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VAT is an indirect tax on consumption charged on value added to taxable goods and services at different stages in the chain of production and distribution. In Uganda, VAT is charged on the supply of goods and services and imports other than those exempted from paying VAT. These supplies are supposed to be made by a taxable person (one who is registered, not registered but required to register or to pay VAT).

UNDERSTANDING KEY WORDS IN VAT

1.TAXABLE SUPPLIES

These are supplies of goods or services made or imported in Uganda by a taxable person (persons registered or required to register for VAT). Such supplies are either standard rated or zero rated. This means that they are charged VAT and are supplied for a consideration

A. Standard rated sup-plies: These are supplies where VAT charged is 18%. These include all supplies excluding those specifically shown in the third and fourth schedule of the VAT Act Cap.344.

Examples of standard rated supplies include,

Sales of business assets (e.g. equipment, furniture, commercial vehicles) except when sold as a going concern;

- Hire or leasing/letting of goods to someone else at a cost;
- Goods which you or your families have taken from the business for own use;
- Commission received in return for selling something on behalf of someone else.
- Sales to your staff or relatives (e.g. your products supplied free of charge, or at reduced prices);
- Any other supplies that are not zero rated or exempt.

B. Zero rated supplies: These are supplies where VAT is charged at a rate of 0%. Such supplies are listed in the fourth schedule to the VAT Act Cap.344. They among others include all exports, drugs and medicines manufactured in Uganda, and cereals where such cereals are grown and milled in Uganda.

C.Exempt Supplies

These are supplies of goods and services which are not charged VAT. They are specified in the third schedule to the VAT Act. Examples of exempt supplies include;

- Supply of livestock, unprocessed foodstuffs and unprocessed agricultural products
- Supply of Health insurance and life insurance services

• Educational services
• Passenger transportation services (other than tour and travel operators), among others.

NOTE: A person dealing only in exempt supplies is not expected to register for VAT while one dealing in zero rated and standard rated supplies is required to register in case they meet the registration requirements.

2. CONSIDERATION
This is payment that may be received in form of money or in kind, wholly or partly when a person makes a supply of a good or service including any duties, levies, fees and charges paid or payable.

3. A PERSON
A person includes an individual, a partnership, a company, a trust, a government and any public or local authority

4. A TAXABLE PERSON
A taxable person is a person who is registered for VAT or a person who is not registered but is required to be registered for VAT or to pay tax.

5. INPUT TAX
Input tax means the tax paid or payable in respect of purchases/ expenses or on imports of taxable goods or services by a taxable person for example if one is manufacturing water and buys packaging material, the VAT that person is charged on packaging material is input VAT.

6.OUTPUT TAX
This is the VAT charged by a taxable person when selling a taxable supply. When a person is registered for VAT, they will charge VAT on taxable supplies, and that VAT charged is called output tax.

d) Exempt Import
An import of goods is an exempt import if the goods –
• are exempt from customs duty under the Fifth Schedule of the East African Community Customs Management Act, except compact fluorescent bulbs with a power connecting cap at the end, and lamps and bulbs made from light emitting Diodes (LED) technology for domestic and industrial use; or
• would be exempt had they been supplied in Uganda.
Import of a service is an exempt import if the service would be exempt
had it been supplied in Uganda.

7. VAT PAYABLE or CLAIM-ABLE
Where a person's;
i.Output VAT is greater than the input VAT, the difference is VAT payable to URA.

ii.Input VAT is greater than the output VAT, the difference is VAT claimable and this can be utilized through an offset or a cash refund if the amount exceeds 10 million shillings.

8. VAT MECHANISM
VAT is collected at different stages in the production and distribution of goods or services. When a person imports or manufactures an item, they are charged VAT on what they use to make such an item including expenses made. When the person sells to the next person in the chain, they charge VAT. The difference between the VAT they charge and what they have been charged is what they pay. This continues until the good or service gets to the final consumer who pays all the VAT, meaning that VAT is a tax on final consumption.

VAT REGISTRATION
Who is required to register for VAT?
i.A person who carries on, or intends to carry on a business activity is required to apply for VAT registration if their turnover from taxable exceeds, or is expected to exceed UGX 75,000,000 in any period of three consecutive calendar months being one quarter of the annual registration threshold of UGX 300,000,000 in any period of twelve months).

ii.A person being a national, regional, local or public authority or body which carries on business activities or intending to carry on business activities is required to apply to be registered for VAT regardless of the turnover.

Under what circumstances should one be eligible for VAT registration?
Registration for VAT can happen under two circumstances i.e. when a person applies voluntarily or compulsorily.

1. Compulsory Registration
• If one has made taxable supplies whose gross value exclusive of VAT exceeds UGX 300 million in a given year of income

• If during the past three consecutive calendar months, one has made taxable supplies whose gross value exclusive of VAT exceeds UGX 75,000,000, that person is required to apply for VAT registration within 20 days from the end of the period in which the obligation to register arose.

• Similarly, if one reasonably expects that during the next three consecutive calendar months, the total value of their taxable supplies will exceed UGX 75 Million, they are required to apply for VAT registration at the beginning of the 3 consecutive months.

• Even if one does not currently meet the registration threshold, they are required by law to apply for VAT registration as soon as their taxable turnover exceeds or is expected to exceed, the prescribed threshold.

2. Voluntary Registration
A person whose sales do not exceed UGX 75,000,000 for three consecutive calendar months may apply for voluntary VAT registration.
However, the applicant must satisfy the Commissioner General that they:
• Have a fixed place of business.

- Are able to maintain proper business records: and

- Are a fit and proper person to be registered for VAT.

Note: Approval for voluntary registration is at the discretion of the Commissioner General. If the application is rejected, the applicant will be notified of the reasons for the refusal.

Accounting for VAT based on fair market value
In cases of barter trade, gifts, supply of goods for own use where there is no explicit value provided, the taxable valueshall be the fair market value of a good at the time the supply is made;

Example

A VAT registered furniture dealer withdraws a dining table from the business for personal use. If the table's fair market value is UGX 2,360,000, the VAT due is calculated as:
Taxable value = UGX 2,000,000
VAT (18%) = 360,000.
The dealer must account for UGX 360,000 as output VAT, even though no money was received.

What are the Obligations after VAT registration?

Upon registration, a person is supposed to;

- Charge and collect VAT on taxable supplies (sales) by issuing a tax invoice for goods and services sold

- Register and use the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) to issue e-invoices, if not already registered for it.

- File a VAT return within 15 Days after the end of the month. EFRIS supports pre-filled returns and the person is only required to crosscheck if the facts in the return are true

- Pay VAT that arises in their return within 15 days after the end of the mont <!-- Generator: Adobe Illustrator 24.0.2, SVG Export PlugIn h. Currently when the return is filed, the pay slip is automatically generated
- Maintain proper records

How does EFRIS relates to VAT?

EFRIS is a smart business solution that businesses use to issue e-receipts or e-invoices and manage their stock movement in real time. All VAT-registered taxpayers and all taxpayers in the gazetted sectors are required to use EFRIS to issue e-invoices to their customers and ensure that every transaction is fiscalised. Taxpayers not mandated to use EFRIS can also voluntarily use EFRIS.

How does EFRIS assist traders in VAT reporting to URA?

VAT is charged at 18% on standard rated supplies at each stage on the value added to an item. Every business in the value chain gets a tax credit on VAT already paid. So, the EFRIS system is used to monitor the VAT charged at each level.

This ensures that tax due to you is credited to you and tax due to the government is sent to URA as shown in the illustration below:

Descrip-tion	Price Without VAT	VAT Rate	VAT Amount	Price with VAT
Purchase	1,000/=	18%	180/=	1,180/=
Sale	1,500/=	18%	270/=	1,770/=

- In the above example when a trader purchases an item from a VAT registered person through EFRIS at 1,000/=, it's automatically charged 180/=. This is a VAT tax credit for the trader (input tax).

- When a VAT registered person sells the same item through EFRIS at 1,500/=; s/he charges the customer 18% VAT of 270/= (output tax)

- So, VAT on Sales (output tax) - VAT on Purchase (input tax) i.e. 270/= - 180/=.

- So, the business remits 90/= to URA.

- The result may be a tax refund or claim to the trader (where input tax exceeds output tax), tax payable to URA (where Output tax exceeds input tax) or NIL tax.

If a trader uses EFRIS, the above calculation is automatic. At the time of filing a VAT return to URA, the trader can confirm or update the details before submitting the return to URA.

What are the Benefits of EFRIS to a VAT registered person?

EFRIS enables a person to:

- Access tax refunds faster, thus boosting cash flows

- Fairly and correctly determine your VAT tax position thereby reducing unfair competition in business.

- Access pre-filled tax returns and therefore avoid penalties for late or non-filing Reduce the risk of physical data loss as transactional data or copies are digitally stored in the system. Being in position to supply large and or credible business which leads to more profits and growth

Penalties related to VAT

	Description	Penal tax
1.	Failure to apply for Registration.	Double the amount of tax payable during the period commencing the last day of the application period until either the person files an application for registration with the Commissioner General or the Commissioner General forcefully registers that person.
2.	Failure to file a return by the due date	The greater of; Two Hundred thousand shillings; or, An interest charge for the period the return is outstanding calculated at a rate of 2% compounded
	Failure to pay tax before or on the due date.	Interest on the unpaid tax at a rate of 2% compounded per month for the period the tax remains outstanding.
	Failure to maintain proper re-cords in a tax period	Double the amount of tax pay-able by the person for the period to which the tax relates
	Making a false or misleading statement or declaration to an official of URA or, Omitting from a statement made to an official of URA any matter or thing without which the statement is misleading and, The tax properly payable by the person exceeds the tax that was assessed as payable based on the false or misleading information; the amount of the refund claimed was false; The person submitted a return with incorrect offset claim.	Double the amount of excess tax, refund or claim.

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