

Tax & Legal Alert  
September 2024



## Keeping you in the loop

### Implementation of the Domestic Taxes Compliance Improvement plan (CIP)

On 13<sup>th</sup> September 2024, Uganda Revenue Authority (URA) issued a notice stating that it had embarked on plans to optimize revenue mobilization to drive Uganda's economic growth and development through the Compliance Improvement Plan (CIP).

This communication highlights the key issues set out in the CIP and proposed action points that taxpayers can undertake to remain compliant.

## Implementation of the Domestic Taxes Compliance Improvement plan (CIP)

Uganda Revenue Authority (URA) has commenced with plans to enhance revenue mobilization through the implementation of the CIP.

The CIP has a set of approaches and a series of wide-ranging initiatives that shall be undertaken to address irregularities and non-compliance measures that undermine revenue mobilization as explained below;

### Real-time Audit

With this initiative, URA shall examine taxpayers' transactions in real-time and prompt alerts shall be given to taxpayers on how to address any irregularities that are identified.

Taxpayers shall receive regular notices known as Real-Time Tax Advisory (RTA) based on URA's review of the taxpayers' transactions that shall highlight potential tax implications and guidance on how to address the issues identified. The initiative also seeks to facilitate taxpayers' access to URA services such as Tax clearance certificates (TCC), tax exemptions and Authorized Economic Operator (AEO) status.

### Who will be affected

- All taxpayers.

### Our view

With a significant increase in the revenue collection target, the URA is taking proactive steps to address the gaps in tax compliance and assisting taxpayers to ensure that they are dully fulfilling their tax obligations.

By and large, the initiative shall assist taxpayers in reducing their exposure to additional tax, interest and penalties through making accurate declarations and payments.

Taxpayers should regularly review their internal controls to ensure that they do not raise triggers that might give rise compliance risks as below;

### General Triggers

- Non-compliance with digital stamps
- Variances in sales declarations between VAT returns and income tax returns,
- Variance between excisable services declared in the VAT and excise duty return
- Taxpayer with inaccurate or incomplete registration details
- High quantum of cross-border transactions

## Income Tax Audit Triggers

- Employer declaring employees as consultants
- Having trade receivables for the year that exceed sales declared in the income tax return
- Increase in share capital
- Declaring no income yet there are third-party transactions in the same period
- Overstated trade payables
- Failure to withhold tax on qualifying payments
- Disposal of assets
- Having unutilized credits in the tax ledger
- Huge tax losses
- Having huge volumes of imports without a corresponding sales declaration under domestic tax.
- Having overstated non-fiscalised expenses in the income tax returns.
- Suspicious or unexplainable loan balances
- Variance between employee costs and benefits in the income tax returns and PAYE returns
- Group restructuring

## VAT Triggers

- RC VAT on imported services
- Being non-compliant with EFRIS
- Being in a perpetual claimable position
- Non-registration for VAT
- Dealing in both exempt and taxable supplies – computation of allowable input tax credit.

## Stamp Duty

- Non remittance of stamp duty on qualifying instruments
- Increase in share capital.

## Compliance Action plan

Taxpayers are encouraged to review their internal controls in the above areas as they transact during the course of the year to ensure the completeness and accuracy of their declarations.

Compliance can be attained through the following ways;

- Conducting an annual risk and opportunity review (tax health check)
- Carrying out a ledger reconciliation exercise on a regular basis
- Ensuring that you have an updated Transfer pricing documentation in place at the time of filing the final income tax return
- Having regular check-ins with your Client Relationship Manager at the URA
- Ensuring that your tax profile with the URA is updated whenever there's a change in registration details.

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