

Tax & Legal Alert
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Keeping you in the loop

Recent developments - URA requests for inclusion of TINs in WHT returns

Recently, we have noted written requests by the Uganda Revenue Authority (URA) to taxpayers (payers) asking them to amend their Withholding Tax (WHT) returns to capture payee Taxpayer Identification Numbers (TIN).

This communication highlights the key issues relating to URA's request for inclusion of TINs in WHT returns.

Background

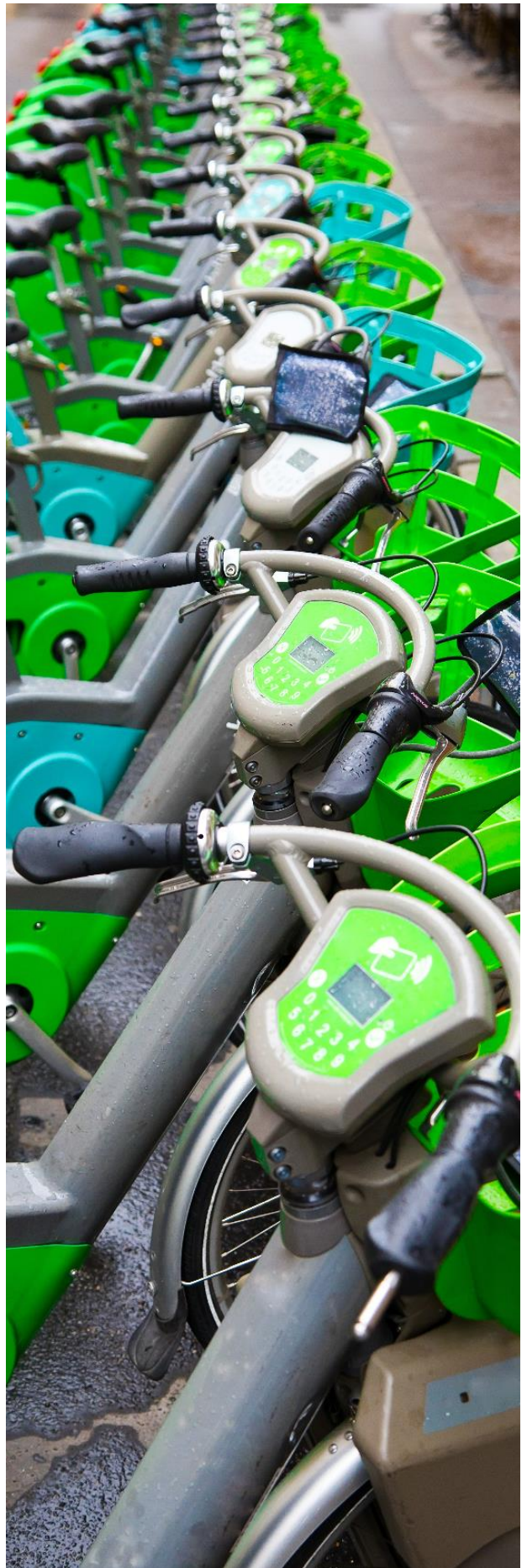
Every person (payer) making specified payments on income sourced from Uganda is required by the Income Tax Act (ITA) to withhold tax from the supplier/vendor (payee) at the appropriate rates and remit the tax deducted to the URA by the 15th day of the following the month. The payments can be both to local and foreign suppliers/vendors. Withholding Tax (WHT) deducted from the payee is advance Income Tax paid by the payee.

Information on the supplier/vendor from whom (WHT) is deducted is included in the WHT return, that forms the basis for paying WHT to the URA. The WHT return has fields for information, among others the field for including the TIN of the payee.

Currently, the WHT return can be filed on the URA portal with no payee TINs. The TIN field of the return is not a compulsory field to fill. As a result, over the years, taxpayers have not been consistent in completing the payee TIN field in the filed WHT returns.

Implications of WHT returns having no TINs

- **Tax Credit Certificates (TCCs)** – Although a WHT TCC can be generated, this will not have the payee's TIN. As such, the TCC will not go in the payee's mailbox in the URA portal.
- **Self Generation of TCCs** - The URA portal now gives the option of self-generating the TCC by the payee, without the payer initiating the generation of the TCC. Self-generation of the TCC will also not be possible when the TINs are not in the WHT returns.
- **Reconciliation of Income Tax ledger** – More importantly, the tax credit related to the advance income tax paid by the payee will not reflect on the payee's Income Tax ledger. With the recent emphasis by the URA on tax ledgers, the absence of advance income tax paid in the IT ledger will result in the ledger showing an incorrect tax position.





What the URA is requesting

During the reading of the budget speech for financial year 2022-23 there were not many tax changes announced by the Minister of Finance. Instead, the URA was tasked with being more efficient and enhancing compliance in their operations as a way of raising more revenue for the Government. One of the ways the URA is enhancing compliance is by comparing information in filed returns by one taxpayer, usually sales/income, against information declared by another taxpayer, conversely purchases/payments, to determine the accuracy of filings, then identify areas of none- or under-declaration of income.

Accurate disclosure in filed returns, of information such as TINs in WHT returns will enable the URA easily follow up on transactions using third party (WHT Agent) information and determine whether all the incomes received by payees have been taxed. This will assist the URA counter revenue leakages.

Concerns that taxpayers may have on amending WHT returns

- **Would one suffer tax penalties and interest?** The amendment of WHT returns to include TINs would not attract any penalties and interest, if tax was declared and paid in the original returns within the stipulated timelines.
- **Is there a time limit to amending WHT returns?** Yes. One can only revise returns going back three(3) years since the date of filing, without applying to the URA. For periods longer than 3 years, one has to apply to the URA first, through the URA portal.
- **Why doesn't the URA make the TIN field of the WHT returns compulsory?** The URA may consider making the TIN field of the return mandatory, however, this would not make it possible to report tax withheld from foreign payees that do not have a Ugandan TIN.³

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