



A.H THAKKAR & SONS

Taxation Highlights from the 2012/13 GOU Budget

On 14th June 2012, the Minister of Finance and Economic Planning delivered her budget proposals for the financial year 2012/13. Below we highlight the main tax related changes / amendments proposed. The measures come into effect on 1st July 2012.

1. Interest Income from Treasury Bills & Bonds

Withholding tax on interest derived from treasury bills and treasury bonds is being increased to 20% from the current 15%.

2. Pay as You Earn (PAYE) Threshold

The PAYE threshold is being increased from the current UShs 130,000 to 235,000 with all the tax brackets being adjusted accordingly. Please note that Uganda Revenue Authority is expected to make changes to its PAYE return template for returns relating to the period effective 1st July 2012. The tentative monthly tax brackets for resident individuals are shown below:

Chargeable income	Rate of tax
Not exceeding UShs 235,000	Nil
Exceeding UShs. 235,000 but not exceeding UShs. 335,000	10% of the amount by which chargeable income exceeds UShs. 235,000.
Exceeding UShs. 335,000 but not exceeding UShs. 410,000	UShs. 10,000 plus 20% of the amount by which chargeable income exceeds UShs. 335,000.
Exceeding UShs. 410,000	(a) UShs 25,000 plus 30% of the amount by which chargeable income exceeds UShs. 410,000; and (b) Where the chargeable income of an individual exceeds UShs.10,000,000 an additional 10% charged on the amount remaining after deducting the amount referred to in paragraph (a).

3. High Earning Individuals

Individuals with chargeable income of UShs 120 million and above will have an additional 10% income tax imposed on their income. This means such individuals will have their income taxed at an approximate rate of 40%. Again, Uganda Revenue Authority is expected to make changes to its PAYE return template to effect this change.

4. VAT on Supply of Water

The VAT exemption that was granted by parliament during the 2011/12 financial year is being withdrawn. The supply of water will once again be vatatable at 18%.

5. VAT on Supply of Biodegradable Packaging Materials

VAT is to be reinstated on the supply of biodegradable packaging materials. The supply was hitherto exempt and government says the move is aimed at enabling suppliers to claim input tax related to production of the materials.

6. VAT Exemption on Gambling and Lottery Services

Government is reinstating the VAT exemption on gambling (betting, lotteries and games of chance).

7. Gaming and Pool Betting Tax

The gaming and pool betting tax is being increased from the current 15% to 20%.

8. Excise Duty on Spirits

Excise duty on spirits made from locally produced raw materials is being increased from 45% to 60%. In a related development, government is introducing a specific and an advalorem rate duty on undenatured spirits. This will be UShs 2,000 per litre or 80%, respectively, whichever is higher. Government says this is aimed at controlling undervaluation.

9. Excise Duty on Cosmetics and Perfumes

Excise duty at 10% is being imposed on cosmetics and perfumes.

10. Miscellaneous fees and Charges

Government is moving to make amendments to various fees and charges relating to the provision of government services, authorizations and permits. The relevant details will be contained in the EAC Gazette.

11. Import Duty on Set Top Boxes

One of the East African Community (EAC) related tax effects will see the reduction of import duty on set top boxes for analogue, digital and terrestrial transmission from the current 25% to 0%. However, this will be for a period of only one year.

12. Food Supplements and Mineral Premix Used in Fortification

Another EAC related move will be the reduction of import duty on food supplements and mineral premix from the current 25% to 0%.

13. Vacuum Packing Bags

The EAC is also moving to reduce import duty on vacuum packing bags from 25% to 10%. This will be for one year only.

Please consult our tax department in case you would like to receive further clarification or advice on the effects of the above changes.

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