template, you need to validate the data by clicking on the VALIDATE button. It is located on the last worksheet before HELP. The purpose of the VALIDATE button is to check for completeness, consistency, and accuracy of the provided data.
- If there is an error, you will be directed to the error page, where you can correct the errors and validate again.
- If there is no error, click on "YES" to "save this template as an upload file". Save the upload file at a desired location.

Please note: At the point of saving the upload file, do not rename it.

- Return to the same page on the URA portal where you downloaded the registration template and upload the saved file. On this same page, download and print the terms and conditions.
- Click submit. Upon submission, an acknowledgement receipt will be displayed with two buttons at the bottom: Print and Print Form.
- Click 'Print' to print the acknowledgement receipt.
- Click 'Print form' to print the filled application form
- The acknowledgement receipt will also be sent to the taxpayer's email address. Please take note of the reference number and search code that are indicated on the e-acknowledgement receipt, as you will use them to check the status of the TIN application.
- After printing the application form, fill out and **sign the section for DECLARATION and CERTIFICATION,** and let the referee sign.

- The TIN applicant is required to submit a signed hard copy of the filled application form, signed terms and conditions, and the necessary identification documents to the nearest URA office.

Please note that these documents can be submitted before or after approval of the TIN.

2. Visiting a URA-designated office

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 WhatsApp 0772140000 or send an email to services@ura.go.ug

What are the benefits of acquiring a TIN

Acquiring a TIN enables you to;

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

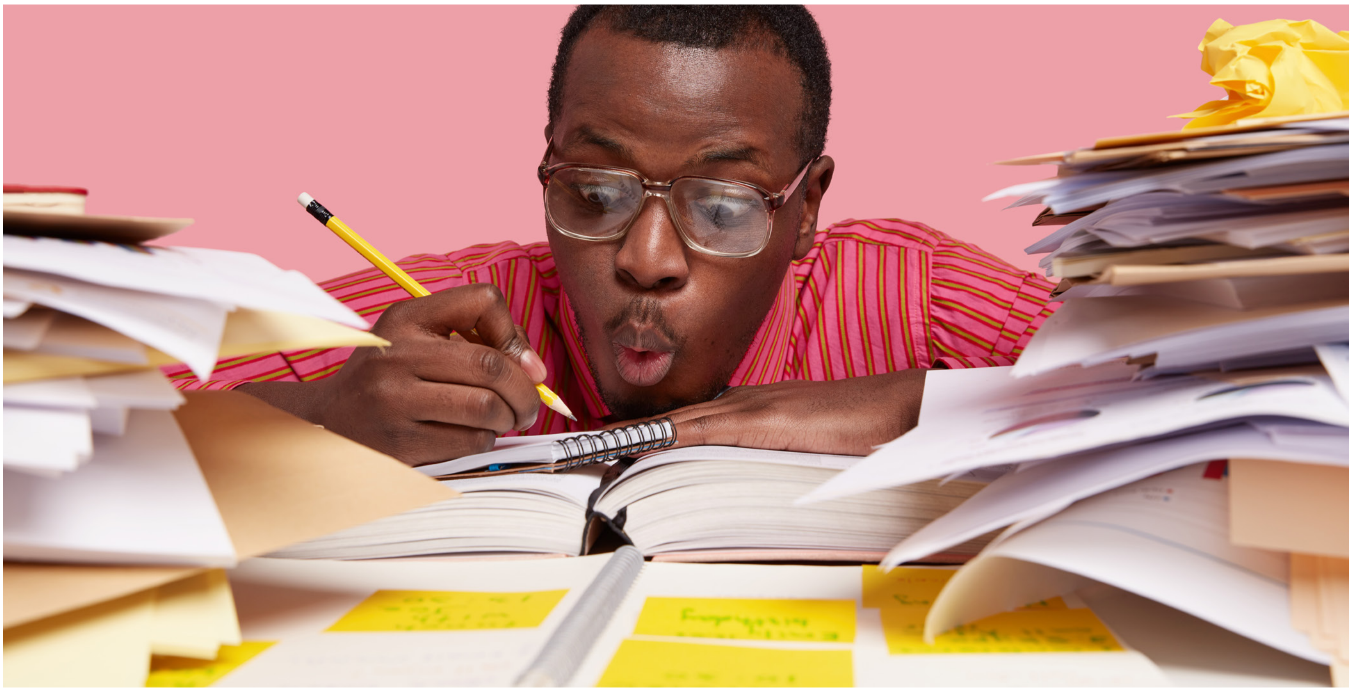
Both parties (the seller and buyer) involved in land transactions of 10 million and above must have a Tax Identification number (TIN)

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.

B. RECORD KEEPING

It is very important for taxpayers to;

- Keep proper records of all business transactions in the English language;
- Keep records such that it is easy to determine your tax liability;
- Keep records for five years after the end of every tax period to which they relate for future reference.
- In case a record is necessary for a proceeding that started before the end of the 5 years, 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 to the URA in writing with clear reasons to the commissioner.
- 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.



What is the penalty for failure to maintain proper records?

The penalty for knowingly or recklessly 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.

When is a person deregistered by URA?

A person who no longer fulfills 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 s/he is convinced that the person no longer satisfies the registration conditions.
NB: A person who temporarily closes business with the intention of resuming shall not be deregistered but shall apply to the commissioner in writing to have their TIN deactivated and later on reactivated when they resume business.

What is the result of failure to register for a TIN, cancel a registration, or notify the commissioner of a change in registration or circumstances?

Failure to register for taxes or amend registration details may result in:

- A penalty of double the amount of tax payable, starting at the period when you should have registered or UGX 1,000,000, whichever is higher
- Where you fail to provide information or provide wrong information to URA, you are liable to a penalty of UGX 20,000,000

Where a taxpayer has been charged and convicted for not registering for tax, s/he is liable to:

i. 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.
ii. 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.

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, a partnership, or a company. An agent engages in the following activities on behalf of the taxpayer:

- Preparation, certification, and filing of tax returns, or other statements or reports required by the Authority.
- 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 correspondence with the Authority.
- Attending meetings and hearings on behalf of the taxpayer in all matters relating to the taxpayer's rights, privileges, or liabilities under the laws administered by the Authority

Who requires a tax agent?

Taxpayers who need tax advisory services.

C. FILING TAX RETURNS

A tax return is the tax form on which you report your income for the year to URA and declare your 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.

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 theend 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 theend of the year of Income.
• Presumptive/Small business income tax	-	The last day of the 6th month after theend of the year of Income.
Trust Income tax (Chargeable in the hands of the beneficiary)	The last day of the 3rd month after the start of the year of Income.	The last day of the 6th month after theend of the year of Income.
Trust Income tax (Chargeable in the hands other than the beneficiary)	The last day of the 6th month after the start of the year of Income.	The last day of the 6th month after theend of the year of Income.
Partnership Income Tax	-	The last day of the 6th month after theend of the year of Income.

MONTHLY RETURNS		
• With Holding Tax • PAYE • Excise Duty (Goods & Services)	-	By the 15th day of the following month.

Key return issues

What is an Advance return?

During any year of income, where a taxpayer has died, is bankrupt, wound up, gone into liquidation, is about to leave Uganda permanently or for any other reason the Commissioner considers appropriate, he/she may be required to file an advance return by a specified date. If the Advance Return is not submitted by the due date, an Advance Assessment is issued.

Note: The notice requesting such a return shall be in writing, specifying the due date for filing the return.

Can a taxpayer be allowed to extend the return filing date?

If you are not able to file a return by the due date, you can apply for an extension to file your return, providing reasons justifying the extension.

The extension, if granted, will not exceed 90 days (in aggregate) and does not change the due date for payment of the tax due. Interest will, therefore, accrue on any outstanding tax liability.

If any taxpayer is dissatisfied with the Commissioner's decision about the extension, they may challenge it under the objection and appeals procedure.

What are the likely offenses taxpayers face in this sector?

a) **Failure to file a return**

A person who fails to furnish a tax return by the due date or within a further time allowed by the Commissioner is liable to a fine not exceeding UGX. 1,000,000 and failure to furnish the return within the time prescribed by the court to a fine not exceeding UGX.2,000,000 on conviction.

b) **Providing False /misleading information**

A person who knowingly or recklessly makes false or misleading statements or omits from a statement to a tax officer, a matter or thing, is liable to a fine not exceeding two hundred currency points, that is UGX. 110,000,000 or imprisonment not exceeding ten years or both on conviction.

What happens if a taxpayer doesn't file a return?

The taxpayer will receive an assessment from the URA officer.

Is a taxpayer allowed to amend a tax return?

Yes, a taxpayer may amend the tax return on condition that the return is not under investigation and the amendment is made within 3 years from the date on which the original return was lodged by the taxpayer.

D. PAYMENT OF TAX

All operators in the Real Estate sector are required to pay their tax liabilities by the due dates of filing the respective returns to avoid the accumulation of interest. All payments are due when the respective tax returns are due; thus, any tax payable is a debt to the Government of Uganda. A taxpayer can apply in writing to the Commissioner for an extension to pay tax at a later date, but this does not change the payment due date, and thus interest will be charged on any outstanding liability from the date when the payment was due.

How does one register a payment?

- Taxes are paid through registering a payment online through the URA web portal or using the Ask URA App (downloadable from Google Store) or dialing URA's USSD code *285# and then effecting the payment either in the Bank, through Mobile Money or Pay way services.
- To register a tax payment online, visit the web portal (ura.go.ug), click on 'Make a payment', and follow the prompts.
- Select the tax head, go to the details of Tax Type, select the appropriate tax head from the drop-down, and input the tax amount.
- Fill in the details of the Taxpayer and mode of payment, enter the text from the given image (Please note that the letters are case sensitive and there is no space between values)
- Click the 'Accept and Register' button and print out the Payment Registration Slip that appears on submission of payment details, or take note of the Payment Registration Number (PRN) on the slip.
- To effect payment, take the printed payment registration slip to the bank or use the PRN on the payment slip to pay through Mobile Money, pay way or Visa/ Master Card Services.

Key issues to note:

Failure to pay tax

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

How is the payment allocated to an outstanding tax?
If a taxpayer has any outstanding liability and pays any amount, the payment willbe 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 earliest liability first in the same order as above (PPI).

Can you be able to pay tax at a later date?
Yes, a taxpayer can apply in writing to the Commissioner for an extension to pay tax at a later date. The date for filing can be extended, but the payment due date does not change, and thus interest shall accrue from the due date.

TAXES APPLICABLE IN THE REAL ESTATE SECTOR

A. INCOME TAX

i) Rental Income Tax
Rental income tax is a 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 a year of income from the lease of immovable property in Uganda.

Please note: 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
Individual Rental Tax
In computing the individual rental tax for a resident individual, the following steps are considered:

Step I

Determine the total annual gross rents from all sources of the individual, say R;

Step II

Deduct the threshold of Shs 2, 820,000; therefore, chargeable rental income
= R-2,820,000.

Step III

Determine rental income tax at 12% i.e. 12 % (R-2,820,000)

Illustration
Robert Wamala earns a gross annual rent of shs. 3,500,000 from a house in Kimwanyi and shs 2,500,000 from the house in Kijabijo. His expenses include: security guard (2,000,000), clearing services (800,000), repairs (500,000), and interest on the mortgage is 800,000. Calculate the rental tax payable

Solution
Step I

Determine the annual gross rents from all sources of the individual
=3,500,000 + 2,500,000
= Shs.6,000,000

Step II: Allow Expenses
Deduct the threshold of Shs 2,820,000
= 6,000,000-2,820,000.
Net Chargeable rental income
= 3,180,000

Note: No other deductions allowed

Step III:
Determine rental income tax at 12%
So 12 % X 3,180,000 = 381,600
Rental tax payable = Shs. 381.600
Step IV: Calculate tax at 30%
= 30/100 x 1,900,000

Rental Income Tax = 570,000

Rental tax for partnerships
Rental tax for Partnerships is assessed on individual partners according to their respective sharing rates using the

following steps.

Step I:

Determine the total annual gross rent of individual partners; say R;

Step II:

Apportion the gross rental income according to the sharing agreement

Step III

Deduct the threshold of Shs 2, 820,000; therefore, chargeable rental income for each partner = R-2,820,000
Note: No other deductions allowed

Step IV:

Determine rental income tax at 12% i.e. 12 %(R-2,820,000) for each partner.

Illustration

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

Partner Amos
= 2/5X 6,000,000 = 2,400,000
Partner Amos will pay no tax because his chargeable income is below the threshold.

Partner Robert
= 3/5X 6,000,000 = 3,600,000
Therefore, Partner Amos will pay
3,600,000 – 2,820,000
= 12% X 780,000
= Ugx 93,600

Rental tax for companies and corporations

In computing rental tax for companies/corporations/trusts/retirement funds, the following steps are considered:

Step I:

Determine the total annual gross rent from all sources of the company; say R;

Step II:

Deduct up to 50% of the annual gross rental income as allowable expenses; Therefore, chargeable rental income R-50%R

Step III:

Determine rental income tax at 30% i.e. 30% (R-50%R).

Illustration

RORA Properties earns Ugx. 30 million, out of which Ugx. 15 million was from the rental property. Expenses include cleaning services (3,000,000), security guard (4,000,000), and repairs (4,000,000), and calculate the rental tax

Solution:

Scenario 1: Where expenses are below 75%

Step I:

Determine the total annual gross rents from all sources of the company's annual gross rents = 30,000,000

Step II:

Deduct up to 50% of the annual gross rental income as allowable expenses
Total expenses= 7,000,000+4,000,000+11,000,000 =22,000,000
However; Allowable expenses = 50% x 30,000,000=15,000,000
Therefore, chargeable income= 30,000,000 -15,000,000= 15,000,000

Step III:

Calculate rental income tax at 30%
= 30/100 x 15,000,000
Rental tax payable = 4,500,000

ii) Business Income Tax

Any person dealing in the 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, non-individual or partnership.

A person dealing in the real estate business and also has another business besides real estate is required to pay tax on income derived from that other business.
Resident persons are taxed on worldwide income, while non-resident persons are taxed only on income derived from sources in Uganda.

A taxpayer is required to make a self-assessment by calculating taxable income and then calculating the tax due on that income. A 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;

a) Non-Individuals
b) Individuals

a) 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).

Worked example for a non-individual in business.
The table below shows the income statement for Kato Investments Limited for the period 1/01/2025 to 31/12/2025

SALES /Revenue	UGX	UGX
Sale of land	875,025,000	
Sale of buildings	291,675,000	
Total Sales		1,166,700,000
COST OF SALES		
Total Cost of Sales		(370,428,000)
EXPENSES		
Pay Roll	332,177,000	
Employees Benefits	56,865,000	
Direct Expenses	54,835,000	
Billboard adverts	33,834,000	
Media publicity	11,667,000	
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

b) Individual Income Tax
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
Not exceeding UGX. 2,820,000 per annum.	Nil
Exceeding UGX.2,820,000 but not exceeding 4,020,000 per annum	(CY – 2,820,000UGX) x 10%
Exceeding UGX.4,020,000 but not exceeding 4,920,000 per annum	(CY – 4,020,000UGX) x 20% + 120,000UGX
a) Exceeding UGX4,920,000 per annum b) Above 120,000,000 per annum	a) (CY – 4,920,000UGX) x 30% + 300,000UGX b) **[**(CY – 4,920,000UGX) x 30% + 300,000UGX**]** **+** **[**(CY – 120,000,000UGX) x 10%**]**

Rate of tax for Non-Resident individuals

MONTHLY CHARGEABLE INCOME (CY) IN UGX	RATE OF TAX
	Non-Residents
Not exceeding UGX.335,000 per month	10%

Exceeding UGX.335,000 but not exceeding UGX.410,000 per month	(CY – 335,000UGX) x 20% + 33,500 UGX
a) Exceeding UGX. 410,000 per month b) Above 10,000,000	a) (CY – 410,000UGX) x 30% + 48,500 UGX
	b) [(CY – 410,000UGX) x 30% + 48,500UGX] + [(CY – 10,000,000UGX) x 10%]

Income tax illustration for a resident individual in business

Using the example of Kato Investments Limited above, assuming the business is owned by Shakira a resident individual trading as Nest Property 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

iii) PAY AS YOU EARN (PAYE)

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

- Position of an individual in the 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.

Employment income includes gross cash received in the form of: salary, leave pay, payment instead 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 the employer's office, Motor vehicle for personal errands, free accommodation, use of a 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.

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

MONTHLY CHARGEABLE INCOME (CY) IN UGX	RATE OF TAX
	Residents
Not exceeding UGX. 235,000 Per Month.	Nil
Exceeding UGX.235,000 but not exceeding 335,000 per month	(CY – 235,000UGX) x 10%
Exceeding UGX.335,000 but not exceeding 410,000 per month	(CY – 335,000UGX) x 20% + 10,000UGX
a) Exceeding UGX410,000 per month b) Above 10,000,000 per month	a) (CY – 410,000UGX) x 30% + 25,000UGX
	b) **[**(CY – 410,000UGX) x 30% + 25,000UGX**]** **+** **[**(CY – 10,000,000UGX) x 10%**]**

Rate of tax for Non-Resident individuals

MONTHLY CHARGEABLE INCOME (CY) IN UGX	RATE OF TAX
	Non-Residents
Not exceeding UGX.335,000 per month	10%
Exceeding UGX.335,000 but not exceeding UGX.410,000 per month	(CY – 335,000UGX) x 20% + 33,500 UGX

c) Exceeding UGX. 410,000 per month d) Above 10,000,000	c) (CY - 410,000UGX) x 30% + 48,500 UGX d) [(CY - 410,000UGX) x 30% + 48,500UGX] + [(CY - 10,000,000UGX) x 10%]

PAYE worked examples for a resident employee

1. Kamonde is a resident employed by Jomayi 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 of UGX 235,000, so his salary does not attract PAYE.

2. If Kamonde, in addition to the monthly salary of UGX 200,000, is given a travelling monthly allowance of UGX 95,000 and a lunch 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

Gross Employment Income	UGX
Salary	200,000
Traveling allowance	75,000
lunch allowance	55,000
Accommodation allowance	95,000
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 therefore is	**53,000**

PAYE worked examples for a non-resident employee.

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

iv) Withholding Tax (WHT)

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

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 legible for WHT deduction.

Withholding taxes may be final or creditable

- Under the **final withholding tax system**, the amount of income tax withheld by the withholding agent constitutes 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 been subject to 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 is 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.

WHT should be considered when making the following payments:

a) **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.

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

c) 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.

d) **Payments on dividends**: A resident company that 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.

e) **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 for a single supply or transaction is less than the threshold value.

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

g) **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.

h) **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%.

Please note;
- The responsibility for payment of the WHT rests primarily on the person making payment as a withholding agent, and failure to remit will render the withholding agent liable for the tax due.
- A WHT Agent is required to file and 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.

v. 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, let's 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.

The 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 calculating 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:
Kato Investments Limited purchased a building in June 2015 for UGX 10, 000,000 and rented it out. The company decided to sell the building in August 2016 for UGX .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 UGX .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 (CB) 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 UGX .4, 500,000.

B. 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 Shs. 37.5 million in the first 3 consecutive months of the annual turnover of UGX 150million of taxable supplies.

Please note: Real Estate Dealers dealing in taxable supplies with a gross turnover of over 150 million are required to register for VAT.
Business operators dealing in unprocessed items are not subject to Value Added Tax (VAT) but must register for Income tax.

Voluntary Registration for VAT

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;

a. The person has a fixed place of abode or business; or
b. The Commissioner General has reasonable grounds to believe that that person:
c. Will keep proper accounting records relating to any business activity carried on by that person;
d. Will submit regular and reliable tax returns as required by Section 31; or
e. Is a fit and proper person to be registered

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 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 the 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 of 18%.

VAT on the sale of commercial property or service apartments

Where the property is being sold as a going concern, no VAT is charged. For example, Kato Investments Limited has a commercial building that generates rental income. The company is selling the building to another person who will continue 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 the business shall continue and 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.

Issuing electronic receipts and invoices through EFRIS

EFRIS is the Electronic Fiscal Receipting and Invoicing Solution, which enables businesses to record transactions in real time. It entails issuing e-invoices and or e-receipts to customers.

Issuance of EFRIS documents

It is mandatory for businesses in the Real Estate sector and all VAT-registered taxpayers to use EFRIS to issue e-invoices. No tax credit is allowed or claimable on purchases unless they are supported by e-invoices.

- All VAT-registered taxpayers are obliged to register for EFRIS and issue fiscalized invoices i.e. e-invoices. The Electronic Fiscal Receipting and Invoicing Solution (EFRIS) is a new smart business solution used to record business transactions and share the information with URA in real time.
- An e-invoice shows that a sale has occurred through EFRIS. It shows the seller's details, URA information, Buyer's details, Goods and services details, Tax details, and summary sections.

e-Invoicing or e-Receipting Platforms

- EFRIS Mobile Application (On Mobile Smartphones)

- Electronic Fiscal Device (EFD)
- The Desktop (Client Application)
- The URA Web Portal
- System-to-System Integration
- Electronic Dispenser Controller (EDC)

Benefits of EFRIS to a business

EFRIS

- Enables the business owner to monitor and track stock
- Makes it easy and convenient to monitor business, anywhere you are, at any time
- Helps you know the correct amount of VAT you are to pay in a given period.
- Reduces the risk of physical data loss as transactional data because copies are digitally stored in the system
- Eases VAT return filing by utilizing prefilled VAT returns

Penalties for non-compliance with EFRIS

An operator in the wholesale and retail sector, and a VAT-registered taxpayer who does not adopt the use of EFRIS is liable to pay a penal tax equivalent to double the tax due on the goods or services.

C. CUSTOMS DUTY

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

Below are the steps followed 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;

a) Import duty

This is a tax collected on imports and some exports not listed in the exemption schedule by the 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 imports and exports.

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

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%

c) Withholding Tax (WHT) at importation

This is income tax withheld at the point of importation of a good. It is at a rate of 6% of the 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. The formula for calculating WHT at importation

- WHT = Customs value x 6%

d) Infrastructural levy

This levy is only applicable to dutiable items imported from outside the 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)

Formula for calculating the infrastructural levy
• IL = Customs value x 1.5% Where; IL= Infrastructural levy

e) Environmental levy
This is a tax levied on imports that may be harmful to the environment, forexample, on used clothes and used vehicles. Formula for calculating the environmental levy is:
• EL on used clothes = Customs value x 10%
• EL on used vehicles of Year of Manufacture 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

Treatment of charges imposed by local authorities under income tax.
All charges imposed by local authorities (ground rent, environmental tax, and license operating fees) are allowed as a deduction in the income statement

INCENTIVES APPLICABLE TO THE REAL ESTATE SECTOR
DOMESTIC TAXES

INCOME TAX			
Beneficiary	**Incentives**	**Period of Incentive**	**Conditions for the Tax Incentive**
All business startups with a capital of less than 500 million	Exemption from income tax for three (3) years	three (3) years	Business established by a citizen after 1st July 2025, provided all the following conditions are met: 1. The business is registered with an investment capital not exceeding five hundred million shillings (UGX 500 million) 2. The citizen or their associate has not previously benefited from the exemption. 3. The citizen files a tax return, including a business information return in the format prescribed by the Commissioner General.
Private employers	Deduction of 2% of Income tax payable	Indefinite	Proof that 5% of their employees on a full-time basis are persons with disabilities.
Compliant taxpayers	6% WHT exemption on payment for goods and services and professional fees	12 months renewable	Where the Commissioner is satisfied that the taxpayer has regularly complied with the obligations under the tax laws
An investor established in a country with which Uganda has a Double Taxation Agreement (DTA) with, i.e. United Kingdom, Denmark, Norway, South Africa,	Reduced withholding tax rates applicable to payments of dividends, interests, management fees, and royalties. The current applicable WHTates under these DTAs are 10% except UK, where the rate is 15%.	Duration of the DTA	Beneficial owner of investment as defined in the Income Tax Act established with economic substance in a country with which Uganda has a DTA

India, Italy, the Netherlands, Zambia, and Mauritius.			
All taxpayers	100% deduction of training expenditure	Indefinite	Employers who train permanent residents or provide tertiary education not exceeding, in the aggregate, 5 years
All taxpayers	Carry forward losses: Assessed loss is carried forward as a deduction in the following year of income. Subject to capping provisions.	Duration of the loss	All taxpayers
VALUE ADDED TAX (VAT)			
VAT Registered taxpayers	VAT-registered persons claim all the VAT incurred on taxable supplies made to them where the supply or import is for use in the business of the taxable person.	Indefinite	VAT registration Supply is for use in the business, generating taxable supplies
Real estate developers	VAT exemption on the supply of unimproved land	Indefinite	Unimproved land
STAMP DUTY ACT			
Developer of an industrial park or free zone	Nil Stamp duty on debentures, further charge, lease of land of the total value, increase of share capital, transfer of land, and an agreement to provide services on conducting a feasibility study or developing a construction design.	Duration of development	Must invest a minimum of USD 50m; The instrument must be executed by, or on behalf of, a company or Government; the Instrument is executed for the sole purpose of implementing the strategic investment project
Loan applicants	NIL stamp duty on an agreement relating to the deposit of title-deeds, pawn pledge of the total value.	Indefinite	Agreement relating to the deposit of title deeds, pawn pledge of the total value.
Loan applicants	NIL stamp duty on security bond or mortgage deed.	Indefinite	Security bond or mortgage deed executed by way of security for the due execution of an office, or to account for money or other property received by virtue of a security bond or mortgage deed executed by a surety to secure a loan or credit facility of entry value.

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