**TAXATION OF PUBLIC ENTERTAINMENT AND EVENTS**

**Overview**

**What is Entertainment?**

Entertainment is a form of activity that holds the attention and interest of an audience or gives pleasure and delight. Public entertainment events include activities like concerts and performances.

**Who are the key players in the Entertainment industry?**

The key players in the industry include:

* Artistes
* Performers
* Authors
* Producers
* Promoters
* Event managers
* Recreational space owners
* Bar owners
* Hotel owners

According to the Uganda Bureau of Statistics (UBOS), collectively the services sector where entertainment belongs, contributes 47.1 trillion Shillings to Uganda’s economy. The entertainment industry has a lot of potential to support the economy through taxation of the individuals employed.

**Key terms:**

**Person** - Person includes an individual, a partnership, a trust, a company, a retirement fund, a government, a political subdivision of a government and a listed institution.

**Key obligations for public entertainment event owners**

1. Register for taxes with URA
2. Withhold tax on payment
3. Charge VAT and remit to URA

**Who is obliged to register for taxes with URA?**

All persons earning income from entertainment business are obliged to register for taxes with URA. Upon approval of your application, you are given a Tax Identification Number (TIN) for tax purposes. TIN stands for Tax Identification Number. It is a 10-digit unique number which 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.

**Note**

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

**How to register for taxes/ apply for a TIN?**

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

|  |  |
| --- | --- |
| **Through the URA Web portal** | **Visiting a URA designated office** |
| * Visit the URA web portal and click e-Services * Under e-Services; click register for taxes * Select the registration type applicable to you * Complete the application and submit * Upon approval by URA, you will receive a TIN and it will be sent to the phone number and email address you provided to URA at the point of registration. | In case a taxpayer cannot register online, he or she can walk into any of the URA offices or One Stop Centres located in any Municipality or KCCA division and assistance shall be provided to complete the registration process.  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 happens if one fails to register for a TIN?**

A person who fails to apply for registration is liable to:

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. a fine not exceeding Shs. 1,000,000 or imprisonment not exceeding two years or both on conviction in any other case.

**Withhold tax on payment**

**What is a Withholding tax (WHT)?**

Withholding tax is a form of advance 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 a designated withholding agent- Person selected by the Minister of finance and published in a gazette to withhold tax upon making payments to another person.
* Be making a payment on a transaction that is required by law to be deducted from WHT.

1. **Withholding tax on payments to non – resident public entertainers**

Tax is imposed on the income derived in Uganda by every non-resident public entertainer.

The tax is charged at a rate of 15% of the gross amount of the payment derived by the 5 non – resident public entertainer.

Where the tax is levied on a group, every member of the group is jointly and individually liable for payment of the tax.

The obligation to withhold the tax under this provision is placed with the person making the payment e.g. promoter, agent, event owner or such similar person irrespective of whether that person is a designated WHT agent or not.

The tax is payable before the non-resident entertainer leaves the country.

**Example:** Sanyuka events limited hires a Congolese artiste to perform in Uganda. Sanyuka events limited is obliged to withhold 15% of the gross amount of the payment to the Congolese artiste and remit it to URA.

**Congolese artiste’s gross payment**

=50,000,000 UGX

**Tax withheld from the Congolese artiste and remitted to URA**

= 15% x 50, 000, 000

=7,500,000 UGX

1. **Withholding tax on payments to local public entertainers**

A person making payment to a local public entertainer for services provided is required to withhold tax at the rate of 6% on the gross amount irrespective of whether that person is a designated WHT agent or not.

**Example**

Evergreen hotel organizes a Christmas concert and invites a Ugandan local musician to perform. Upon making payment to the musician, Evergreen hotel is obliged to withhold 6% on the gross amount of the payment and remit it to URA.

**Local musician’s gross payment**

=10,000,000 UGX

**Tax withheld from the local musician and remitted to URA**

= 6% x 10,000,000

=600,000 UGX

**What are the responsibilities of a person Filing a WHT return and Payment of WHT?**

* The responsibility of filing and payment of the tax with held rests primarily on the person making payment e.g. promoter, agent, event owner or such similar person. Thus, in case of his/her failure to withhold the tax, it will be recovered from them.
* A person obliged to withhold tax 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.

1. **Charge VAT and remit to URA**

**What is Value Added Tax (VAT)?**

VAT is an indirect tax on consumption that is paid by the final consumer.

VAT-registered persons are required to:

* Charge VAT whenever they make supplies that are attract VAT.
* File monthly returns within 15 days after the end of the month in which the transaction took place.

1. **VAT on local public entertainment events**

The supply of entertainment services is a taxable supply that attracts VAT at the rate of 18%.

The owner of an entertainment event whose annual turnover (sales) is UGX 150 million and above is expected to register for VAT and charge VAT on the ticket fee. The VAT charged must be declared in a return and remitted to URA.

To ensure compliance to this, URA officials need to be informed of any upcoming events and will be positioned at the concert/ event entrance to count and scrutinize tickets.

**Example:**

Sanyuka Investments limited organized an end of year music and comedy concert at Lugogo grounds; during the event 5,000 tickets were sold at UGX 10,000 leading to total sales of UGX 50,000,000. Calculate total VAT charged on all tickets sold.

**Solution:**

**Gross tickets sales**

= 5000 x 10,000

= 50,000,000 UGX

**Net ticket sales**

= 50,000,000 /118%

= 42,372,881.36 UGX

VAT Charged

= Gross ticket sales - Net VAT sales

= 7,627,118.64

1. **VAT on Sponsorship income**

Where an events promoter receives sponsorship from any other company, he/ she must raise an invoice that is VAT inclusive through EFRIS to the sponsor.

**What is the responsibility of Filing a VAT return and payment**?

The event owner is required to file and remit the VAT charged to URA within 15 days after the end of the month in which the event occurred.

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

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 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 fails to pay tax?**

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