Uganda

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International Tax Services – Core, Transaction Tax, Human Capital and Indirect Tax

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A. At a glance

Corporate Income Tax Rate (%)	30 (a)
Capital Gains Tax Rate (%)	30 (b)
Branch Tax Rate (%)	30 (a)
Withholding Tax (%)	
Dividends	15 (c)(d)
Interest	15 (c)(e)
Royalties from Patents, Know-how, etc.	15 (f)
Management Fees	15 (f)
Professional Fees	
Residents	6 (g)
Nonresidents	15
Payments by Government Entities, etc.	6 (h)
Payments for Natural Resources	15 (f)
Income Derived from Transmission of Messages by Equipment Located in Uganda	5 (f)
Shipping Income	2
Branch Remittance Tax	15
Net Operating Losses (Years)	
Carryback	0 (i)
Carryforward	Unlimited

(a) For mining companies, the tax rate ranges from 25% to 45%, depending on the profitability of the mine.
(b) Applicable to capital gains on business assets only.
(c) Applicable to residents and nonresidents (see Section B for further details).
(d) The rate is 10% for dividends paid by companies listed on the stock exchange to individuals.
(e) The rate is 20% for interest paid on government securities.
(f) Applicable to nonresidents.

(g) This withholding tax is imposed on resident professionals who are not exempt from withholding tax.
(h) This withholding tax is imposed on payments in excess of UGX1 million to any person in Uganda who is not exempt from withholding tax for goods and services supplied to, or under a contract with, the government, a local authority, an urban authority, a company controlled by the government of Uganda or any person designated in a notice by the Minister.
(i) In general, loss carrybacks are not allowed. However, for long-term construction contracts that result in a loss in the final year, a loss carryback for an unlimited number of years is allowed.

B. Taxes on corporate income and gains

Corporate income tax. Resident companies are subject to tax on their worldwide income, but tax credits are granted for taxes paid on foreign-source income (see *Foreign tax relief*). Nonresident companies are subject to tax on income derived from sources in Uganda.

A company is resident in Uganda if any of the following applies:
• It is incorporated in Uganda.
• The management and control of its affairs are exercised in Uganda during the tax year.
• During the tax year, it performs the majority of its operations in Uganda.

Rates of corporate tax. The regular corporate income tax rate is 30%. For mining companies, the tax rate ranges from 25% to 45%, depending on the profitability of the mine. Oil and gas exploration and production entities are taxed at the normal rate of 30%.

Capital gains. Capital gains on business assets are subject to tax at a rate of 30%.

Administration. Companies must file provisional income tax returns within six months after the beginning of the accounting period. This return includes an estimate of the income that will be earned by the company during the accounting period. The tax liability shown in the provisional return must be paid in two equal installments, which are due 6 months and 12 months after the beginning of the accounting period. A final tax return must be filed within six months after the end of the accounting period, and any balance of tax due must be paid when this return is filed.

Penalties are imposed if the final tax liability for the year exceeds the tax liability shown in the provisional return by more than 10%. However, the penalty for underestimating provisional tax does not apply to companies engaged in agricultural, plantation or horticultural farming.

Dividends. Dividends paid to residents and nonresidents are subject to withholding tax at a general rate of 15%. However, the withholding tax does not apply if the recipient of the dividends is a resident company that controls at least 25% of the voting power in the payer. The withholding tax rate is 10% for dividends paid by companies listed on the stock exchange to individuals. The withholding tax on dividends paid to nonresidents and to resident individuals is considered a final tax.

Interest. Interest paid to residents and nonresidents is subject to a withholding tax at a rate of 15%. The withholding tax rate for interest paid on government securities is 20%. The withholding tax on interest does not apply if either of the following circumstances exist:

- The recipient is a financial institution (except with respect to interest from government securities).
- The interest is paid by a natural person to a resident.

The withholding tax for interest paid on government securities is considered a final tax. Interest paid by resident companies to nonresident financial institutions with respect to debentures is exempt from tax.

Other withholding taxes. Royalties rent, natural resource payments and management fees paid to nonresidents are subject to a 15% final withholding tax.

A resident person who purchases an asset from a nonresident person must withhold a 10% tax from the gross payment for the asset.

Foreign tax relief. A foreign tax credit is granted for foreign tax paid on foreign-source income taxable in Uganda. The credit is limited to the equivalent of the Uganda tax on such income.

C. Determination of trading income

General. Taxable income is the income reported in the companies' financial statements, subject to certain adjustments. Expenses are deductible to the extent that they are incurred in the production of taxable income.

Inventories. For tax purposes, inventory is valued at the lower of cost or market value.

Provisions. Only financial institutions and insurance companies may deduct specific provisions for bad debts.

Bad trade debts may be deducted when they are written off if all reasonable steps have been taken to recover the debt without success.

Tax depreciation. Depreciation charged in companies' financial statements is not deductible for tax purposes, but capital allowances are granted at specified depreciation rates ranging from 20% to 40%.

Capital expenditure on buildings that are designated as industrial buildings, excluding the cost of the land, qualifies for an annual industrial building allowance of 5%. Commercial buildings constructed on or after 1 July 2001 qualify for a straight-line commercial building deduction of 5%. Wear-and-tear allowances (tax depreciation), calculated using the declining-balance method, are granted for plant and machinery at the following rates.

Class	Assets	Rate (%)
I	Computers and data handling equipment	40
II	Automobiles, buses and minibuses with a seating capacity of less than 30 passengers, goods vehicles designed to carry or pull loads of less than 7 tons, and construction and earth-moving equipment	35

Class	Assets	Rate (%)
III	Buses with a seating capacity of 30 or more passengers, goods vehicles designed to carry or pull loads of more than 7 tons, specialized trucks, tractors, trailers and trailer-mounted containers, and plant and machinery used in farming, manufacturing or mining operations	30
IV	Railroad cars, locomotives, equipment vessels, barges, tugs and similar water transportation equipment, aircraft, specialized public utility plant, equipment and machinery, office furniture, fixtures and equipment, and depreciable assets not included in another class	20

An initial allowance at a rate of 50% is allowed for certain types of plant and machinery. The rate of the allowance is increased to 75% for capital expenditure in areas outside Kampala, Entebbe, Jinja, Namanve and Njeru. Initial allowances are granted in the year the plant and machinery is placed in service. Industrial buildings, excluding approved commercial buildings, qualify for an initial allowance of 20%.

An asset may qualify for both the initial allowance and the annual depreciation deduction. Both allowances are claimed in the same year with respect to an asset. The amount of the initial allowance is subtracted from the depreciable cost of the asset.

Relief for losses. Losses may be carried forward for an indefinite period of time to offset future profits.

In general, loss carrybacks are not allowed. However, for long-term construction contracts that result in a loss in the final year, a loss carryback for an unlimited number of years is allowed.

Groups of companies. No provisions exist for filing consolidated returns or for relieving losses within a group.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax	18
Social security contributions to the National Social Security Fund (NSSF), on salaries; the contributions are not tax deductible; paid by	
Employer	10
Employee	5

E. Miscellaneous matters

Foreign-exchange controls. The foreign-exchange market is now fully liberalized. A company can freely transfer foreign exchange into and out of Uganda without restriction. A company can prepare financial statements in foreign currency if it obtains approval from the tax authorities.

Transfer pricing. Transfer-pricing regulations apply to a controlled transaction (transaction between associates) of at least UGX500 million (approximately USD200,000) in a year if a person who is party to the transaction is located in and is subject to tax in Uganda and the other person who is a party to the transaction is located in or outside Uganda. The regulations require a person to record in writing sufficient information and analysis to verify that a controlled transaction is consistent with the arm's-length principle.

For an income year, this documentation must be in place before the due date for the filing of the income tax return for that year.

F. Treaty withholding tax rates

The table below lists treaty withholding tax rates. Tax treaty provisions that lower Ugandan tax or provide exemptions from Ugandan tax for nonresident persons apply only if the nonresident is a resident of the state that has a tax treaty with Uganda and if at least 50% of the underlying ownership of the nonresident person is held by an individual or individuals who are themselves tax residents of that state.

	Dividends %	Interest %	Royalties %
Belgium	5/15 (a)	10	10
Denmark	10/15 (b)	10	10
India	10	10	10
Italy	15	15	10
Mauritius	10	10	10
Netherlands	0/5/15 (c)	10	10
Norway	10/15 (b)	10	10
South Africa	10/15 (b)	10	10
United Kingdom	15	15	15
Non-treaty countries	15	15	15

(a) The 5% rate applies if the recipient owns at least 10% of the company paying the dividends. The 15% rate applies to other dividends.
(b) The 10% rate applies if the recipient is a company resident in the other contracting state that owns at least 25% of the capital of the payer. The 15% rate applies to other dividends.
(c) The 0% rate applies if the recipient holds at least 50% of the capital of the company paying the dividends. The 5% rate applies if the recipient holds less than 50% of the capital of the company paying the dividends. The 15% rate applies if the beneficial owner of the dividends is not a tax resident of the Netherlands.