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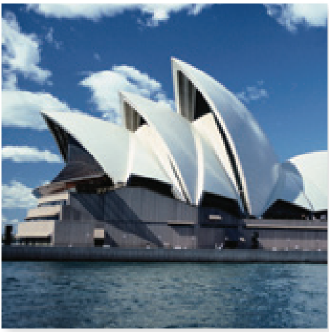

Uganda Tax Guide 2013

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PFK member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

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PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
MAY 2013

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,270 partners and more than 22,000 staff. PKFI is the 11th largest global accountancy network and its member firms have $2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

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Please visit www.pkf.com for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

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H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A
Algeria . . . . 1 pm
Angola . . . . 1 pm
Argentina . . . . 9 am
Australia -
- Melbourne . . . . 10 pm
- Sydney . . . . 10 pm
- Adelaide . . . . 9.30 pm
- Perth . . . . 8 pm

Austria . . . . 1 pm

B
Bahamas . . . . 7 am
Bahrain . . . . 3 pm
Belgium . . . . 1 pm
Belize . . . . 6 am
Bermuda . . . . 8 am
Brazil . . . . 7 am
British Virgin Islands . . . . 8 am

C
Canada -
- Toronto . . . . 7 am
- Winnipeg . . . . 6 am
- Calgary . . . . 5 am
- Vancouver . . . . 4 am

Cayman Islands . . . . 7 am
Chile . . . . 8 am
China - Beijing . . . . 10 pm
Colombia . . . . 7 am
Cyprus . . . . 2 pm
Czech Republic . . . . 1 pm

D
Denmark . . . . 1 pm
Dominican Republic . . . . 7 am

E
Ecuador . . . . 7 am
Egypt . . . . 2 pm
El Salvador . . . . 6 am
Estonia . . . . 2 pm

F
Fiji . . . . 12 midnight
Finland . . . . 2 pm
France . . . . 1 pm

G
Gambia (The) . . . . 12 noon
Germany . . . . 1 pm
Ghana . . . . 12 noon
Greece . . . . 2 pm
Grenada . . . . 8 am
Guatemala . . . . 6 am
Guernsey . . . . 12 noon
Guyana . . . . 7 am

H
Hong Kong . . . . 8 pm
Hungary . . . . 1 pm

I
India . . . . 5.30 pm
Indonesia . . . . 7 pm
Ireland . . . . 12 noon
Isle of Man . . . . 12 noon
Israel . . . . 2 pm
Italy . . . . 1 pm

J
Jamaica . . . . 7 am
Japan . . . . 9 pm
Jordan . . . . 2 pm

K
Kenya . . . . 3 pm

L
Latvia . . . . 2 pm
Lebanon . . . . 2 pm
Luxembourg . . . . 1 pm

M
Malaysia . . . . 8 pm
Malta . . . . 1 pm
Mexico . . . . 6 am
Morocco . . . . 12 noon

N
Namibia . . . . 2 pm
Netherlands (The) . . . . 1 pm
New Zealand . . . . 12 midnight
Nigeria . . . . 1 pm
Norway . . . . 1 pm

O
Oman . . . . 4 pm

P
Panama . . . . 7 am
Papua New Guinea . . . . 10 pm
Peru . . . . 7 am
Philippines . . . . 8 pm
Poland . . . . 1 pm
Portugal . . . . 1 pm

Q
Qatar . . . . 8 am

R
Romania . . . . 2 pm

Russia -
- Moscow . . . . .3 pm
- St Petersburg. . . . . .3 pm

S

Singapore . . . . .7 pm
Slovak Republic . . . . .1 pm
Slovenia . . . . .1 pm
South Africa. . . . . .2 pm
Spain . . . . .1 pm
Sweden. . . . . .1 pm
Switzerland . . . . .1 pm

T

Taiwan .8 pm
Thailand . . . . .8 pm
Tunisia . . . . 12 noon
Turkey. .2 pm
Turks and Caicos Islands . . . . . . .7 am

U

Uganda .3 pm
Ukraine .2 pm
United Arab Emirates . . . . .4 pm
United Kingdom . . . .(GMT) 12 noon
United States of America -
- New York City. . . . . .7 am
- Washington, D.C. . . . . .7 am
- Chicago. . . . . .6 am
- Houston. . . . . .6 am
- Denver . . . . .5 am
- Los Angeles. . . . . .4 am
- San Francisco . . . . .4 am

Uruguay . . . . .9 am

V

Venezuela . . . . .8 am

Z

Zimbabwe . . . . .2 pm

UGANDA

Currency: Shilling (UGX) | Dial Code To: 256 | Dial Code Out: 000

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A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES

COMPANY TAX

Resident companies are taxable on their worldwide income and gains whereas non-residents are taxed on income sourced in Uganda. Uganda-sourced income is clearly defined for purposes of the Income Tax Act.

The tax rates applicable to residents and non-residents are as follows:

- for companies (other than mining companies) and retirement funds – 30%
- for mining companies – calculated according to the following formula:
- 70 — 1500/X where X is the number of percentage points represented by the ratio of the chargeable income to the gross revenue of the company.
- If the rate of tax calculated above exceeds 45%, then the rate of tax shall be 45% and, if the rate of tax calculated above is less than 25%, then the rate of tax shall be 25%.

Special rates of tax apply to income from small businesses (i.e. those businesses where the income does not exceed UGS 50m per year). These presumptive tax rates fall in defined bands/ranges of gross income.

The fiscal year in Uganda runs from 1 July to 30 June. Companies must file a return of income each year by 31 December following the end of the tax year. A different accounting period (referred to as substituted year) can be opted for by seeking permission from the revenue authorities. In such cases, return of income should be filed within six months of applicable year end.

CAPITAL GAINS TAX

Capital gains are added to the income from all other sources and taxed at the rate applicable to that person.

BRANCH PROFITS TAX

Non-resident companies are subject to Ugandan corporate income tax in respect of profits earned from branches in Uganda. In addition, the branch is taxed on the repatriated income at the rate of 15%.

VALUE ADDED TAX (VAT)

VAT is payable on:

- every taxable supply in Uganda made by a taxable person
- every import of goods other than an exempt import
- the supply of any imported services by any person.

A taxable supply is defined as ‘a supply of goods or services, other than an exempt supply, made by a taxable person for consideration as part of his business activities’.

A taxable person is a person who is required to be registered under the statute. Persons who are required to be registered are those who:

- during any period of three calendar months make taxable supplies, the value of which exclusive of any tax exceeds one quarter of the annual registration threshold
- have reasonable grounds to expect that in any period of three calendar months will make taxable supplies, the total value of which will exceed one-quarter of the annual registration threshold
- the annual registration threshold is, at present, UGS 50m.

RATES OF TAX (VAT)

There are three categories of supplies for VAT purposes: exempt, zero-rated and standard rated.

The standard rate is 18%. Some types of supplies are zero rated or exempt.

FRINGE BENEFITS TAX
This is not applicable in Uganda but benefits to employees are valued as per rules of valuation under the Income Tax Act 1997 and added to the employment income to determine the tax.

LOCAL TAXES
Local service tax is levied by local authorities on resident individuals (with a few exceptions) who are above the age of 18 and are in gainful employment with effect from 1 July 2008.

Local Hotel Tax was also introduced with effect from 1 July 2008.

OTHER TAXES
Excise, import and custom duties are applicable on several items either on ad valorem basis or at specific rates.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
The Industrial building allowance is 5% on straight-line basis.

Initial allowance is 50% or 75% of the cost of eligible property in the first year of use. On industrial buildings the initial allowance is 20%.

The mining allowance is 100% of capital expenditure incurred in searching for, discovering and testing or winning access to deposits of minerals in Uganda.

Horticulture business allowance is 20% on straight-line basis of the capital expenditure incurred in the acquisition or establishment of a horticultural plant or the construction of a greenhouse.

DEPRECIATION
Depreciation is allowable on written-down value basis at the following rates:

1.	Computers and data handling equipment	40%
2.	Automobiles, buses and minibuses with a seating capacity of less than 30 passengers, goods vehicles with a load capacity of less than 7 tonnes, construction and earth-moving equipment	35%
3.	Buses with a seating capacity of 30 or more passengers, goods vehicles designed to carry or pull loads of 7 tonnes or more; specialised trucks, tractors, trailers and trailer-mounted containers, plant and machinery used in farming, manufacturing or mining operations	30%
4.	Railroad cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, specialised public utility plant, equipment and machinery, office furniture, fixtures and equipment, any depreciable asset not included in another group.	20%

STOCK/INVENTORY
A deduction is allowed for the cost of trading stock disposed of during a year of income. The closing value of trading stock is the lower of cost or market value of trading stock on hand at the end of the year.

CAPITAL GAINS AND LOSSES
Capital gains or losses are taxable only if the asset on which the gain or loss arises is owned by a business and is a non-depreciable asset. This is determined by subtracting the cost base of the asset from the consideration received on sale of the asset.

Cost base of the asset is the original cost to the taxpayer as increased by any expenditure incurred to alter or improve the asset which has not been allowed as a deduction. In case of immovable property purchased prior to 31 March 1998, the taxpayer may substitute the market value of the property as on 31 March 1998 for the original cost of the asset.

Capital gains and losses are added or subtracted from the other income of the taxpayer for that year of income and not taxed separately.

DIVIDENDS
Dividends are subject to 15% withholding tax except dividends paid by companies listed on the stock exchange to resident individuals which is 10%.

INTEREST DEDUCTIONS
Allowable in full except where a foreign-controlled resident company which is not

a financial institution has a foreign debt-to-equity ratio in excess of 2:1 at any time during a year of income. A deduction is disallowed for the interest paid by the company during the year on that part of the debt which exceeds the 2:1 ratio.

LOSSES
Assessed losses are allowed to be carried forward and allowed as a deduction in determining the taxpayer's chargeable income in the following year of income. These are allowed to be carried forward indefinitely.

FOREIGN SOURCED INCOME
The gross income of a resident person includes income derived from all geographic sources and the gross income of a non-resident includes only income derived from sources in Uganda.

INCENTIVES
Industrial zones for the production of exports are being set up and investors locating in these zones will be entitled to a ten-year corporation tax holiday; duty exemption on raw materials, plant and machinery and other inputs; stamp duty exemption; duty drawback to apply on import of goods from domestic tariff area; no export tax on goods exported; exemption of withholding tax on interest on external loans; and dividends repatriated to get relief from double taxation.

From 1 July 2008, the following new incentives were granted:
1) Resident airlines have been granted exemption from income tax and withholding tax on lease rentals.
2) Business income derived from managing, operating and running schools and tertiary educational institutions is exempt from income tax.
3) New agri-processing investments set up outside a 30 km radius of Kampala are exempt from income tax. With effect from 1 July 2009 this has been modified to exempt income of a person derived from agro-processing where the person applies in writing to the Commissioner to be issued with a certificate of exemption at the beginning of his or her investment and invests in new plant and machinery to process agricultural products for final consumption. The process should involve processing of agricultural products grown or produced in Uganda.
4) Interest income derived out of deposit auctions issued by Bank of Uganda is exempt from withholding tax.

C. FOREIGN TAX RELIEF

A resident taxpayer is entitled to a credit for any foreign income tax paid by the taxpayer in respect of foreign-sourced income included in the gross income of the taxpayer.

E. RELATED PARTY TRANSACTIONS

In order to regulate transactions between related parties, Transfer Pricing Regulations have been introduced with effect from 1 July 2011. The regulations shall apply to a "controlled transaction" where a taxpayer, who is a party to the transaction, is located in or outside Uganda. The regulations expressly require that a taxpayer who has transactions with related non-resident or resident entities must prepare transfer pricing documentation. This documentation, for a year of income, must be in place prior to the due date of filing the income tax return for that year.

F. WITHHOLDING TAX

Withholding tax is a final tax on:
- interest paid by a financial institution to a resident individual
- interest paid to any person on treasury bills by the Bank of Uganda
- dividends paid to a resident individual.

Rates of withholding tax are as follows:

	Resident	Non-resident
Management fees and royalties	Nil	15%
Consultancy, agency fees, etc	6%	15%
Professional fees (1)	6%	15%
Dividends (2)	15% or 10%	15%
Interest (3)	15%	15%
Artists and public entertainers	Nil	15%

1 For residents applicable only if the professional is not registered for VAT.
2 It does not apply where the dividend income is exempt from tax in the hands of a shareholder.
3 It does not apply to: (i) interest paid to a natural person; and (ii) interest paid to a financial institution.

Besides the above, withholding tax is also applicable and charged on import of goods at the rate of 6%.

In case of local transactions of goods and services, 6% withholding tax is applicable where the payer is the Government or a government body. A designated list of withholding tax agents has been issued and any payments made by them are subject to 6% withholding tax.

The rate of withholding on payments to non-residents is reduced in some cases under the provisions of double taxation agreements entered into with a small number of overseas territories (see Section I below).

G. EXCHANGE CONTROL

There are no restrictions on foreign currency flows in and out of the country. Realised exchange gains and losses are taxable/allowable in the year of realisation.

H. PERSONAL TAX

Income tax is levied on the worldwide income of resident individuals and on the income of non-resident individuals from sources in Uganda.

An individual will be regarded as resident in Uganda if he or she:
- has a permanent home in Uganda
- is present in Uganda for a period of, or periods amounting in aggregate to 183 days or more in any 12-month period that commences or ends during the year of income
- is present in Uganda during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income
- is an employee or official of the government of Uganda posted abroad during the year of income.

1. The income tax rates applicable to resident individuals are as follows.

Chargeable income (UGS)	Rate of tax
Up to 235,000	Nil
Exceeding UGS 235,000 but not exceeding UGS335,000	10% of the amount by which chargeable income exceeds UGS. 235,000
Exceeding UGS335,000 but not exceeding UGS 410,000	Ushs. 10,000 plus 20% of the amount by which chargeable income exceeds UGS. 335,000
Exceeding UGS 410,000	UGS 25,000 plus 30% of the amount by which chargeable income exceeds UGS. 410,000 plus 10% of chargeable income exceeding UGS10,000,000

2. The income tax rates applicable to nonresident individuals are—:

Chargeable income (UGS)	Rate of tax
Not exceedingUGS. 335,000	10%
Exceeding UGS 335,000 but not exceeding UGS 410,000	UGS33,500 plus 20% of the amount by which chargeable income exceeds UGS 335,000
ExceedingUGS 410,000	UGS 48,500 plus 30% of the amount by which chargeable income exceeds UGS 410,000 plus 10% of chargeable income exceeding UGS 10,000,000

Where a taxpayer's income consists exclusively of employment income derived from a single employer and from which tax has been withheld, no tax return needs to be filed.

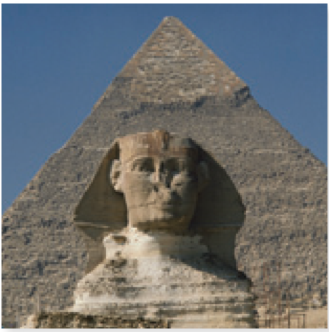
Small businesses with income not exceeding UGS 50m per year run by resident individuals do not need to file a return.

I. TREATY RATES OF WITHHOLDING TAX

	Dividends				
	Individuals/ companies (%)	Qualifying companies (%)	Interest (%)	Royalties (%)	Technical/ management fees (%)
Country:					
Denmark	15	10	10	10	10
India	10	10	10	10	10
Mauritius	10	10	10	10	10
Norway	15	10	10	10	10
South Africa	15	10	10	10	10
United Kingdom	15	15	15	15	15
Italy	15	15	15	10	10
Netherlands	10	10	10	10	10

1 A company is a ‘qualifying company’ if it owns at least 25% of the capital of the company paying the dividend.





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