



## Unravelling the puzzle

### Uganda DRAFT Tax Amendment Bills 2021 – 2022

The DRAFT Amendment Bills which proposes changes to the Income Tax Act, The Value Added Tax, The Tax Procedure Code Act among others are currently before Parliament for debate.

This communication summarizes the key highlights from the different DRAFT Bills. We will also share a more detailed analysis of the impact of the proposed amendments in the coming days.

## Income Tax (Corporate tax, PAYE, WHT)

### Interpretation

- Redefinition of the term “beneficial owner” as natural person who has final ownership or control of another person or a natural person on whose behalf a transaction is conducted. This definition was previously limited to a natural person who owned/had controlling interest over a legal person either directly or indirectly. Now includes at least 10% holding, financial superiority and decision making over a legal person. Also defined in relation to a trust to include settler, trustee, protector, beneficiaries and controller of a trust.
- Introduction of the definition of “consideration” to mean the total amount in money or of payment in kind, paid or payable for the supply of goods, services or sale of land by any person, directly or indirectly, including any duties, levies, fees, and charges other than tax paid or payable on, or by reason of, the supply, reduced by any discounts or rebates allowed and accounted for at the time of the supply or sale;
- A religious, charitable or educational institution **whose object is not for profit** in place of “**a public character**”.

### Rental income

- Taxpayers earning rental income from more than one rental building to account for income, expenses and tax separately for each building;
- Deductible expenses and losses allowed to an individual earning rental income increased from 20% to 60%; and
- Increase in rental tax rate from 20% to 30% for individuals.

### Income tax exemption

- Repeal of exemption from income tax of taxpayers' income derived from agro-processing;
- Exemption from income tax the income of an operator in/outside an industrial park or free zone derived from manufacture of chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers; and
- Exemption from income tax the income of a manufacturer who makes an additional investment equivalent to USD 50 million with the capacity to use at least 50% of available locally produced raw materials and employ at least 100 citizens.



## Depreciable assets

- Depreciation classes reduced from four to three i.e.
  - computers and data handling;
  - plant and machinery used in farming, manufacturing and mining; and
  - automobiles, buses, specialised trucks, furniture, fixtures and equipment and assets not included in another class.
- A deduction for depreciation on an asset or industrial building that qualifies for initial allowance to be deferred to the subsequent year.

## Capital gains tax

- The cost base of assets sold after twelve months from the date of purchase to be adjusted for inflation using published consumer price indices;
- Non recognition of a capital gain from a sale of investment interest of a registered venture capital fund if at least 50% of the sale proceeds are reinvested within the same year of income. Note that the non-recognition of a gain or loss is to be proportionally limited to the percentage of the reinvested proceeds.

## Obligation to withhold tax

- Waiver to withhold tax on the purchase of a business/business assets for resident persons if the Commissioner is satisfied that the person has regularly complied with their tax obligations.

## Tax administration measures

- The Commissioner to facilitate the automatic exchange of information as may be provided for in international agreements;
- The Minister for Finance, Planning and Economic Development to make regulations providing for the automatic exchange of information;
- The due date for payment of tax under self-assessment is on the due date of filing the return and in any other case, within 45 days from the date of service of the notice of assessment;
- An application for a tax refund to be deemed to have been submitted on the date on which the application is received by the Commissioner. Where the Commissioner requests for additional information, the application to be deemed to have been submitted on the date on which the additional information is received by the Commissioner.

## Value Added Tax (“VAT”)

- Introduction of a time limit as to when one can claim an input tax credit to a period of 6 months from the invoice date;
- Quarterly filing of VAT returns for a taxable person who supplies services deemed to have taken place in Uganda to a non-taxable person;
- Introduction of a tax refund of 5% of the VAT incurred by a non VAT registered person whose purchases are worth at least Ushs 10 million in any 30 (consecutive) day period if bought from an EFRIS registered taxpayer and can be supported with e-invoice/e-receipts;
- Addition of taxpayers to the listed entities that enjoy certain tax benefits under the First Schedule e.g.
  - African Export – Import Bank; and
  - International Union for Conservation of Nature
- Addition of exempt supplies to the Second Schedule e.g.
  - a supply of liquefied gas;
  - a supply of a service of a feasibility study/the undertaking of a design and construction services to a manufacturer whose investment capital is at least USD 50 million;
- Addition of the supply of leased aircrafts and aircraft repair services to the zero-rated supplies under the Third Schedule.

## Excise Duty

- **Revision of excise duty rates** and charges on items like locally produced alcoholic and non-alcoholic beverages from zero to 30% or Ushs 230 per litre (whichever is higher);
- Rebate on duty paid on plastic packaging for exports and medicaments
- The introduction of excise duty on previous untaxed items like plastic packaging, plastic granules, internet data, fermented beverages, wheat grain etc with rates ranging from 5% to 60%;
- To repeal over the top tax and introduce tax on internet data and reduction of rate for over the top tax from 20% to 12%
- **Provision of investment incentives in form of nil excise duty rates applicable to products of manufacturers whose investment capital is at least USD 50 million.**

## Tax Procedures Code

- Addition to the exclusions under the definition of a "Tax decision" to exclude issuance, revocation or refusal of private rulings, compounding of offences and matters relating to tax officers, agents or URA employees;
- Introduction of a TIN requirement to operate a business in Uganda;
- Shifting of liabilities and obligations from tax agents to tax representatives;
- Introduction of fines and prison terms for non-compliance on tax stamps on conviction;
- Increasing the window for amending a return from 12 months to three (3) years;
- Introduction of alternative dispute resolution procedures when dissatisfied with an objection decision;
- Removal of the application of order of tax payment in cases of multiple tax liabilities;
- Increasing the powers of the Commissioner during Tax Investigations to include the right to effect an arrest, order for interim closure of premises, record charge and caution statement, execute a bond with or without security; and
- Increasing punishment for offences under the TPC Act.

## Mining

- Introduction of export levy of USD 200 per kilogram of processed gold and a charge rate of 1% of the value of unprocessed minerals being exported out of Uganda.

## Stamp Duty

- Introduction of additional conditions for exemption from stamp duty on instruments executed taxpayers undertaking strategic investment projects in industrial parks and free zones e.g.
- requirement of investment capital of at least USD 50 million;
- at least 50% percent of the raw materials used should be locally procured if available; and
- employ a minimum of 100 citizens.
- Imposition of stamp duty of Ushs 15,000 on the execution of an instrument of settlement or an instrument revoking the settlement including a deed of dower.

## External Trade

- Introduction of an export levy on wheat bran, cotton cake, maize bran or other by products of milling industry at a rate of USD 0.4 per Kg.
- Traffic and Road Safety
- Requirement of a license from the chief licensing officer for the ownership, possession or use (on the road) of a motor vehicle, trailer or engineering plant;
- Anyone who contravenes the above commits an offence and if convicted is liable to a fine not in excess of Ushs 2,000,000 or imprisonment for not more than one year or both.

## Fish

- Imposition of an export levy of Ushs 70,000 per kilogram on fish maw exported out of Uganda.



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