



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

# A Simplified Guide on RENTAL INCOME TAX



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## DEFINITION OF KEY TERMS

### A. Rental Income

Total amount of rent derived by a person for the year of income from the lease of immovable property (land and or buildings) in Uganda with the deduction of any expenditure incurred in respect of the property.

### B. 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 Etima
- A Company e.g RORA 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

### C. Tenant

This is the person who occupies another person's property on commercial terms and pays a consideration.

Taxation of Rental Income is provided for under S. 5 of the Income Tax Act. This is rent earned by persons and is segregated and taxed separately.

## COMPUTATION OF RENTAL INCOME TAX

### IMPORTANT STEPS

#### For Individuals

**Step I:** Determine the total annual gross rental income (R) from all sources of the individual;

**Step II:** Deduct the threshold of 2,820,000 UGX

**Note:** No other deductions allowed

R- 2, 820, 0000  
=Chargeable income

**Step III:** Determine rental income tax at 12%

Tax payable  
= 12% x chargeable income

#### For Partnerships (Assessed on individual partners according to their respective sharing rates)

**Step I:** Determine the total annual gross rental income(R) of individual partners

**Step II:** Deduct the threshold of 2,820,000 UGX

**Note:** No other deductions allowed

R- 2, 820, 0000  
=Chargeable income

**Step III:** Determine rental income tax at 12% and appropriate according to the partnership stake.

### For Companies, Trustees and retirement fund

**Step I:** Determine the total annual gross rental income (R) from all sources of the company

**Step II:** Deduct up to 50% of the annual gross rental income as allowance for expenditures and losses  $R-50\%R$

= Chargeable income

Note that; the claimed expenses shall be subject to verification by Uganda Revenue Authority, therefore only expenses that have been incurred in the generation of rental income for the company can be claimed.

**Step III:** Determine rental income tax at 30%

Tax payable

= 30% x chargeable income

### EXAMPLES

#### A. Individuals

Scenario: If Gross rent say, Shs.6, 000,000 per annum, Expenses include: security guard (2,000,000), clearing services (800,000), repairs (500,000) and interest on mortgage is 800,000, calculate the rental tax payable

**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

**Note:** No other deductions allowed

Chargeable income

= 3,180,000

**Step III:** Calculate rental income tax at 12%

=  $12/100 \times 3,180,000$

Rental tax payable

= 381,600 UGX

#### B. Partnerships

Using the calculation above, if Amos and Robert were in a partnership and their stake is in a ratio of 2:3, then

Partner Amos

=  $2/5 \times 381,600$

= 152,640 UGX

Partner Robert

=  $3/5 \times 381,600$

= 228,960 UGX

Therefore, Partner Amos will pay UGX 152,640 while Robert will pay UGX 228,960

#### Companies

**Scenario I:** If a company earns Ugx. 30 million out of which Ugx. 15 million

was from rental property. Expenses include cleaning services (3,000,000), security guard (4,000,000) and repairs (4,000,000),

Rental tax is calculated as follows

**Step I:** Determine Gross rent from all sources of the company

=Shs.15, 000,000

**Step II:** Deduct up to 50% of the annual gross rental income as allowance for expenditures and losses.

Total expenses  
=3,000,000+4,000,000+4,000,000  
=11,000,000

**However;**

Allowable expenses  
= 50% X15, 000,000  
=7,500,000

Chargeable rental income  
=15,000,000 - 7,500,000

=7,500,000

**Step III:** Calculate rental income tax at 30%

= 30/100 x 7,500,000

Rental tax payable

= 2,250,000 UGX

### TAXPAYER'S OBLIGATION

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, through your local Revenue Office, within six months after the end of the relevant year of income.

Pay the rental income tax by the appropriate due date

### ENTITLEMENT TO TAX CREDIT

The taxpayer is entitled to a tax credit in respect of any rental 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.

### DISCLAIMER:

This Information is strictly for purposes of guidance to our clientele and is subject to change on amendment of tax legislations & any other regulations that govern tax administration.