



Tax Compliance Guide

Compliance risk is one aspect of operations that an organisation must seek to address. With tax compliance, it takes even greater significance, especially considering David Healy's famous words that *the difference between tax management (or avoidance) and tax evasion is the thickness of a prison wall*. Below we show you your most basic responsibilities as far as tax compliance is concerned.

Pay As You Earn (PAYE)

A company must file monthly PAYE returns with URA (online) within 15 days of the end of the month. The corresponding PAYE deducted must be paid to URA also within 15 days of the end of the month. Employment income for PAYE purposes includes among others any wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, or the amount of any travelling, entertainment, utilities, cost of living, housing, medical, or other allowance.

National Social Security Fund (NSSF) Contributions

A company is required to make statutory NSSF deductions from employees' remuneration (5%) if it employs at least 5 people. The relevant company contribution is 10%. Both the employee and employer contributions must be remitted to NSSF within 15 days of the end of the month. The online filing facility is not available at NSSF.

Income Tax

A company is required to submit (online) to URA regular income tax returns and make the corresponding tax payments. These include the provisional income tax return and the final return of income.

- I. The company's provisional return of income must be submitted to URA within 6 months of the beginning of the financial year. Half (50%) of the tax payable thereon must be paid within that period. This return represents an estimate of the company's tax liability for the year. The return must be 90% accurate and the law imposes strict penalties for underestimating provisional tax.
- II. An amendment provisional return is allowed before the end of the financial year where the company expects its tax estimate for the year to have changed from that initially provided for in the first 6 months of the financial year. Whatever the case, the other 50% of the provisional tax payment for the year must be made before the end of the financial year.

III. A final return of income must be submitted to URA within 6 months of the end of the financial year. Any outstanding tax liability thereon over that settled in provisional tax must be paid to URA within that period. The law imposes strict penalties/interest for late filing/payment of the return/tax.

In addition, a company's directors are required to submit to URA their personal returns of income and to pay tax thereon. The director's return of income is due within 6 months of the end of the financial year. To be able to file the return, each director must obtain tax registration (TIN) with URA. This is irrespective of whether the director is resident or nonresident.

Withholding Tax

Where a company makes international payments, it is required to withhold tax (generally 15%) on the gross amounts payable and remit it to URA in addition to filing the relevant Withholding tax return. Such payments include dividends, interest, royalties, rent, natural resource payments and management charges as well as on payments relating to services contracts.

A similar requirement applies where a company makes payments to resident professionals (e.g. lawyers, architects, surveyors, etc) who are not exempted from Withholding Tax. The relevant applicable rate here is 6%. This is irrespective of whether or not the company is a designated Withholding Tax agent.

Local Service Tax

This is a tax levied by local government authorities on all employees in formal employment as well as on practicing professionals, businesses and large scale commercial farmers. Employees are required to determine and deduct the LST from the salaries of their employees. The tax is deducted in four monthly installments and paid to local government, e.g. Kampala Capital City Authority (KCCA). LST is levied on the employee's residual income after deducting PAYE and must be paid within 7 days of the subsequent month.

Company Annual Return

A company is required to deliver an annual return to the Registrar of Companies at least once every 12 months. It is a criminal offence not to submit the company's annual return and company secretaries and directors may be held liable. This return is separate from a company's annual accounts and tax returns. It provides information about a company's directors and, registered office address, shareholders and share capital.

[Please do not hesitate to contact us should you require any further information on any of the above or other related matters.](#)

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