



Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

Withholding Tax Administration

11th March 2010

Agenda

Introduction

Legal framework and tax rates

Where is w/tax applicable

W/tax compliance

Comments/ questions

Introduction



- ❖ withholding tax (WT) is by every taxpayer who is paid by withholding agent (WA)
- ❖ Most provisions of WT are found under part XIII of ITA
- ❖ A method of collecting tax at source/ point of payment.
- ❖ Advance tax collection and sometimes final tax.

Introduction – key terms

Withholding
tax?

- Tax withheld on payments by withholding agent to PAYEE

PAYEE?

- A person receiving payments from which tax is required to be withheld

Withholding
Agent

- A person obliged to withhold tax by law

Legal framework and tax rates

- WA is under obligation due to the ITA or is gazetted as required by the law.
- Rates of tax are prescribed third schedule parts V, VII, VIII and section 121 of ITA Cap 340
- These rates may vary due to Double Taxation Agreements that may vary from partner state to another
- Tax rates range from 0 to 15%

Where is it applicable?

Employment
Income

- Section 19
- Section 116
- Income tax regulations 2000

International
Payments

- Sections 120
- Section 83 to 86
- Music, shipping, etc

Interest and
dividends paid to
residents

- Section 117
- Section 118

Non resident
services' contract

- Sections 121
- Communicate to URA

Payments for goods
and services

- Section 119 supply of goods and services above 1 million UGX to GoU controlled institution or gazetted WA + Imports
- Section 119 A - professionals

Oil related
withholding tax

- Section 89 H

W/tax not applicable to:



- ✓ Interest payments (117(2))
 - ❖ By natural persons
 - ❖ other than interest from Government securities
 - ❖ Interest payments to associated companies (50 holding)
 - ❖ Interest exempt in the hands of recipient including interest paid by resident company in respect of debentures as indicated in section 83(5)
- ❖ payments for professional fees- where CG is satisfied on their compliance (*practice notice 2002*) *section 119A(2)*
- ❖ Items listed under section 119(5) of ITA e.g petroleum products, scholastic materials etc

When is Wtax a final tax?



- PAYE for person with no other income
- W/TAX on
 - Interest on TBs
 - Dividends to resident individuals
 - Foreign tax transactions under section 83-86 of ITA
- Implication:
 - Not aggregated with other income, no refund, no deduction of costs incurred in getting this income

W/tax Compliance(1)



- Tax withheld or that should have been withheld by withholding agent to be paid within 15 days after end of month for all except that withheld under section 120(2) which must be paid within 5 days of the performance or before the non resident leaves Uganda.
- Failure to with hold, tax becomes due to the supposed withholding agent; and
- Recovery measures instituted on the WA personally as if it were tax on him or her
- W/tax returns are available on web portal <http://ura.go.ug>

W/tax Compliance (2)

- ✓ Section 125 of ITA requires that a WA delivers Tax credit certificate (TCC) to PAYEE
- ✓ PAYEE shall attach this TCC on his or her tax return to get tax credit.
- ✓ URA has since passed on the TCC printing role to WA for w/tax paid after Jan 2010.(template available on URA web portal <http://ura.go.ug>)
- ✓ WA is expected to keep proper records; payee, tax withheld, etc for 5 years
- ✓ WA(employer) required to give annual certificate to employee referred to under section 4(4) of ITA



W/tax Compliance (3)



- Section 119(2) deals with those who break supplies into smaller amounts
- W/tax in the hands of WA cannot be attached as it is held in trust for GoU
- W/tax is first charge on payment to by WA to Payee.
- W/payments are offset against annual Income tax declarations/ assessments except where it is a final tax
- w/tax can be refunded if it exceeds income tax liability under section 113 of ITA

Questions and comments



***THANK YOU FOR YOUR TIME
AND CONTRIBUTIONS.***

Developing Uganda Together

- END -