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Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

TAX OBLIGATIONS FOR NON-GOVERNMENTAL ORGANISATIONS (NGOs)



FY 2023-24

1. What are Non-Governmental Organisations (NGOs)?

These are Not-for-Profit Organizations (NPOs) that exist independently of the government hence the title Non-Governmental Organizations (NGOs). NGOs work for the benefit of society generally outside the membership of the organization and are non-profit making.

NGOs sources of income or revenue vary with the majority being supported by donations from non-government players such as charitable organizations, while others, get income from sale of goods or services and a few others receive most from government through grants.

2. Are NGOs required to register for taxes?

NGOs in Uganda are required to register with the Uganda Revenue Authority for taxes and acquire a Tax Identification Number (TIN) after registering with the National Bureau of Non-Governmental Organizations (NGO Act Section 29(1)).

3. What are the TIN registration requirements for NGOs?

The TIN registration requirements for NGOs include:

- Certificate of Incorporation by guarantee (Mandatory)
- Company Form No. 20 (Mandatory)
- NGO Certificate (Mandatory)
- Constitution

4. How are NGOs registered for taxes?

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

I. Through the URA Web portal

- a) Visit the URA web portal <https://ura.go.ug> and on the home page, click 'Get a TIN'
- b) Next, click 'TIN Registration - Non Individual'
- c) On the Non Individual TIN application page, click 'click to apply for a non-individual TIN'
- d) Select 'New form' and under Download template for registration, click 'TIN Non-Individual' to download the registration template.
- e) Save the downloaded registration template at a preferred location. It is a MS Excel template (Please do not rename it).
- f) Open the downloaded registration template and enable macros or content. (Please do not cut and paste any values in the sheet)
- g) Fill all required fields of the registration template. Fields labeled with a red asterisk (*) are mandatory fields.
- h) After filling the required fields of the registration template, you need to validate the data by clicking on the VALIDATE button. It is located on the last worksheet before HELP. The purpose of the VALIDATE button is to check for completeness, consistency and accuracy of the provided data.
- i) If there is an error, you will be directed to the error page where you can correct the errors and validate again.
- j) If there is no error, click on YES to "save this template as an upload file". Save the upload file at a desired location.

Please note; At the point of saving the upload file, do not rename it.

- k) Return to the same page on the URA portal where you downloaded the

registration template and upload the saved upload file. On this same page, download and print the terms and conditions.

- l) **Click submit.** Upon submission, an acknowledgement receipt will be displayed with two buttons at the bottom, **Print** and **Print form**.
 - Click **'Print'** to print the acknowledgement receipt.
 - Click **'Print form'** to print the filled application formThe acknowledgement receipt will also be sent to the taxpayer's email address. Please take note of the **Reference Number** and **Search Code** that are indicated on the e-acknowledgement receipt, as you will use them to check status of the TIN application.
- m) After printing the application form, fill out and sign the section for **DECLARATION and CERTIFICATION**
- n) The TIN applicant is required to submit a signed hard copy of the filled application form, signed terms and conditions and the necessary identification documents to the nearest URA office.

Please note; these documents can be submitted before or after approval of the TIN.

II. Visiting a URA Domestic Taxes Service Centre

In case a taxpayer cannot register online, he or she can walk into any of the URA offices or One Stop Centre located in any Municipality or KCCA division and assistance shall be provided to complete the registration process. Ensure that you move along with the necessary attachments as listed above.

In case of failure to do any of the above, call: 0800217000 or 0800117000 (Toll free) or WhatsApp 0772140000 or send an email to services@ura.go.ug

5. What are income tax relief/exemptions for NGOs in Uganda?

The government of Uganda recognizes the significant role played by NGOs in providing social services, as well as contributing to employment, welfare and economic growth. As a result, income tax exemption is provided to NGOs that undertake charitable, educational or religious activities whose objective is not for profit.

6. What does it mean for an NGO to have a tax exemption status?

Being an NGO with a tax-exempt status means that the organization does not have to pay corporate income tax on its income from donations and **from other activities that are related to the purpose for which the NGO was established.**

Please note:

- **Not all NGOs are exempt from tax.** Rather, only NGOs whose activities are exclusively dedicated to not for profit purposes are exempt.
- **Any NGO that wishes to be exempt from tax must make an application to URA for its tax-exempt status to be confirmed;** and the confirmation can only be granted once an application has been reviewed by Commissioner Domestic Taxes (URA).

7. What are eligibility requirements for an NGO to be granted income tax exemption status?

- i. The NGO must be organised and operated exclusively for certain exempt purposes. The exempt purposes are religious, charitable or educational whose objective is not for profit. The NGO must include in its founding documents

that the organization's assets are dedicated to an exempt purpose in perpetuity; for example upon dissolution, such assets are distributed for one or more exempt purposes.

- II. The NGO must have an objective as not for profit rather than a private interest.
- III. None of the income or assets of the organization should confer a private benefit to any person. Trustees, directors, employees, members, founders and contributors are examples of private persons who could benefit from the assets of the organization.

Please note; NGOs must comply with the eligibility requirements for income tax exemption set by the Income Tax Act Cap 340 (as amended) and the obligations associated with the income tax relief.

8. What are the required documents to support application for income tax exempt status?

An application for income tax exemption status from the Commissioner must be in a prescribed form and must be supported by among others the following:

- i. Application form DT 1015
- ii. Certificate of incorporation in case of a Company limited by Guarantee;
- iii. NGO Certificate of Incorporation or Registration
- iv. Valid NGO operational permit
- v. The NGO's Memorandum and articles of Association/trust deeds/rules and regulations
- vi. List of names and TINs of subscriber/trustees/members/governors/directors
- vii. Income Tax returns for the 3 years preceding the application
- viii. List showing categories and number of assets owned by the entity
- ix. PAYE returns for the last 6 months preceding the date of application
- x. Copy of the tenancy agreement and/or title showing location of the organization
- xi. Audited financial accounts for the last 3 years
- xii. Bank statements for the last 3 years for all bank accounts operated by the applicant
- xiii. Letter of confirmation from local authority or umbrella association confirming existence and activities of applicant
- xiv. Declaration certifying that all information as required has been provided without any omission and it's correct
- xv. Any other document or brochures that may be relevant in confirming the existence of the operations

INCOME TAX EXEMPTION CATEGORIES

9. What are the income tax exemption categories?

These are activities/purposes that are the basis for an NGO being granted a tax-exempt status and they include the following:

i. Charitable purpose

A charitable purpose includes activities that are intended to benefit the general welfare or public interest. For example; relief of the under privileged, advancement of religion, advancement of education or science, promotion of social welfare through eliminating prejudice and discrimination, and the defense of human and civil rights.

Please note: A charitable purpose does not include an activity that is against public



policy or which is illegal.

ii. Educational purpose

Educational purpose includes an institution duly registered to provide pre-primary, primary, secondary and tertiary education services whose objective is not for profit.

iii. Religious purpose

There is no statutory definition for the term religious because the constitutional law framework prohibits the adoption of a state religion. (Article 7, Constitution of the Republic of Uganda). The entity should be seen in advancement of a particular faith or belief.

10. What is the procedure of obtaining income tax exemption status?

To be considered a tax-exempt organization, an NGO must be issued with an exemption certificate by URA affirming that the activities of the organization indeed satisfy **a charitable, religious or educational purpose.**

URA procedures

- I. The NGO notifies URA about their charitable activities by making an online application to URA and filling the necessary documentation in support of the application.
- II. When the NGO's tax-exempt status is confirmed by issuance of an exempt organization certificate, it officially becomes a tax-exempt entity for income tax purposes, subject to routine reporting requirements for annual returns, PAYE returns and WHT returns. The organization remains subject to oversight by URA and can be audited.
- III. If an income tax exempt status is not granted, the NGO will be subject to income tax, on any contributions, donations or grants from donors or funders.

11. What taxes are applicable to Non-Governmental Organizations?

I. Corporate income tax

One of the misconceptions about NGOs is that they are exempt from all taxes, and from any obligations concerning tax. ***This is not true.***

If the NGO has not been issued with a ruling by the Commissioner stating that their income is exempt from income tax, then the income is taxable.

II. Withholding tax (WHT)

- Where an NGO is a designated Withholding tax agent, then they are required to withhold 6% on any payment on supplies for goods and services exceeding one million shillings to any person in Uganda. ***This tax is withheld on any part payments for a contract if all payments for the contract when aggregated exceed the threshold of one million shillings.***
- NGOs are also required to withhold tax on payment of management or professional fees to a resident person at a rate of 6% of the gross amount of the payment regardless of the amount.
- The NGO is required to remit the tax withheld to URA within 15 days after the end of the month by filing a WHT return and paying the tax due.

12. How is a tax-exempt NGO treated for WHT purposes?

- ***An income tax exempt NGO also qualifies for withholding tax exemption on payments due to them from the supply of goods or services to government bodies or withholding tax agents.***
- Tax exempt NGOs are also exempt from withholding tax at importation.

III. Value Added Tax (VAT)

VAT is charged on a good or service making it an indirect tax levied on consumption. The person providing the service or good is the one that charges VAT and subsequently remits the same to URA.

NGOs are charged VAT on goods and services supplied to them if the good or service is not VAT exempt.

Please note

- ***Donation and grant incomes are outside the scope of VAT and therefore not subject to VAT.***
- ***VAT incurred on expenditure for charitable purposes is not recoverable/claimable.***
- ***VAT is only exempt for goods and services that are classified as exempt under the second schedule of the VAT Act.*** These include; social welfare services, dental, medical and veterinary equipment, supply of machinery, tools and implements suitable for use only in agriculture etc.

13. What NGOs are exempted from VAT?

- ***Only NGOs that are gazetted in the first schedule of the VAT Act as public international organizations are entitled to exemption from VAT on all their expenditure.***
- ***All the other NGOs (tax exempt or not) that are not gazetted, are charged VAT on goods and services supplied to them*** if the goods or services are not exempt from VAT.

IV. Pay As You Earn (PAYE)

PAYE is a tax that is charged on the income of an employee. The tax is charged on any of an employee's wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity and any other allowance that is not incurred by an employee for organizational purposes.

NGOs are required to withhold tax on employees' salaries in excess of 235,000 Uganda shillings a month.

The NGO is required to remit the tax withheld to URA within 15 days after the end of the month by filing a PAYE return and paying the tax due.

PAYE tax rates applicable for residents and non-residents

CHARGEABLE INCOME (CY) IN UGX (MONTHLY)	RATE OF TAX (UGX)
	RESIDENTS
0 to 235,000	Nil
235,000 to 335,000	$(CY - 235,000) \times 10\%$

335,000 to 410,000	$(CY - 335,000) \times 20\% + 10,000$
410,000 to 10,000,000	$(CY - 410,000) \times 30\% + 25,000$
Above 10,000,000	$[(CY - 410,000) \times 30\% + 25,000]$ $+ [(CY - 10,000,000) \times 10\%]$

CHARGEABLE INCOME (CY) IN UGX (MONTHLY)	RATE OF TAX (UGX)
	NON-RESIDENTS
0 to 335,000	$CY \times 10\%$
335,000 to 410,000	$(CY - 335,000) \times 20\% + 33,500$
410,000 to 10,000,000	$(CY - 410,000) \times 30\% + 48,500$
Above 10,000,000	$[(CY - 410,000) \times 30\% + 48,500]$ $+ [(CY - 10,000,000) \times 10\%]$

14. Can a tax-exempt NGO derive business income without losing its tax-exempt status?

The law does not restrict tax exempt organizations from engaging in business activities.

Tax exempt NGOs may engage in commercial activities that are not related to the purpose for which the NGO qualifies as exempt. However, business income of an exempt NGO that is not related to the purpose for which the NGO qualifies as exempt is taxable.

Given the charitable purpose for which an NGO is established, **in order for a tax-exempt NGO not to lose its exempt status; unrelated business income should not become the primary drive of the NGO's existence** and therefore a substantial part of the NGO's activities.

15. What are other tax obligations of NGOs?

- File income tax returns regardless of whether the NGO is tax exempt or not. **Provisional income tax return due date** is the last day of the 6th month after the start of the year of Income and **the final income tax return due date** is the last day of the 6th month after the end of the year of Income.
- Pay stamp duty on legal instruments.
- All taxpayers' obligations apply.

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.



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