Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

C. FAQs - DOMESTIC TAXES

REGISTRATION

Qn 1: What is a Taxpayer Identification Number (TIN)?
ANS: This a unique number issued to any person registered as a taxpayer for purposes of identification.

Qn 2: How much does URA charge for a TIN?
Ans: A TIN is processed and issued by URA FREE OF CHARGE.

RETURNS OF INCOME

Qn 3: What is a tax Return?
Ans: A tax Return is a legal document submitted by a taxpayer to account for tax. Examples of tax returns include income tax returns, VAT returns, withholding tax returns, excise duty and PAYE returns.

Qn 4: What is a provisional Return of income?
Ans: This is a document used by a taxpayer to declare to URA his/her estimated annual income and the corresponding tax payable for that year of income.

Qn 5: What is the due date for submission of a provision return of income?
Ans:

a) **Individual**

An individual should submit a provisional return of income on or before the last day of the 3rd month of the year of income

b) Non-individual

A non-individual should submit a provisional return of income on or before the last day of the 6th month of the year of income.

Qn 6: What is a final return of income?

Ans: This is a document used by the taxpayer to declare to URA the actual income earned including the actual tax payable by the taxpayer for that year of income.

Qn 7: What is the due date for submission of a Final return of income?

Ans: A final return of income should be submitted not later than 6 months after the end of the year of income.

Qn 8: What is the procedure for amending a provisional return of income?

Ans: A provisional return of income can be amended on or before the last day of one's year of income through submission of a new return with revised estimates that more accurately portray the operations of a business, and thus, correcting/amending the earlier provisional return.

EMPLOYMENT INCOME

Qn 9: What happens when an employer fails to withhold tax from employment income?

Ans: Where an employer fails to withhold tax on employment income paid, the employer becomes personally liable to pay the tax.

Qn 10: What is a threshold and who is entitled to it?

Ans: A threshold refers to a tax-free amount allowed to an individual in the computation of tax on their income, i.e., the threshold is subtracted from one's employment income before tax is computed. The threshold is currently at Shs. 130,000 per month (or Shs. 1,560,000 per year).

The tax law entitles only resident individuals to a threshold. Regardless of income earned from multiple jobs by an individual, the threshold is applied once to the individual's total income.

Qn 11: How is tax on employment income calculated?

Ans: Tax on employment income is calculated by applying the relevant tax rates to the employee's gross emoluments.

Illustration I:

Calculation of tax on employment income for residents using monthly tax rates: -

Doctor Tom earns Shs 220,000/= per month from Mulago Hospital.

Tax computation:

For illustration purposes, let's assume that Dr. Tom has no other sources of income and gets no taxable benefits from his employer.

Total income earned = Shs 220,000/=

Shs 220,000/= falls in the 2nd tax bracket of Table 1 below.

Thus, Monthly tax payable = Shs 10% x (220,000 – 130,000)
= Shs 10% x 90,000/=
= Shs 9,000/=

Table 1 below shows rates of tax for resident individuals

Income Tax rates applicable to RESIDENT Individuals	
MONTHLY INCOME TAX RATES	
Chargeable Income	**Rate of Tax**
Not exceeding Shs 130,000	Nil
Exceeding Shs 130,000 but not exceeding Shs 235,000	10% of the amount by which chargeable income exceeds Shs 130, 000
Exceeding Shs 235,000 but not exceeding Shs 410,000	Shs 10,500 plus 20% of the amount by which chargeable income exceeds Shs 235,000
Exceeding Shs 410,000	Shs 45,500 plus 30% of the amount by which chargeable income exceeds Shs 410,000
ANNUAL INCOME TAX RATES	
Chargeable Income	**Rate of Tax**
Not exceeding Shs 1,560,000	Nil
Exceeding Shs 1,560,000 but not exceeding Shs 2,820,000	10% of the amount by which chargeable income exceeds Shs 1,560,000
Exceeding Shs 2,820,000 but not exceeding Shs 4,920,000	Shs 126,000 plus 20% of the amount by which chargeable income exceeds Shs 2,820,000
Exceeding Shs 4,920,000	Shs 546,000 plus 30% of the amount by which chargeable income exceeds Shs 4,920,000

Illustration II:

Calculation of tax on employment income for residents using monthly tax rates: -

I am a full time teacher at Kamuli Boys Primary school and earned Shs 300,000/= in the month of August 2009. I also do part-time teaching at Kabukye primary school and earned Shs 180,000/= in August 2009. How much tax should I pay for the month of August 2009?

Tax computation:
The assumption is that this teacher has no other sources of income and gets no taxable benefits from his employers.

Total income earned	=	*Shs (300,000 + 180,000)/=*
	=	*Shs 480,000/=*

Shs 480,000/= falls in the 4th tax bracket of Table 1 above.

Thus, August 2009 tax payable	=	*Shs {45,500/= + 30%(480,000 – 410,000)}*
	=	*Shs {45,500/= + 30% (70,000)}*
	=	*Shs (45,500/= + 21,000/=)*
	=	*Shs 66,500/=*

Qn 12: What expenses does URA consider while computing income tax payable by a business firm?
Ans: Tax is computed on the net income, that is, total income earned less expenses incurred in producing that income. However, no deduction is allowed for the following expenses:-

- Any expenditure or loss incurred by a person to the extent to which it is of a domestic or private nature;
- Any expenditure or loss of a capital nature, or any amount included in the cost base of an asset;
- Any expenditure or loss which is recoverable under any insurance, contract, or indemnity;
- Income tax payable in Uganda or a foreign country;
- Any income carried to a reserve fund or capitalized in any way;
- The cost of a gift made directly or indirectly to an individual where the gift is not included in the individual's gross income;
- Any fine or similar penalty paid to any government or a political subdivision of a government for breach of any law or subsidiary legislation;
- A contribution or similar payment made to a retirement fund by the employee either for the benefit of the employee or for the benefit of any other person;
- A premium or similar payment made to a person carrying on a life insurance business on the life of the person making the premium or on the life of some other person;
- The amount of a pension paid to any person; or
- Any alimony or allowance paid under any judicial order or written agreement of separation.

Qn 13: Is bonus earned by employees taxable?

Ans: Yes, bonus earned by employees is taxable because employment income includes bonus paid by an employer.

Qn 14: Is compensation for a deceased employee taxable?

Ans: The payments made to a beneficiary by an employer as compensation for loss of an employee is taxable as part of employment Income. However, compensation to a deceased employee by an insurance company as benefits for life insurance is not taxable.

Qn 15: Who is not required to file a Return of income?

Ans:

i. A non-resident person whose income derived from sources in Uganda has been subjected to withholding tax as a final tax
ii. A resident individual whose gross income consists exclusively of employment income derived from a single employer and from which full tax has been withheld under Pay As You Earn (PAYE) system.
iii. A resident individual whose total chargeable income for the year of income is subject to zero rate of tax i.e., not exceeding Shs.1,560,000 a year).

Qn 16: Is employment income earned from sources outside Uganda taxable?

Ans: Foreign-source employment income derived by a resident individual is exempt from tax if the individual has paid foreign income tax in respect of the income.

Recognise that a resident individual is treated as having paid foreign income tax on foreign-source employment income if tax has been withheld and paid to the revenue authority of the foreign country by the employer of the individual.

WITHHOLDING TAXES

Qn 17: What is Withholding tax?

Withholding tax is a method of collecting income tax. Withholding tax is collected either at the point of payment by the payer (withholding agent) or at the point of importation (withholding tax is payable by every person who imports goods into the country at a rate of 6% based on the Customs Value [Cost, Insurance and Freight]) unless the person is exempted from withholding tax.

Qn18: Who is authorised to withhold tax?

Ans: Persons authorised to withhold tax include: -

- The Government of Uganda;
- A Government institution
- A local authority
- Any company controlled by the Government of Uganda
- Any person designated in a notice issued by the Minister
- Any person making a payment to a non-resident person
- Any promoter, agent or similar person paying remuneration to a non-resident
- A resident person (other than a natural person) who pays interest to another resident person
- A resident company which pays a dividend to a resident shareholder
- A resident person who pays management or professional fees to a resident professional.

Qn 19: What happens to a withholding Agent who fails to withhold tax?

Ans: A withholding agent who fails to withhold tax becomes personally liable to pay the amount of tax which has not been withheld, but the withholding Agent is entitled to recover this amount from the payee.

Qn 20: What is a Tax Credit Certificate?

Ans: This is a legal document issued by URA acknowledging receipt of tax withheld and paid by a Withholding agent.

Qn 21: How does URA treat tax withheld?

Ans: Tax withheld from payments, other than that which is a final tax, is recognized as tax paid by the payee (person from whose payment tax is withheld) and is credited against the tax assessed on that person for the year of income in which the payment is made.

Qn 22: I am a Withholding Agent. One of my service providers sent me a bill totaling Shs 2,585,000/= (VAT-inclusive) i.e., the amount of VAT was not separately indicated on the invoice.

a) On what value should I compute the 6% withholding tax before effecting payment?
b) How much tax should I withhold?
c) How much money should I pay to the service provider?

Ans:

i. Withholding tax should be computed on amounts exclusive of any tax. In this case, VAT should be extracted from the total invoice value before applying the withholding tax rate as illustrated below: -

Extract VAT from the total invoice value using the VAT Fraction

VAT = VAT-inclusive amount x VAT Fraction
= Shs 2,585,000/= x 18/118
= Shs 394,322/=

Therefore the amount excluding VAT is computed as shown below: -
Shs (2,585,000 – 394,322)/= Shs 2,190,678/= (VAT-exclusive amount)

ii. Apply withholding tax rate on the VAT-exclusive amount to get tax to be withheld, thus Withholding tax = 6% x Shs 2,190,678/=
= Shs 131,441/=

iii. The service provider should be paid Shs 2,585,000/= less withholding tax
= Shs (2,585,000 – 131,441)/=
= Shs 2,453,559/=

Qn 23: Can a person's withholding tax be used to offset penal tax?

Ans: Yes, tax withheld can be used to offset any tax liability, including penal tax, except where tax withheld is a final tax.

Qn 24: What happens to the withholding tax agents who don't remit tax withheld to URA?

Ans: A withholding tax agent who fails to remit any tax withheld (or required to be withheld) is liable to pay interest at a rate of 2% per month on the amount unpaid until the date on which the payment is made.

Qn 25: Is it possible to get a refund of tax where there is evidence that tax withheld is in excess of the tax assessed?

Ans: Yes, where tax withheld is in excess of tax assessed, the excess is applied to reduce any other tax due from the taxpayer and the balance, if any, is refunded on application.

Qn 26: What is the difference between PAYE & Income Tax?

Ans: Income tax refers to tax on income of a person (e.g. an individual, a trust, a company and a retirement fund) well as PAYE is a system of determining and collecting income tax from one's employment income.

PRESUMPTIVE TAX

Qn 27: Who is a small business taxpayer?

Ans: A small business taxpayer is a resident taxpayer whose gross turnover from all businesses owned by such a person exceeds Uganda shillings five million, but does not exceed Uganda shillings fifty million.

Qn 28: What tax is payable by a sole proprietor whose turnover is about 5m?

Ans: Under the presumptive tax regime as provided for in the Second schedule of the Income Tax Act, businesses whose gross turnover is 5m or less, have no tax payable. On the other hand where the gross turnover of the taxpayer exceeds Shs. 5 million, the tax payable is provided for under the Income Tax Act as per the table below:

Small Business Taxpayers Tax Rates

Schedule for amount of tax payable for purposes of section 4(5) of the Income Tax Act by a taxpayer is-

Gross Turnover	Tax
Where the gross turnover of the taxpayer **exceeds Shs. 5 million but does not exceed Shs. 20 million per year**	Shs. 100,000
Where the gross turnover of the taxpayer **exceeds Shs. 20 million but does not exceed Shs. 30 million per year**	Shs. 250,000 or 1% of gross turnover, which ever is the lower
Where the gross turnover of the taxpayer **exceeds shs.30 million but does not exceed Shs. 40 million per year**	Shs. 350,000 or 1% of gross turnover, which ever is the lower
Where the gross turnover of the taxpayer **exceeds Shs. 40 million but does not exceed Shs. 50 million per year**	Shs. 450,000 or 1% of gross turnover, which ever is the lower

Qn 29: How much tax is payable by an operator of a small dry cleaning business?

Ans: The tax payable by a small dry cleaner will depend on the annual turn over of such a business. The tax payable is determined by referring to the schedule (in question 48 above) for the tax that corresponds to the person's turnover range.

Qn 30: What is the difference between Presumptive Tax and Value Added Tax (VAT)?

Ans: Presumptive tax is Income Tax based on gross turnover of small businesses whose turnover is above five million Uganda shillings but does not exceed fifty million Uganda shillings in a year.

VAT on the other hand is a tax on consumption of goods or services and is currently charged at a rate of 18% (for standard-rated goods or services) or 0 % (for zero-rated goods and services) of the value of goods or services.

RENTAL INCOME TAX

Qn 31: What is Rental Income tax?

Ans: This is tax charged on rental income earned by a resident individual from letting out immovable property (land and buildings) in Uganda on commercial terms.

Qn 32: Who is termed a Landlord OR Landlady?

Ans: This is the person who lets out property to another person (the Tenant) for a consideration. A landlord may take the form of:-

- An individual e.g. John Mukasa
- A Corporate body e.g. ABC Properties (U) Ltd.
- Government e.g. Sironko District Administration
- An Institution e.g. Mukono University, UWESO, etc

Qn 33: Who is a Tenant?

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

Qn 34: How is Rental income tax for an individual computed?

Ans: The formula below is used in computing Individual rental income tax:-

Individual Rental Income Tax = 20% *(80% of annual gross rental income received less threshold).

Example:

If an individual earns gross rent of Shs.3,000,000 per annum, the rental income tax payable would be calculated as below:-

IMPORTANT STEPS

Step I: Determine the total rental income received by the individual in Uganda, in this case, it is given as UGX 3,000,000

Step II: Deduct 20% from total rental income (determined in Step I above) as allowance for expenses and losses incurred in the production of the rental income
Step III: Deduct the threshold (Shs.1,560,000) from the remaining rental income as established in Step II above
Step IV: Determine rental income tax at 20% of the amount established in Step III above

Step I:	Step II:	Step III:	Step VI:
Determine total	Allow 20%	Allow Threshold:	Calculate tax at 20%
Rental income earned	3,000,000 – (20/100 x 3,000,000)	2,400,000 – 1,560,000	20/100 x 840,000
by individual =	= 3,000,000 – 600,000	Net chargeable rent	Individual
Shs 3,000,000	Net rent = 2,400,000	= 840,000 (in excess of threshold)	Rental Income Tax = 168,000

Qn 35: How is rental income derived by a non resident person from sources in Uganda taxed?

Ans: A non-resident person who derives income from renting of property in Uganda is charged withholding tax at a rate of 15% on gross rent received.

VAT

Qn 36: What is VAT?

Ans: VAT is a tax on consumer expenditure. It is collected on business transactions and imports. Most business transactions involve supplies of goods or services. VAT is payable on supplies which are made:

- in Uganda
- by a taxable person;
- in the course or furtherance of a business; and
- are not exempted

Qn 37: **Who is eligible to register for VAT and when?**

Ans: Eligibility for VAT registration can be considered under the categories below:-

i. Any person who expects to make taxable supplies in excess of ¼ the annual registration threshold i.e. UGX 12,500,000/= (Uganda shillings twelve million five hundred thousand) within a period of three consecutive calendar months is expected to apply for registration immediately on commencement of business;

ii. Any person who, since commencement of business, has made taxable supplies over a period of three consecutive calendar months in excess of ¼ the annual registration threshold i.e. UGX 12,,500,000/= (Uganda shillings twelve million five hundred thousand) is expected to apply for registration within twenty (20) days after the third month of commencing business.

iii. Any national, regional, local or public authority or body which carries on business activities is expected to apply for registration immediately on commencement of business. Note that the annual registration threshold of UGX 50,000,000/= (Uganda shillings fifty million) is not a requirement for this category.

Qn 38: **How do I calculate my turnover?**

Ans: Your turnover is calculated on an on-going basis. Two periods should be considered – the past 3 calendar months and the next 3 calendar months on a month by month basis. You should ascertain at the end of each trading calendar month the total value of taxable goods and services supplied by all your businesses for the past 3 months. Where the total exceeds UGX12. 5 million, you are required to register for VAT or if after estimating the total value of supplies for the next 3 calendar months you and expect it to exceed Shs12. 5 million, then you are required to register.

Qn 39: **Can I register for VAT if my turnover is below the threshold?**

Ans: If your taxable turnover is below the UGX 12. 5 million limit in any 3 consecutive calendar months of business activity, you may apply for voluntary registration. You will, however, have to satisfy the URA that:-

i. Your activities constitute a business for VAT purposes;

ii. You have a fixed place of abode or business;

iii. You will keep proper accounting records relating to any business activity that you carry on;
iv. You will submit regular and reliable tax returns as required; and
v. You are a fit and proper person to be registered.

Qn 40: What is output tax?

Ans: This is the VAT charged to the customer by a taxable person in the course of making taxable supplies. When you are registered, you charge VAT on all the taxable supplies you make. This VAT is your output tax.

Qn 41: What are the rates of VAT?

Ans: There are two rates of tax. The standard rate (currently) at 18% and the zero rate which is 0%;

Qn 42: I am in the business of providing shuttle services for companies (transporting their employees); does this constitute a taxable supply for VAT purposes?

Ans: Yes, provision of transport services to companies is a standard-rated supply which attracts VAT at 18%. However, a supply of passenger transportation services is exempt while the supply of international transport of goods or passengers and tickets for their transport is zero-rated.
Please note that **"passenger transportation services"** means the transportation of fare-paying passengers and their personal effects by road, rail, water, or air, but does not include passenger transport services provided by a registered tour operator.

INTERNATIONAL AGREEMENTS

Qn 43: What is a Double Taxation Agreement (DTA)?

Ans: A Double Taxation Agreement is an accord between Governments of two countries that is designed to protect against the risk of double taxation i.e. where an individual or a corporate entity is taxed twice by virtue of the same income being taxable in two states.

The main objective of a DTA is to provide certainty regarding when and how tax is to be imposed in the country where the income-producing activity is conducted or payments made.

Qn 44: What DTAs does Uganda currently have in place?

Ans: Uganda has an arrangement of DTAs that specify who has the right of taxation and in which areas, with its main trading and investment partners.

Uganda has negotiated and concluded DTAs with the following countries: - United Kingdom, Mauritius, Zambia, South Africa, Norway, Italy, Denmark and India

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