**MANUFACTURING SECTOR**

**What is Manufacturing?**

Manufacturing is the process of turning raw materials or parts into finished goods through the use of tools, human labor, machinery and chemical processing.

**Scope of manufacturing sector in Uganda**

The Uganda’s manufacturing sector is dominated by Agro-processing, food and beverages, households’ products, construction materials and fast-moving consumer goods

**What are the Key Tax Obligations for Manufacturers?**

* Registration for taxes
* Timely return filing
* Timely payment of tax

**How do I register my manufacturing business?**

All businesses in the manufacturing sector in Uganda are required to be registered with;

* Uganda Registration Services Bureau (URSB) for Company registration
* Uganda Revenue Authority (URA) for taxes
* Local council authority e.g. KCCA, municipal council, for a trading license

**Please note:**

Upon registration, manufacturing companies are required to comply with the requirements of statutory bodies like;

* Uganda Investment Authority (UIA)
* Uganda National Bureau of Standards (UNBS)
* National Environment Management Authority (NEMA)

**What do I need to register for taxes?**

Click here for details on requirements for registration

**How do I register for taxes?**

* You’re required to visit the URA portal on [www.ura.go.ug](http://www.ura.go.ug)
* Click here to register as an individual
* Click here to register as a non-individual

In case you cannot register online, visit the nearest URA office for assistance or call the toll-free line ***0800117000/0800217000*** or WhatsApp: ***077214000***

**What are my rights and obligations as a taxpayer?**

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| **My rights as a taxpayer**   | **My obligations as a taxpayer** |
| Right to equity and fair treatment before the law. | Ensure that you voluntarily register with Uganda Revenue Authority as a taxpayer. |
| Tax laws and procedures shall be applied consistently to you | File correct tax returns, customs entries or any forms relating to taxes and other revenue. |
| All your tax affairs shall be handled with impartiality. | Pay the correct tax at the right time and place as required by the relevant laws. |
| You and your agent(s) shall be presumed honest until proven otherwise. | Be honest when dealing with URA. |
| Your tax affairs shall be kept secret and tax information in our possession shall be used in accordance with the law. | 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. |
| You and your authorized agent(s) shall be provided with clear, precise and timely information. | Quote your Tax Identiﬁcation Number (TIN) for all dealings with URA. |
| You shall always pay the correct tax. | Do not involve yourself in any form of tax evasion and other illegal practices. |
| You will receive courteous and professional services at all times | When you are importing or exporting cargo, employ services of a licensed customs agent to complete customs entries and related clearance formalities. |
| You will receive timely, clear and accurate responses to your enquiries, complaints and requests | Make full disclosure of information and correct declaration of all transactions at all times. |
| You will be availed with reasons for any decision taken. | Let URA know if you need an interpreter. |
| You shall be sensitized about your tax obligations | Beware of and comply with customs quarantine, wildlife, currency and passenger concession. |
| Your tax objections shall be attended to in accordance with the relevant laws & procedures. | When you are travelling, ensure that you have accurately completed all the necessary forms before you reach the arrival/departure processing point. |
| You shall be facilitated to exercise your right (s) of appeal both within the organization and to an independent tax tribunal in accordance with the law. | Declare your goods on arrival and have them ready for inspection |
| You shall be given prior notice whenever your premise(s) are to be subjected to routine inspection or if an audit is to be conducted. | Treat URA staff fairly and with respect |

**What are the tax types applicable to the manufacturing sector?**

### Small Business/ Presumptive tax

This is imposed on manufacturers whose annual turnover exceeds UGX 10 million and below UGX 150 million.

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

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| **Gross turnover per annum** | **With records** | **Without records** |
| Not exceeding UGX 10 million | NIL | NIL |
| Exceeding UGX 10 million but does not exceed UGX 30 million | 0.4% of annual turnover in excess of 10 million | UGX 80,000 |
| Exceeding UGX 30 million but does not exceed UGX 50 million | UGX 80,000 plus 0.5% ofannual turnover in excess ofUGX 30 million | UGX 200,000 |
| Exceeding UGX 50 million but does not exceed UGX 80 million | UGX 180,000 plus 0.6% ofannual turnover in excess ofUGX 50 million | UGX 400,000 |

**Non- individual income tax**

The income tax rate for a company is 30% of the entity’s chargeable income (gross income less allowable deductions).

**Individual income tax**

The income tax rate for individuals depends on the income bracket in which the individual falls.

**Rate of tax for Resident individuals**

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| **ANNUAL CHARGEABLE INCOME (CY**) **IN UGX** | **RATE OF TAX** |
| 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%] |

# **Rate of tax for Non-Resident individuals**

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| **ANNUAL CHARGEABLE INCOME (CY**) **IN UGX** | **RATE OF TAX** |
| 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%] |

**Value Added Tax (VAT)**

VAT is a consumption tax charged at a rate of 18% on all supplies made by taxable persons i.e. persons registered or required to register for VAT purposes. The threshold for VAT registration is an annual turnover of over 150 million, or 37.5 million in the first 3 consecutive months.

Click here to register for VAT

**Please note**

All VAT registered taxpayers are obliged to register for EFRIS and issue e-invoices

Click here for information on how to register for EFRIS

**LOCAL EXCISE DUTY**

This is a tax that is imposed on specified imported or locally manufactured goods, and services.

 Click here for the applicable excise duty rates

**WITHHOLDING TAX**

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

**Please note**

The tax withheld is credited/ reduced on the tax payable in the final income tax return.

Click here for information on Withholding tax.

**Pay As You Earn (PAYE)**

Any person dealing in transport business and has workers earning a monthly salary more than 235,000 per month is required to register for Pay as You Earn (PAYE), withhold and remit tax to URA.

Click here for the PAYE rates

**How do I file returns for my manufacturing business?**

Click here for information on how to file your returns.

**How do I pay taxes to URA?**

After filing a return, you’re required to pay taxes due using available payment platforms e.g. banks, mobile money, VISA, Mastercard etc.

**Please note:** the due date for payment of tax is the same as that of return filing.

Click here to register a payment

**Are manufacturers entitled to any tax incentives?**

Yes. There are incentives available for manufacturers and they include:

**Tax incentives under Domestic Taxes**

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| **Excise Duty** |
| **Type of Incentive** | **Conditions for granting exemption** |
| Nil excise duty on construction materials of a manufacturer, (excluding a manufacturer dealing 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) | Must invest a minimum of USD 50m or, in the case of any other manufacturer, who makes an additional investment equivalent to USD 50m |
| Nil duty on construction materials of a factory or warehouse exclusive of those available on the local market, locally produced raw materials and inputs.Operator within the industrial park,free zone or other business outside the industrial park or free zone who invests in processing agricultural goods; manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobiles, household appliances or manufactures furniture, pulp, paper, printing and publishing of instructional materials. | 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 dateof commencement of the specified business, same incentives apply to an existing operator in an Industrial Parkor 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. |
| Duty remission Excise duty will be remitted on plastic productsmanufactured for use in packaging of products for export, use in packaging medicaments and is manufactured from recycled plastic | Manufacturers of specified goods |
| Nil excise duty on construction materials of a manufacturer, whose investment capital is, at least 50 million US Dollars or, in the case of any other manufacturer, who makes an additional investment equivalent to 50 million US Dollars | Excludes a manufacturer dealing 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. |
| **STAMP DUTY** |
| **Type of incentive** | **Conditions for granting exemption** |
| No stamp duty on execution of the following documents;1. debenture; whether a mortgage debenture or not, being of a marketable security – of total value;
2. further charge; any instrument imposing a further charge on a mortgaged property –of total value;
 | a) In case of a new manufacturer, who is subject to availability, has capacity to use at least 70% of the locally produced raw materials, and employs at least 70% citizens with an aggregate wage bill ofthe new manufacturer and whose investment capital is at least 50 million US Dollars |
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| 1. lease of land – of total value;
2. increase of share capital;
3. transfer of land;
4. an agreement to provide services on conducting a feasibility study or

developing a design for construction.”; | b) In case of an existing manufacturer who subject to availability has capacity to use at least 70% of the locally produced raw materials, and employs at least 70% citizens with an aggregate wage bill of the existing manufacturer from the date on which the manufacturer makes an additional investment equivalent of 35 million US Dollars |
| NIL stamp duty on an agreement relating to the deposit of title-deeds, pawn pledge- of the total value. | Beneficiary: Loan applicants |
| NIL stamp duty on security bond or mortgage deed executed by way of security for the due execution of an office, or to account for money or other propertyreceived by virtue of security bond or mortgage deed executed by a surety to secure a loan or credit facility-of entry value. | Beneficiary: Loan applicants |
| **VAT** |
| **Type of incentive** | **Conditions for granting exemption** |
| **Exporters** | **Zero rated** |
| Nil 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 products; 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 |

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|  | 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 IndustrialPark 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 registered persons claim all the VATincurred. | Turnover of UGX 150m in any 12-month period for first time registration, ability to keep proper books of accounts andmaking taxable supplies. |
| Nil VAT on the supply of liquefied gas anddenatured fuel ethanol from cassava |  |
| Nil VAT on the supply of services to amanufacturer other than [a manufacturerwho engages in supply of locally produced materials for construction of a factory or warehouse and the supply of locally produced raw materials and inputs or machinery and equipment toan operator within an industrial park, free zone or an operator within a single factory or other business outside the industrial park or free zone]. | The investment capital of this manufacturer should be at least USD 30 million for a foreign investor or USD 5 million for a local investor, to conduct a feasibility study or to undertake design and construction, or in the case of any other manufacturer from the date on which the manufacturer makes an additional investment equivalent to USD 30 million for a foreign investor or USD 5 million for a local investor;* who has capacity to use at least 70 percent of the raw materials that are locally sourced, subject to their availability, and
* Who has capacity to employ at least 70 percent of the employees that are citizens earning an aggregate wage of at least 70 percent of the total wage Bill.
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| Deemed VAT: Tax payable on a taxable supply made by a supplier to a contractor executing an aid-funded project isdeemed 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 |
| The supply of drugs, medicines and medical sundries manufactured in Uganda are zero rated | Manufactured in Uganda |
| Cash basis accounting for VAT on suppliesmade to government | VAT registered suppliers |
| Zero rating the supply of menstrual cups and inputs for their manufacture | Suppliers and manufacturers of menstrual cups |
| **INCOME TAX** |
| Type of incentive | Conditions for granting exemption |
| 6% WHT exemption on payment forgoods and services and professional fees | 12 months renewableWhere the Commissioner is satisfiedthat the taxpayer has regularlycomplied with the obligations under the tax laws |
| 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 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 20years from the time he starts using the building. |
| Recognition of losses | 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. |



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| Wear and Tear | 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. |
| Allowable deduction of purchase expense from a supplier designated to usee-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 ore-receipts. |
| 100% deduction of Scientific researchexpenditure | A person who incurs expenditure forscientific 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 commencementof construction. Also applies to an existing investor making an additional investment of the same value. |
| 10-year Exemption of Income derived by a person from undertaking any of the listed business activities in the Industrial Park or Free Zone. | Operator in an Industrial Park or Free Zone who invests in processingagricultural products; 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;manufacture of tyres, footware, mattresses or tooth paste.Must invest a minimum of USD 10m for foreign investors and USD 300,000 for |

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|  | EAC citizens or USD 150,000 where the investment is made upcountry.Incentive takes effect from the dateof commencement of the specifiedbusiness, same incentives applies to anexisting operator in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourcedraw 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 outside an industrial park or free zone.  | Investor outside an industrial park or free zone carrying out activities listed aboveMust 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 dateof commencement of the specified business, same incentives applies to an existing operator in an IndustrialPark 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. |
| Exemption of Income derived by a person from undertaking the agro - processing. | One Year. May be renewed annuallyInvestor must use plant and machinery that has not previously been used in Uganda, apply for and be issued with a certificate of exemption from URA andmust be tax compliant. |
| Exemption of Income derived from the exportation of finished consumer and capital goods | 10 years.Exemption valid from the beginning of the investment. Investor must export at least 80% of production. Investor must apply for and be issued with a certificate of exemption. |



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| Double Taxation Agreements (DTA): Investors from countries with 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 Actestablished with economic substancein a country with which Uganda has a DTA. |
| Deduction of 2% Income tax for employers that employ PWDs | 5% of employees must be PWDs |