**KEY FINANCIAL MANAGEMENT SKILLS FOR SMALL BUSINESSES**

**What is a small business?**

A Small Business Taxpayer for income tax purposes is a resident taxpayer whose gross turnover from all businesses owned by such a person in a year is above 10 MILLION shillings but is less than 150 MILLION shillings. The term TURNOVER refers to one’s total sales in a year. The legislation is provided for in Part II Section 4(5) and the Second Schedule of the Income Tax Act Cap 340.

**Note**: A person whose total business income does not exceed 10 million shillings a year does not pay income tax.

**What are the registration requirements for a TIN?**

To be registered for taxes you need to have the following:

**Individual:** National ID or any two identification documents (Passport, Village Id, Employment Id, Driver’s Permit and Bank Statement)

**Sole proprietor:** Certificate of registration, Statement of particulars.

**Company:** TIN’s of directors, Certificate of Registration or Certificate of Incorporation, and Company form 7. NB. Please note that your company must already be registered by Uganda Registration Services Bureau (URSB).

**How do you manage your personal and business finances?**

Many businesses fail because the owners do not take care of their finances well. The notes below provide advice on how to effectively manage business and personal finances:

* Separate your business and personal expenses.
* Focus on what you need and do not spend on things that you can do without.
* Decide what is important, set financial goals and raise money to meet them.
* Draw a budget which is within your income. This is important because it is easy to get into debt but hard to get out
* Keep records of all your transactions e.g. receipts for purchases, expenses, sales, incomes etc. They must be written well to show the date, items, amount paid/ spent to enable you track your incomes and expenses with an accurate memory.
* Save and invest to grow your earnings.
* Plan appropriately for personal expenses (e.g. expenditure on dependents).
* Keep in mind that if you gamble, you eventually lose.
* Write a will to protect your investments for your dependents
* Keep a budget and record book of all transactions
* Ensure you sell your goods and services inclusive of taxes
* Plan ahead and estimate your taxes due at the beginning of the year based on the turnover in the previous year
* The tax liability should be paid in full on or before the last day of the year.
* Visit your nearest tax office for any questions or assistance.

**How do you pay presumptive tax to URA?**

1. Go to URA website: ura.go.ug, select ‘eservices’ and then select ‘payment registration.’
2. Under ‘Tax Head,’ select Income Tax – Small Businesses.
3. Insert your TIN and it will auto populate your particulars.
4. Select tax period dates
5. Fill in required fields under Business Details and Location
6. Input the amount applicable to you under ‘Tax Payable’ based on the brackets above
7. Select the bank you want to make this payment
8. Print out the bank slip and pay.

**How do you keep saving?**

It is important to teach yourself the practice of putting aside part of your current earnings for future use. Do this continuously by minimizing current luxuries to save for a better 4 future. To save better, the following tips are important;

* Determine a goal for saving
* Know that “One by one makes a bundle”, even the smallest saving is worth it
* Spend less to save more and teach your children to do the same
* Set aside some money for emergencies and when you use it, replace the money
* Save for special events, don’t use business savings for personal activities.
* Save with institutions like banks or a Savings and Credit Cooperatives (SACCO), Village Savings and Loans Associations (VSLA)
* Save with low costs and make gains from your savings e.g. through interest
* Save in a safe, secure and accessible place

**How do you manage your Loans?**

A loan is money that is borrowed and must be paid back, usually with interest and other associated costs such as loan processing costs, insurance fees, stamp duty etc. Most people use loans to run their business and personal project. The tips below guide you on how to use loans;

* Remember that a loan comes with a cost and therefore must be used productively to be able to pay it back
* Know in advance the effects and penalties of not paying back on time
* Look for the most affordable loan offer and plan in advance before taking the loan
* Don’t borrow because others are borrowing, have a personal plan.
* If you don’t pay back, you might lose your collateral/ security
* Beware of aggressive lenders, read every detail of the loan agreement
* Think before becoming a guarantor because if the people you are guaranteeing for fail to pay back the loan, you must pay the loan.

**How do you make investments?**

Put your money to use and allow it to grow. You can do this through property, animals, business and other activities from which you can earn profits. Read more about Shares, bonds, Collective Investment Schemes (CISs) and Government securities (treasury bills and bonds) to know more about the other investment options available. This information is provided by the Capital Markets Authority (CMA).

**Note:** You can contact CMA on:

8th Floor Jubilee Insurance Centre

Plot 14 Parliament Avenue

P.O.Box 24565, Kampala Tel: +256 414 342788/ +256 312264950/1/ +256 772 589997

Fax: +256 414 342803

Website: [www.cmauganda.co.ug](http://www.cmauganda.co.ug).

**As you make an investment choice, bear in mind the following tips**:

* Have a goal and an investment plan. You can get guidance from institutions like Uganda Securities Exchange, Uganda Investment Authority, Private Sector Foundation Uganda or Enterprise Uganda.
* Bear in mind that every investment comes with a risk
* Therefore, invest according to how much risk you are willing to take
* It is important not to put all your eggs in one basket. You may diversify your investments in different things
* Seek professional advice before taking on large investments
* When you buy, think about selling because some investments may be difficult to sell quickly or difficult to sell at all.
* Know the fees you will pay to make your investment work e.g. licenses & taxes.

**How will Insurance give you sustainability**?

Insurance is an arrangement in which an insurance company compensates you for a specified loss caused by e.g. an accident, fire, injury, illness or death in return for an agreed amount of money paid in advance (this is called a premium). The insurer must compensate you for the losses within 60 days after you have presented all the required documents. You can also get 6 information and advice on policies, licensed insurance companies, agents and brokers from the Insurance Regulatory Authority of Uganda (IRA).

**Note**: You can contact IRA on:

Plot 5 Kyadondo Road 2nd Floor Block B Legacy Towers

P.O. Box 22855, Kampala

Tel: 0414-346712/ 0414-253564/ +256 312 266364

Fax: +256 414 349260

Email: [ira@ira.go.ug](mailto:ira@ira.go.ug)

Website: [www.ira.go.ug](http://www.ira.go.ug)

The insurance company compensates you if you have undertaken a Life insurance, Health Insurance, Property Insurance, Disability Insurance, travel Insurance or any other policy in the event the risk occurs. Before taking insurance, take note of the following;

* Find the right policy; get a company that offers you the exact cover you need and can afford
* Follow the right steps to get the insurance policy
* Make a quick and honest claim. When you suffer a loss covered by the insurance policy, inform your insurance company immediately and always tell the truth.
* Complain to the insurance company, if you are treated unfairly. If you don’t get satisfactory redress, approach the complaints bureau at the Insurance Regulatory Authority of Uganda (IRA).

**How do you plan for old age /retirement?**

Be sure to have a sustainable income source during your old age. This will save you from working after retirement. To avoid this, consider the following tips;

* Start planning for your retirement now
* If you work for the Government, you are entitled to a public pension
* If you work in the private sector, your contributions to NSSF will be given to you upon 7
* Retire at the age of 55 or 60, or get an accident that stops you from work or get a terminal illness such as acute AIDS or terminal cancer.
* Ask your employer if s/he has signed up for a voluntary private pension plan
* Your family can benefit from your pension – if you provide the right information
* Use your benefits wisely.

**How else can I make payments?**

In addition to cash, payments for personal and business expenses can be made via mobile phone, cheques, debit and credit cards, or bank transfers. Before you choose your method of payment, it is important to keep the following points in mind:

* Understand the costs and fees involved in the method of payment
* Keep your personal information secure
* Know who you are paying i.e. the correct name, number, payment detail, date and amount and the receipt, payment slip etc.
* Keep records to track your expenses and any money you may owe.

**What is credit management?**

Debit and credits cards enable you to buy goods and services without cash. Debit cards are linked to your bank account so the money you spend is automatically deducted from your account. However, credit cards are small loans and must be paid back later. It is important to remember the following about credit:

* Credit cards must be paid within an agreed timeframe specified by the company (usually one month).
* Credit cards have high penalty and interest fees when not paid on time and should be used with caution
* Pay your debts on time and keep your credit history strong

**How do you choose a financial service provider?**

We all need the least cost and most effective financial services to support the growth of our enterprises. The knowledge of the services, the cost, the rights and obligations of financial clients enables people and businesses to make informed decisions. The following tips can safeguard you from making poor decisions on the choice of a financial service provider;

* Consider saving and borrowing from financial institutions which are regulated and supervised by Bank of Uganda or Micro Finance Deposit-Taking Institutions (MDIs)
* Depending on accessibility, you can access loans from a registered:
* Microfinance Institution (MFI)
* Savings and Credit Cooperative (SACCO’s)
* Voluntary Savings and Loans Association (VSLA)
* Rotating Savings and Credit Association (ROSCA) (merry go-rounds)
* Be careful when borrowing from money lenders, their interest rates are very high and they are aggressive
* Send and exchange money at registered centres
* When you don’t understand a financial product always ask for more information. You have the right to know the product being offered to you
* Know your financial rights; e.g. to be respected, confidentiality, access to savings anytime, response to complaints, information on products and not being forced to borrow.