



AMENDMENTS TO THE TAX LEGISLATION IN UGANDA - 2022

Introduction:

The Head of State on the 2nd June 2022 assented to a number of amendments to the country's tax regime. Some of these changes have far reaching ramifications to Foreign Investors, Tax Practitioners, and the Business Community generally. The changes shall take effect on the 1st July 2022.

We set out below a summary of the amendments to the different tax laws.

Income Tax (Amendment) Act, 2022:

Meaning of beneficial ownership.

The definition of a beneficial owner has been modified to mean a person who controls a customer or the natural person on whose behalf a transaction is conducted and that this includes a natural person who exercises ultimate control over a legal person or arrangement.

The amendment further clarifies who a natural person is in this instance to include one who holds 10% shareholding or voting rights in the entity in question, one who controls the legal person through other means including personal or financial superiority or one with powers to influence decisions of the legal entity.

The definition of beneficial ownership is now specifically extended to shareholding to the extent of 10%, control through financial or personal superiority and capacity to influence the decisions of the entity controlled.

Meaning of Charitable organizations for purposes of allowable deductions:

The definition of an exempt organization now includes research institutions but no profit objective.

The change in this regard includes the extension of the definition of exempt organization to research institutions.

Rental Tax:

Taxation of rental income has previously generated a lot of debate especially the basis of computation of chargeable income for natural and legal persons.

The deduction of 75% of rental income as expenditure and losses for computation of chargeable tax is now not applicable.

The expenditure incurred or gross rent derived by a partnership is now allocated to the partners in accordance with the provision pertaining to taxation of partners.

The amendment adjusts allowable deductions for persons other than individuals or partnerships to 50% of the rental income for that year of income.

In case expenses and losses incurred by a person other than an individual or partnership exceed 50% of the rental income, the allowable deduction is capped at 50% for that year of income.

The rental tax for an individual is now computed on the basis of 12% of the gross income in excess of a sum of Ug. Shs. 2,820,000 per annum and rental income below the threshold of Ug. Shs. 2,820,000/= is not taxable.

Interest on mortgages from financial institutions as expenditures by individuals to acquire or construct premises to generate rental income is now not a deductible expense.

Exempt Income.

The exemption from taxation of income of Bujagali Hydro Power Project is extended from 2022 to 2023.

Income derived from Uganda-source service contract.

The amendment limits income derived under a Uganda-source service contract to income for services pertaining to transportation of passengers, cargo or mail that does embark in Uganda.

Fine for failure to file Tax Returns by Licensees

The amendment introduces a fine of not less 50,000 and not exceeding USD 500,000 for a Licensee who does not furnish a return or any other document with the timelines set by the Act notwithstanding the other penalties provided for under different legislations.

Value Added Tax (Amendment Act)

Exempt imported services:

An imported service to be used in provision of an exempt supply *per se* is no longer an exempted import. Exempt imported services are now limited to services that would be exempt if supplied in Uganda.

Cash Basis Accounting to apply to suppliers of goods and services to Government.

For VAT purposes, cash basis accounting shall now apply to persons, the annual value of whose taxable supplies, does not exceed Ug. Shs. 500,000,000 or suppliers of goods and services to Government.

Stamp Duty Act:

Removal of stamp duty:

Agreements in relation to deposits of title deeds, pawn pledges shall not attract stamp duty.

Agricultural insurance policies are now recognized for stamp duty purposes but at a nil rate.

Security Bonds and Mortgage Deeds executed by way of security for due execution of an office, or to account for money or other property received by virtue of security bond or mortgage deed executed by surety to secure a loan or credit facility shall not attract any stamp duty.

Tax Procedure Code (Amendment) Act

Registration of Tax Agents:

Registration of Tax Agents shall remain in force from the date of issuance of the Registration Certificate till the 31st December of the year of issue and not for 12 calendar months as previously provided.

Closure of Business premises for default of paying rent:

Business premises of a Taxpayer who does not comply with the requirements of electronic receipting and invoicing or tax stamps within 15 days shall be closed.

The amendment introduces compliance with electronic receipting systems and extends the period to respond to the closure notice from 7 days to 15 days.

The closure of business premises shall now be for period not exceeding 15 days and not 14 days.

Requirement to furnish contractors details to URA:

Any entity engaged in construction or extractive business shall disclose information pertaining to the persons contracted in the performance of duties or business with 7 days from the date execution of the contract and failure to do so attracts a penalty.

Tax Appeals Tribunal Code Act

Membership of the Tax Appeals Tribunal has been increased from 4 to Eight excluding the chairperson of the Tribunal.



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