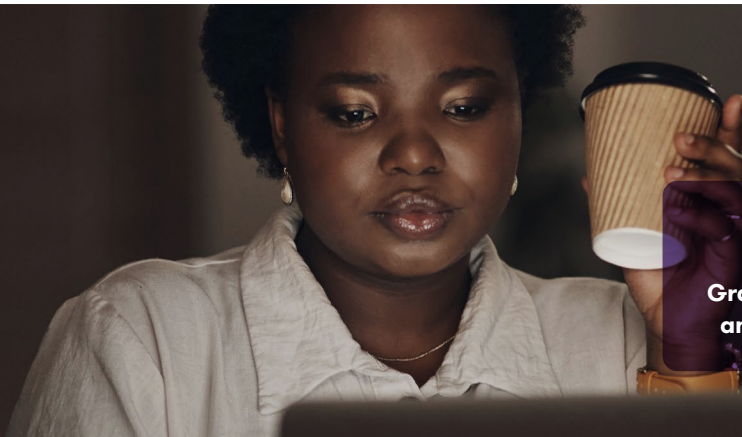




Uganda



Anil Patel
 Managing Partner
Grant Thornton Uganda
anil.patel@ug.gt.com

Summary of Key amendments passed into Law

The Parliament approved the tax measures for the financial year 2022-23, which came into effect from 1st July 2022. Below is summary of the Key amendments as well as the potential impact of the same.

Income Tax

Amendment in definition of Beneficial Owner:

The beneficial owner definition has been changed in order to facilitate the automatic exchange of information. The new definition specifies the different qualifying criteria for a beneficial owner, such as the percentage of shareholding, influence on transactions as well as personal or financial superiority, power to make or influence a decision-making process.

Fixed percentage allowed as expenditure or losses in deriving the tax payable on rental income:

For rental income, a fixed 50% of gross rental income is to be allowed as expenditure and losses for non-individuals and any expenditure and losses in excess of 50% shall not be carried forward to be claimed in subsequent years. No deduction in form of wear and tear, interest etc will be allowed over and above the prescribed limit of 50%. With the applicable income tax rate of 30% the effective tax rate on gross rental income shall be 15% for non-individuals. For rental income earned by individuals and partners of partnership firms who are individuals the proposed tax rate is 12% of the gross rental income. The mortgage interest deduction which has been previously allowed to individuals has been scrapped.

Income from the carriage of passengers, or cargo or mail which is not embarked in Uganda, is not subject to tax as income derived from a Ugandan-Source Services contract:

The amendment to Section 86 of the ITA is aimed at clarifying the position that no WHT is chargeable on income derived from the carriage of passengers who do not embark or international transport of cargo or mail which is not embarked in Uganda.

VAT

VAT on imported services applicable, even if the same is used in provision of exempt supply:

The VAT Amendment Act 2021 kept importation of any service out of the ambit of VAT, which would be used in the provision of exempt supply (Financial, Medical, Education and insurance services, which are exempt as per Second Schedule of The VAT Act). With the new amendment, VAT on imported services becomes applicable (18%), even if the same is to be used in provision of the exempt supply. The VAT paid on imported services is non-creditable and is to be paid by importer of the service

Key Amendment to Second Schedule (Exempt supplies) and Third Schedule (Zero-Rated Supplies)

- Supply of menstrual cups currently considered as exempt supply is now considered as a Zero-rated supply.
- The VAT Act zero rates educational materials manufactured in Uganda, however with the new amendment, the same treatment is to be accorded to educational materials manufactured in the East African Community

Customs

In a move aimed at encouraging import substitution as well as encouraging investment in domestic manufacturers, the East African Community agreed to the introduction of an additional fourth band to the East African Community External Tariff (CET). Items included under the fourth band shall attract import duty at 35%. Some of the products include; dairy and meat products, cereals, cotton and textiles, iron and steel, edible oils, beverages & spirits, furniture, leather products, fresh cut flowers, fruits and nuts, sugar and confectionery, coffee, tea and spices, textiles and garments, head gears, ceramic products and paints, among others. It should not be noted that the new fourth band is to be effected across all the East African Community states

Note: Persons engaged in zero-rated supplies pay VAT at zero rate but are entitled to claim input VAT.

Tax Procedures Code Act

Amended Penalties for non-compliance of tax stamps and electronic receipting and invoicing:

Proposed Penalties for non-compliance of tax stamps and electronic receipting and invoicing

Sec. Ref	Summary nature of an Offence	Approved amendment
62B	Failure to affix or activate a tax stamps	Fine not exceeding Ush 30,000,000 or imprisonment not exceeding 10 years or both
62C	Prints over or defacing of tax stamps	
62D	Forgery of tax stamps	
62E	Failure to use an electronic receipting or invoicing	
62F	Forgery of electronic receipt or invoice	
62G	Interference with the electronic fiscal device or electronic dispensing control device	
62H	An offence relating to the automatic exchange of information	Fine not exceeding Ush 50,000,000 for each day of default or imprisonment not exceeding 10 years or both
	Fails to file an information return	
	Fails to maintain records for automatic exchange of information	
	Makes a false or misleading statement in the information return	
	Omits from a statement made in the information return	

The payment to informers on the provision of information leading to the identification of unassessed tax or duty is proposed as below.

Particulars	Approved amendment
Provide information leading to the identification of unassessed tax or duty	1% of the tax or duty assessed or Ush. 15,000,000 whichever is less
Provide information leading to the recovery of unassessed tax or duty	5% of the tax or duty or Ush. 100,000,000 whichever is less.