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Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

RENTAL INCOME TAX

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1. **What is Rental income?**

This is the total amount of rent earned or derived by a person from the rent/lease of immovable property (land and or buildings) for the year of income in Uganda with the deduction of any expenditures and losses incurred in respect of the property.

2. **What is Rent?**

This is any payment, including a premium or like amount made as consideration or in exchange for use or occupation of or right to use or occupy land or buildings.
Rent is a payment made by a person for the use or occupation of property over an agreed period of time.

3. **Define Rental income Tax**

This is a tax that shall be charged for each year of income and is imposed on every person who has rental income for the year of income

4. **Who is required to pay rental Income tax?**

- Rental tax is payable by the person who earns income from the property i.e. the landlord or landlady.
- Rental income tax is payable by the person who earns rental income from the lease/rent of immovable property.

NOTE: A person includes an individual, a partnership, a trust, a company, a retirement fund, a government, a political sub division of a government and a listed institution.
A person (landlord or landlady) may take the form of, any person who rents out immovable property to another person (the Tenant) in exchange for money.
Rented property includes residential houses for rent, commercial buildings for rent, land leased to telecom companies, etc.

5. **Who is considered a Landlord or Landlady?**

This is any person who lets out immovable property to another person (the Tenant) for a consideration. A person (landlord or landlady) may take the form of:

- An individual e.g Mathew, Abdul.
- A Company e.g Jojy Ltd
- A Corporate body e.g. Properties (U) Ltd.
- Government e.g Luwero District Administration
- An institution e.g Makerere University, UWESO
- A listed institution e.g African Development Bank

6. **What are the Obligations of a Taxpayer?**

- The person earning rental income should register with Uganda Revenue Authority to get a Tax Identification Number (National Indication Number).
- The registered taxpayer must file their provisional return within three (3) months of the commencement of the year of income in case of an individual or six (6) months in case of a company.
- An individual required to pay rental tax MAY furnish a provisional return of rental income on a monthly basis.
- Complete a return of Rental Income for a year of income with supporting agreements where available or rental receipts issued to tenant (s) during the year
- Declare ALL your sources of rental income in FULL for a given year of income. The year of income is from 1st July to 30th June or a Substituted year
- Submit (furnish) the return, ANNUALLY to Uganda Revenue Authority, online through the URA Web Portal within six months after the end of the relevant year of income.
- Pay the rental income tax by the appropriate due dates.

7. **What are the Obligations of a Property Owner?**

- Ensure that you maintain a signed tenancy/lease agreement with the tenant/lessee for the period of occupancy.
- Issue a document to confirm proof of payment of rent i.e. e-receipt, e invoice (From EFRIS).
- Keep all relevant records of expenses incurred on the property in the course of the year.
- Declare ALL your sources of rental income for a given year of income in the return.
- Pay the rental income tax by the due date which doubles as the filing date.

Note; Provisional return is due within 3 months from the beginning of the financial year, for individuals and 6 months from the beginning of the financial year for non- individual.

8. **What documents should a property owner to keep?**

- Tenancy/lease agreements
- EFRIS receipts/invoices for both rental income and expenses incurred
- Bank statements
- property ownership documents.

9. **How does one compute Rental income tax?**

For Individuals

Step I: Determine the total annual gross rental income earned (R) from all rented property of the individual;

Step II: Deduct the threshold of 2,820,000 UGX
Note: No other deductions are allowed
Chargeable income = R- 2,820,000

Step III: Determine rental income tax at 12%
Tax payable = 12% x chargeable income
Example

1. **Individuals**

Scenario
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= 3,180,000
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

2. **Partnerships**

Note:

For a partnership involved in sourcing rental income, we use the computation of an individual to arrive at the tax payable from the rented property.
The resultant tax payable by each partner is determined by the profit and loss sharing ratio in the partnership deed.

Using the Gross Income in the calculation above, if Arafat and Jane were in a partnership and their sharing ratio is 2:3, then
Partner Arafat
Arafat rental income = 2/5 x 6,000,000 = 2,400,000
Rental Tax (2,400,000 -2,820,000) x 12% = Nil.

Partner Jane
Jane rental income = 3/5 x 6,000,000 = 3,600,000
Chargeable income = 3,600,000 – 2,820,000 = 780,000 UGX
Rental Income Tax = 780,000 x 12% = 93,600
Therefore, Partner Arafat will pay UGX Nil while Jane will pay UGX 93,600

3. Non Individual (Companies, retirement fund, trust,.......)

Scenario I: Expenses include: security expenses 2,000,000, Garbage services 800,000. Repairs and maintenance 500,000 and interest on mortgage is 800,000, calculate the rental tax payable.

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

Step II:
Deduct up to 50% of the annual gross rental income as allowance for expenditures and losses incurred.
Total expenses
=2,000,000 + 800,000 + 500,000 +800,000= 4,100,000.

However; A non-individual's expenses are capped at 50% of the gross income.
Allowable expenses
= 50% X 6,000,000 = 3,000,000.

Chargeable rental income
=6,000,000 – 3,000,000
=3,000,000

Step III: Calculate rental income tax at 30%
= 30/100 x 3,000,000
Rental tax payable
= 900,000 UGX

Note:
Where the total expenses are below 50% of the rental Income earned, the allowable deduction is the exact amount of the expenses incurred.

Entitlement to tax credit.
The taxpayer is entitled to a tax credit in respect of any rental income tax paid provisionally or in advance during the year of Income. This however can only be offset against rental tax liability since the source is taxed separately from other taxes.

10. What are the consequences of non-compliance?

1. Failure to file a rental income tax return by the due date attracts a penalty of UGX. 200,000 per month for the period the return is outstanding or 2% of the tax liability for the period, whichever is higher.
2. Failure to pay the resultant tax liability by the due date attracts an interest of 2% of the tax liability per month.
3. Understating provisional tax. A taxpayer who understates provisional tax will suffer tax of 20% on the difference between tax calculated on 90% of actual tax declared and tax calculated on provisional tax declared for the year.
4. Failure to issue a fiscalised receipt or invoice attracts penal tax of double the tax due on the rental service or ten currency points, which ever is higher.

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