



KEY FINANCIAL MANAGEMENT SKILLS FOR SMALL BUSINESSES

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In Uganda, majority of businesses are categorized as Small Businesses. Many Small business owners are sole proprietors with inadequate skills of managing such businesses which affects their survival. To ensure their continuity, proprietors of these small businesses' need to be equipped with business management skills.



What is a small business?

For tax purposes, a small business is a business whose total sales in a year exceed UGX 10 million but do not exceed UGX 150 million. Taxation of such businesses is provided for in Section 4(5) and the Second Schedule of the Income Tax Act Cap 338.

What are some of the key financial management skills that a small business should have?

a) Understand your market

This helps small businesses understand who their customers/markets and their needs and analyze their competitors. This enhances their decision making on how to market their products and or services. Research about the market and industry where you are venturing in to avoid unnecessary losses.

- Identify who your customers and their preferences and needs.
- Find out the current market trends to understand shifts in consumer behavior, technology, and competition.
- Assess and analyze your competitors' strengths and weaknesses to find opportunities and differentiate your products/services.
- Evaluate the size of your market and its potential for growth, which helps in estimating incomes and expenses.

b) Create a financial plan

This involves a small business outlining its financial needs, budgeting for expenses, and identifying potential sources of financing/capital, such as loans, grants or investors. This ensures the business has the necessary capital to operate and grow and track the financial performance of the business.

- Separate and plan your business and personal income and expenses.
- Choose a reliable financial service provider. This can be a SACCO, microfinance or a commercial



bank.

- Focus on what the business needs, set financial goals and raise money to meet them.
- Draw a budget which is within your income to avoid getting into debts.
- Save and invest to grow your income.
- Seek financial support where need arises through accessing an affordable bank loan with manageable repayment schedules and plan on how to use it well

c) Know the Business legal and regulatory requirements

Gain a thorough understanding of the specific laws and regulations that govern how a small business must operate. Following these requirements helps your business avoid legal issues, maintain a good reputation, and ensure smooth operations.

- Register your business name with URSB and obtain a certificate of registration or a certificate of incorporation for companies.
- Acquire a Tax Identification Number (TIN) through the URA website or by visiting any URA offices near you, or contacting the toll-free helplines 0800117000/0800217000.
- Get a Trading License from KCCA or local government, authorizing you to operate your business in that locality.
- Engage your regulatory body such as the Uganda National Bureau of Standards, National Drug Authority among others for guidance on the regulatory needs.

Note: To register for taxes, you need to have the following:

i) Individual: A National ID or any two identification documents i.e. Passport, Employment ID, Driver's License, Refugee ID etc.

ii) Company: Certificate of Incorporation, Directors' TINs, Company Form 7.

d) Keep business records

It is important as you start doing business, to understand that maintaining accurate and well-organized records of all your business transactions provides a clear view of income earned and purchases and or expenses made. This practice enables a small business track its profits, which is essential for the overall success and sustainability of the business.

- Ask for a receipt from your supplier whenever you purchase business items.
- Issue a receipt to your customers whenever you sell to them.
- Write down your business expenses.
- Maintain records related to your employees.
- Keep all tax records that demonstrate payments made to URA.

e) Fulfill your tax obligations.

Understand your tax obligations and strategize on how to minimize tax liabilities. This lays a foundation for a small business on how and when to pay their taxes, which ensures compliance with tax laws.

- Register for taxes.
- File correct tax returns (where applicable) before the due dates.
- Make timely tax payments.
- Ensure you withhold all necessary taxes such as PAYE before payments are done.
- Plan ahead and estimate your taxes due at the beginning of the year based on the turnover in the previous year.
- Visit your nearest tax office for any questions or assistance

Note: To pay your taxes to URA, follow the steps below;

1. Go to URA website www.ura.go.ug, select "Make a payment".
2. Click "Generate a payment slip" and select "Click here to make a payment".
3. Under payment details, select "Income Tax – Small Businesses" which leads you to the declaration (return filing) page.
4. Under "Taxpayer details", provide your TIN and mobile number or e-mail address similar to what you used to acquire a TIN.
5. Under "Assessment period", select the year of income for which you want to pay taxes.
6. Under "Business Assessment details", provide your Business Name, Activity, area of operation and your total sales for that year.
7. Under "Business location details", indicate where your business is located and click "ADD".
8. Click "Next" to go to the submission/last page.
9. Enter text from the given image and click "Submit".
10. Print the Payment Registration Slip received and go to any bank near you or Mobile money to pay your taxes. **URA DOES NOT HANDLE CASH.**

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.

- Have a goal and an investment plan.
- Spread your investments to mitigate risk.
- Invest in businesses you understand to enhance your chances of success.
- Seek professional advice before taking on large investments

Disclaimer:

This information is strictly for guidance of our clientele and is subject to change on amendment of tax laws and regulations and rules governing tax administration.

For more information, contact us:

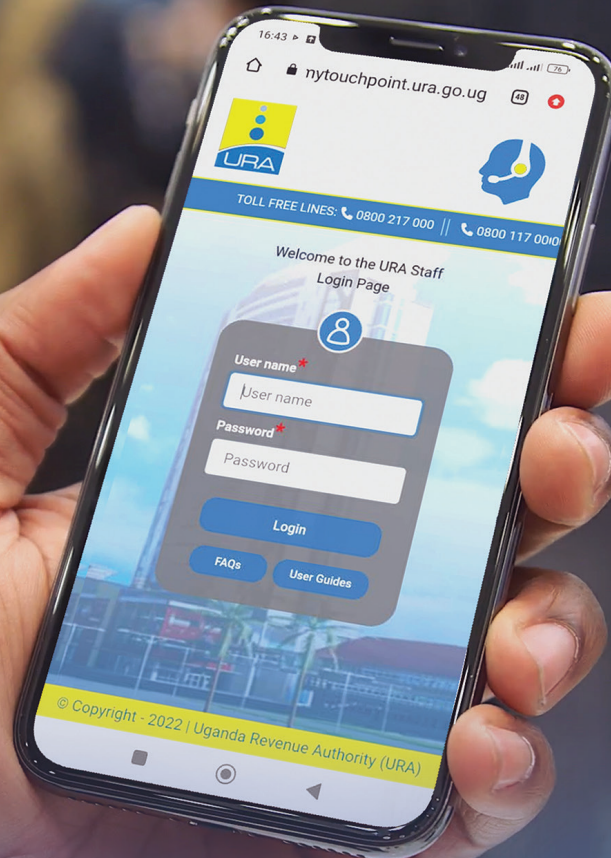
Main Office: Plot M 193/M194 Nakawa Industrial Area, P.O.Box 7279, Kampala - Uganda. Tel: (256) 417-442097, Call Centre Tel: 0800117000 | 0800217000, Whatsap: 0772140000, Email: services@ura.go.ug
 Website: www.ura.go.ug, Facebook: @URApage, Twitter: @URAuganda.



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