Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

A GUIDE TO TAXATION OF THE AGRICULTURAL SECTOR

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OVERVIEW OF THE SECTOR.

Agriculture is a dominant sector in Uganda's economy contributing close to 23.8% of Uganda's Gross Domestic Product (UBOS 2015). It is the country's main foreign exchange earner and the largest employer of Uganda's population with over 72% of the population employed in this sector (UBOS, 2013). The sector currently accounts for over 50% of the country's exports (UBOS, 2011), but unfortunately, it only contributes 1% of the annual revenue collections (URA, 2016).

In spite of the many people employed in the agricultural sector, it only accounts for 4% of the URA's register; i.e. only 38,528 are currently registered for taxes, of which 96% are engaged in crop and animal production, 2% in forestry and 2% in fishing and aquaculture.

The Agricultural sector includes the exploitation of vegetal (relating to plants) and animal natural resources, comprising of the following activities; growing of crops, raising and breeding of animals, harvesting of timber and other plants, animals or animal products from a farm or their natural habitats.

According to ISIC, the three major sections of agriculture include; crop and animal husbandry (rearing of animals and growing of crops), Forestry and logging (cutting down trees), and Fishing and aquaculture which are practiced in two ways; Commercial and Subsistence.

In Agriculture, there is a value chain that involves several players at the different points in the production channel and these are involved in a wide range of activities which include; input supply, farmer organization, farm production, post-harvest handling, processing, provision of technologies of production and handling, grading criteria and facilities, cooling and packing technologies, post-harvest local processing, industrial processing, storage, and transport.

It has been observed that whereas the main players at the top of the chain are tax compliant, for example, the players in the dairy sector who have increasingly contributed to tax (tax growth of 57% from 14bn in 2014/15 compared to 22bn in 2015/16), the other players in the industry i.e. the farmers (milk suppliers), transporters and others in the chain, have not complied in regard to registration for taxes.

Whereas, there is a misconception that farming is tax-exempt; this is NOT true as the sec 35 Income Tax Act, caters for farming expenditures when computing chargeable Income.

Generally, farming can be practiced on either a commercial or a subsistence basis.

Commercial Farming

Under commercial farming, crops are grown and animals are reared mainly for sale in the market to generate income. i.e. for commercial purposes.

Subsistence farming

Here crops are grown mainly to meet the farmer's family's basic needs.

Just like any business enterprise, agriculture too has challenges that are particular to it, some of which, include:

- High level of informality

- Illiteracy of the players
- Numerous small segmented players.
- Poor records keeping.

The sector is labor-intensive, employs a big number of casual laborers throughout the value chain, has a very volatile market and highly fluctuating prices for products depending on the geographical location and seasonality. For some agricultural products, even the world prices have an effect.

Please note:

All players in the agricultural supply chain are required to register for the relevant tax types and account for the applicable incomes. Under section 22(2)(m), of the Income Tax Act, no expenditure will be allowed for any expense that exceeds 5 million in one transaction in regard to supplies (goods or services) from an unregistered supplier. The players in this sector should, therefore, endeavor to register for a TIN and also transact with businesses that are registered.

Key Definitions in the Law:

Under the Income Tax Act Cap 340:

i. "Farming" comprises of pastoral, agricultural, plantation, horticultural or other similar operations

ii. "Farming income" means the business income derived from the carrying on of farming operations.

iii. "Chargeable farming income" means the total farming income of a taxpayer for a year of income less any deductions allowed which relate to the production of such income that year.

iv. "Agro-processing" means a manufacturing process that substantially transforms or converts raw agricultural produce into a different physical state and includes the activities that take place from the point of slaughtering or harvesting the raw product.

v. "Horticulture" includes propagation or cultivation of fungi, seeds, bulbs, spores, or similar things; or propagation or cultivation in environments other than soil, whether natural or artificial.

vi. "Farmworks" means any form of labor carried out on a farm and other immovable buildings necessary for the proper operation of a farm e.g., fences, dips, drains, water and electricity supply works, windbreaks, and other works necessary for farming operations carried on to produce income included in gross income but does not include farmhouses or depreciable assets.

vii. "Allowable deductions" are expenditures and losses incurred when deriving chargeable income. The general rule is that for any expenditure to be allowed, it must have been incurred to produce the income that has been declared as gross income.

viii. A "withholding agent" is the person making payment and obliged to withhold tax; the recipient of the payment is the "payee".

Note that: If a person undertaking horticulture as a business in Uganda incurs expenditure of capital nature relating to acquisition or establishment of a plant or construction of a greenhouse:

- Within the first 5 years, you will be allowed a deduction of an amount equal to 20% of expenditure in each of the years the plant or greenhouse is used in the business of horticulture.
- Expenditure of a capital nature incurred on the establishment of a horticultural plant shall include expenditure incurred in draining or clearing land.
- You must legalize your activities if you are dealing in commercial farming by ensuring that your business is registered with the Uganda Revenue Authority and a TIN is obtained.

Key Issues

Remarks

IS YOUR BUSINESS OR COMPANY REGISTERED WITH URSB?

The status of your registration with the Uganda Registration Services Bureau (URSB) as a farmer determines the tax types you will be registered for when acquiring a TIN.

At URSB, you will receive either a Certificate of Registration (if registered in your own names or Business Name or incorporated outside Uganda) or Certificate of Incorporation if registered as a Limited entity. This will enable you to register and get a Tax Identification Number (TIN) from URA, either as an individual) or Non-Individual.

HOW DO YOU REGISTER FOR TAXES?

Taxation in the agriculture sector depends on your Legal registration status with the Uganda Registration Services Bureau (URSB); you only apply to URA and get a TIN if you are a commercial farmer. Once you acquire a TIN then you must always use it when transacting with Uganda Revenue Authority for tax purposes.

Note that your business/company name must be registered by the Uganda Registration Services Bureau (URSB).

WHAT IS A TIN?

TIN stands for Tax Identification Number. It is a 10-digit number which acts as an account of a taxpayer with Uganda Revenue Authority (URA). All taxpayers are required to quote this number in all their communications with URA and business transactions.

A TIN is obtained free of charge and therefore no one should charge you for it.

The key requirements for TIN registration include;

- For an individual: A National ID or any two of the following identification documents; Village ID, Employment ID, Passport, Driving Permit, Voter's Card, Bank Statement, Work Permit, Financial Card, Visa, NSSF Card, etc. This is also applicable to company directors

- For an individual with business, a business registration certificate is required.
- For a non-individual: Certificate of Incorporation/certificate of registration, Company Form 20 showing the Directors of the company, and any other legal documents that confirm existence.
- In case the directors do not have TIN's, then their application(s) must be submitted together with the company application form under "group registration".
- A valid email address and a mobile telephone number
- A referee – any person known to the applicant and has a TIN
- An employee shall attach proof of employment

A TIN can be acquired through any of the processes below:

1. Through the URA Web portal:

a. Visit the URA web portal

b. Download the appropriate registration form (Individual or Non Individual),

c. Complete the form by filling in the mandatory fields (boxes)

d. Upload and submit online the completed form

e. Receive an acknowledgment notice

f. Print a copy of the form and sign it and together with the necessary attachments submit to the nearest URA office.

g. Receive notification of approved or rejected TIN application

h. Print TIN Certificate sent to the email registered with URA from anywhere

2. Visiting a URA designated office

In case a taxpayer cannot register online, he or she can walk into any of the URA offices or One Stop Centre located in any Municipality or KCCA division and assistance shall be provided to complete the registration process. Ensure that you move along with the necessary attachments as listed above.

In case of failure to do any of the above, call the Contact Centre: 0800217000 or 0800117000 (Toll free) or send an email to **services@ura.go.ug**

WHAT ARE THE BENEFITS OF ACQUIRING A TIN?

Acquiring a TIN enables you to:

- ➢ Import or export goods within and outside Uganda.
- ➢ Claim tax benefits that accrue to you e.g. tax refunds etc.
- ➢ Access bank loans.
- ➢ Acquire a trading license from Local Government / KCCA to undertake business in their jurisdiction.
- ➢ Register your Motor Vehicle
- ➢ Process land transactions above 50 Million Shillings.

i. The TIN acts as a security measure on transactions regarding some assets e.g. already validated motor vehicles, titled land since a notification is automatically sent to the owner's TIN account and registered email.

NOTE:

A local authority, government institution or regulatory body shall not issue a license or any form of authorization necessary for purposes of conducting any business in Uganda to any person who does not have a Tax Identification Number including one issued by foreign tax authorities with whom Uganda has a tax treaty or agreement for the exchange of information.

1. WHAT ARE YOUR RIGHTS AND OBLIGATIONS?

Rights	Obligations
You have a right to equity: • Tax laws and procedures shall be applied consistently to you • All your tax affairs will be handled with impartiality • You and your agent(s) shall be presumed honest until proven otherwise • You shall always pay the correct tax	• Ensure that you voluntarily register with Uganda Revenue Authority as a Taxpayer. • File correct Tax Returns, Customs Entries or any forms relating to taxes and other revenue. • Pay the correct tax at the right time and place as required by the relevant laws.
• Your tax affairs shall be kept secret and tax information in our possession shall be used in accordance with the law. • You and your authorized agent(s) shall be provided with clear, precise and timely information • You will receive courteous and professional services at all times	• In handling your tax matters, you and or your appointed agent(s) shall be expected to deal and cooperate only with the Authority's authorized staff. • Be honest with URA. • Quote your Tax Identification Number (TIN) for all dealings with URA. • Comply with all the taxation requirements and regulations. • Make full disclosure of information and correct declaration of all transactions at all times. • Not indulge in any form of tax evasion and other illegal practices. • Request for a proper receipt for all your purchases and keep records properly.

BOOKKEEPING AND ACCOUNTS

1. It is very important for taxpayers to;

– Keep proper records of all business transactions in the English language;

– Keep records such that it is easy to determine their tax liability;

– Keep records for five years after the end of the tax period to which they relate for future reference.

2. In case a record is necessary for a proceeding that started before the end of the 5 year period, a taxpayer shall keep the record until the end of the proceedings.

3. The records kept should contain sufficient transaction information and should be saved in a format that is capable of being recovered and converted to a standard understandable record format.

4. A taxpayer who wishes to keep records in a different language or currency shall apply in writing

With clear reasons to the commissioner for permission.

5. Where a record is not in English, the taxpayer will be required to meet the cost of translation into English by a translator approved by the Commissioner.

However, the taxpayer shall file a tax return or provide other correspondence with the Commissioner in English.

WHEN IS A PERSON DEREGISTERED?

A person who no longer fulfills the registration conditions may, in the prescribed manner, apply to the Commissioner to be deregistered.

- The Commissioner shall by notice in writing, deregister a person if he is convinced that the person no longer satisfies the registration conditions.

A person who temporarily closes business with an intention of resuming, shall not be deregistered but apply to the commissioner in writing to have his TIN deactivated and later on reactivated when they resume business.

FAILURE TO REGISTER FOR A TIN, CANCEL A REGISTRATION OR NOTIFY THE COMMISSIONER OF A CHANGE IN REGISTRATION OR CIRCUMSTANCES

The penalty for a person who fails to apply for registration, cancel a registration or notify the Commissioner of a change in registration or circumstances is;

i.a fine not exceeding Shs. 3,000,000 or imprisonment not exceeding six years or both on conviction if the failure/act was done knowingly or recklessly.

ii.to a fine not exceeding Shs. 1,000,000 or imprisonment not exceeding two years or both on conviction in any other case.

- The penalty to be paid under this section shall be recovered and collected as unpaid tax.

USE OF A FALSE TIN

A TIN is personal to the person to whom it has been issued and shall not be used by another person.

- A person who uses a false TIN on a tax return or other document prescribed or used for the purposes of a tax law, knowingly or recklessly or not, commits an offence and is liable on conviction to a fine not exceeding Shs. 3,000,000 or imprisonment not exceeding six years or both.

PENALTY FOR FAILURE TO MAINTAIN PROPER RECORDS

The penalty for knowingly or recklessly or not failing to maintain records as required under any tax law is a fine not exceeding Shs. 2,000,000 or imprisonment not exceeding six years or both on conviction.

Note: A taxpayer, who cannot effectively handle his tax matters, can appoint a tax agent to transact with URA on his/her behalf.

USE OF TAX AGENTS

WHO IS A TAX AGENT?

A tax agent is a person licensed by the Tax Agents Registration Committee (TARC) to handle tax-related issues on behalf of the taxpayer. An agent can be an individual, partnership, or company. An agent engages in the following activities on behalf of the taxpayer:

- Preparation, certification, and filing tax returns, or other statements or reports required by the Authority.
- Preparation of requests for ruling, petitions for reinvestigation, protests, objections, requests for refund or tax certificates, compromise settlements and/or reductions of tax liabilities and other official papers and correspondences with the Authority.
- Attending meetings and hearings on behalf of the taxpayer in all matters relating to taxpayer rights, privileges or liabilities under the laws administered by the Authority

WHO REQUIRES A TAX AGENT?

Taxpayers who need tax advisory services.

WHAT TAXES ARE APPLICABLE TO THE AGRICULTURE SECTOR?

Income Tax – Section 4 of the Income Tax Act imposes income tax for each Year of Income on every person who has chargeable income for a given year of income.

a) Presumptive tax for small taxpayers

Section 4 subsection 5 of the income tax Act defines small taxpayers as those taxpayers whose annual turnover is below 150 million UGX.

The presumptive tax rates are based on turnover, however there is a standard of record keeping. Small businesses with no records will pay tax on a fixed basis whereas those with records will pay tax as a percentage of turnover.

Schedule for the computation of “presumptive” income tax for small businesses

Gross turnover per annum	With records	Without records
Not exceeding UGX 10 million	NIL	NIL
Exceeding UGX 10 million but does not exceed UGX 30 million	0.4% of annual turnover in excess of 10 million	UGX 80,000
Exceeding UGX 30 million but does not exceed UGX 50 million	UGX 80,000 plus 0.5% of annual turnover in excess of UGX 30 million	UGX 200,000
Exceeding UGX 50 million but does not exceed UGX 80 million	UGX 180,000 plus 0.6% of annual turnover in excess of UGX 50 million	UGX 400,000
Exceeding UGX 80 million but does not exceed UGX 150 million	360,000 plus 0.7% of annual turnover in excess of UGX 80 million	UGX 900,000

Note:

(i) No deductions are allowed in respect of any expenditure or losses and the assessed tax is the final tax for presumptive taxpayers, however, one has the option of filing returns.

(ii) These rates apply for both individuals and non-individuals

(iii) For those whose turnover above sh150 Million UGX, they must file annual Income Tax returns such that the tax is computed on their net profits.

b) Individual Income Tax.

The income tax rate for individuals depends on the income bracket in which the individual falls. Resident individuals enjoy a tax free annual income threshold of UGX. 2,820,000 per annum. The balance is taxed at 10%, 20% or 30% depending on the income bracket. Individuals who earn above UGX 120,000,000 per annum pay an additional 10% on the income above UGX 120 million.

N.B CY represents chargeable income.

ANNUAL CHARGEABLE INCOME (CY) IN UGX	RATE OF TAX
	Residents
0 to 2,820,000	Nil
2,820,000 to 4,020,000	(CY – 2,820,000UGX) x 10%
4,020,000 to 4,920,000	(CY – 4,020,000UGX) x 20% + 120,000UGX

4,920,000 to 120,000,000	(CY – 4,920,000UGX) x 30% + 300,000UGX
Above 120,000,000	**[**(CY – 4,920,000UGX) x 30% + 300,000UGX**] +** **[**(CY – 120,000,000UGX) x 10%**]**

Illustration 1 for an individual business:

ANNUAL CHARGEABLE INCOME (CY) IN UGX	RATE OF TAX
	Non-Residents
0 to 2,820,000	Nil
2,820,000 to 4,020,000	(CY – 2,820,000UGX) x 10%
4,020,000 to 4,920,000	(CY – 4,020,000UGX) x 20% + 402,000UGX
4,920,000 to 120,000,000	(CY – 4,920,000UGX) x 30% + 582,000UGX
Above 120,000,000	[(CY – 4,920,000UGX) x 30% + 582,000UGX] +[(CY – 120,000,000UGX) x 10%]

Illustration 1 for an individual business:

	UGX
Sale of Agricultural Produce (Milk, Poultry, sugarcane, cocoa, fish, Timber	263,200,000
Add Other income	
(Sale of agricultural by product-Molasses, husks, animal by- products)	39,200,000
Total revenue from agricultural activities	302,400,000
Less: farm Costs	
Cost of Seedlings, seeds, additional /production animals, etc.	14,960,000
Cost of actual farming Labor at the farm	52,800,000
(Direct labor- farm clearing, planting, weeding, feeds)	
Cost of direct overheads (direct power, water, etc.)	14,000,000
Total Production Costs	81,760,000
Other costs:	
Less Administrative costs	16,000,000
(Worker salaries, office power, Water, rent, etc.)	
Total costs	97,760,000
Net Profit/Loss(Chargeable Income)	204,640,000

Tax Thereon

Using the tax rate schedule below, for chargeable Income exceeding 120 million;

[(CY – 4,920,000UGX) x 30% + 300,000UGX] + [(CY – 120,000,000UGX) x 10%]

= [204,640,000 – 4,920,000) x 30% + 300,000] + [(204,640,000 –120,000,000) x 10%]

= (199,720,000 x 30% + 300,000) + (84,640,000 x 10%)

= 59,916,000 + 300,000 + 8,464,000

Tax payable = 68,680,000 UGX

Note: The basis for determination of Income tax liability for farmers is the gross income generated reduced by allowable deductions.

Note that; where the commercial farmer declares a loss, the tax payable is Nil (Zero).

Illustration 2 for an individual business:

Mr. Katende received 160 million UGX from the supply of his agricultural produce to Alam Hotel in Wakiso during 2014/2015.

From the beginning of the year, he incurred the following costs.

Million UGX

Production costs (which include the purchase of seedlings, land clearing, planting, and weeding..........25

Direct costs (Transportation of Manure and produce)...8

Administration costs

The annual salary for 2 employees...24

Annual rent for store...12

Operation expenses...14

Renovation of his home..9

Calculate his Income Tax Liability for 2014/2015.

Solution

Gross Income frmm sales...160m

Less

Production costs...25m

Direct costs...8m

Gross Profit...127m

Less Allowable deductions

Annual salary for 2 employee...24m

Annual rent for store.. ....12m

Operation expenses...14m

Chargeable Income...77m

Income Tax Liability

Since his chargeable income falls in the fourth category, then Tax Liability = (77,000,000-4,920,000)*30% + 300,000 ....21.924m

Note that the expense incurred when renovating his home (9m) does not account for the allowable expenses in the generation of his gross income from agriculture.

c) Non-Individual Income Tax (Corporation Tax)

This is imposed on all corporate entities (Companies) engaging in commercial farming activities.

Income Tax is charged at a rate of 30% on the profits from business (Chargeable Income).

Illustration on the Determination of the Tax liability for companies (Non-individuals)

		UGX
Sale of Agricultural Produce (Milk, Poultry, sugarcane, cocoa, fish, Timber)		263,200,000
Add Other income		
(sale of agricultural by product-Molasses, husks, animal by- products)		39,200,000
Total revenue from agricultural activities		302,400,000
Less: farm Costs		
Cost of Seedlings, seeds, additional /production animals, etc.	14,960,000	
Cost of actual farming Labor at the farm	52,800,000	
(Direct labor- farm clearing, planting, weeding, feeds)		
Cost of direct overheads (direct power, water, etc.)	14,000,000	
Total Production Costs	81,760,000	
Other costs:		
Less Administrative costs	16,000,000	
(Worker salaries, office power, Water, rent, etc.)		
Total costs		97,760,000
Net Profit/Loss(Chargeable Income)		204,640,000
Tax Thereon (30% of chargeable income)		30% x 204,640,000
Tax Payable.		61,392,000

d) Pay As You Earn (PAYE)

For all entities that employ staff that are paid salaries, the firm is required to withhold PAYE under section 19 of the income tax Act. The rates applicable are specified under Part 1 of the 3rd Schedule of the Income Tax Act.

This is a tax deducted from the total salary of employees (earning income above 235,000 UGX) by employers and then remitted to URA on behalf of the employees.

If you have employees on a farm who earn income above UGX 235000/=, you are required to withhold and remit monthly PAYE as per the PAYE rates below.

PAYE Tax rates that apply for both Residents and Non Residents.

N.B CY represents chargeable income.

CHARGEABLE INCOME (CY) IN UGX (MONTHLY)	RATE OF TAX
	RESIDENTS
0 to 235,000	Nil
235,000 to 335,000	(CY – 235,000 UGX) x 10%
335,000 to 410,000	(CY – 335,000UGX) x 20% + 10,000UGX
410,000 to 10,000,000	(CY – 410,000UGX) x 30% + 25,000UGX
Above 10,000,000	[(CY – 410,000UGX) x 30% + 25,000UGX] +[(CY – 10,000,000UGX) x 10%]

CHARGEABLE INCOME (CY) IN UGX (MONTHLY)	RATE OF TAX
	NON-RESIDENTS
0 to 335,000 UGX	CY x 10%
335,000 to 410,000	(CY – 335,000UGX) x 20% + 33,500
410,000 to 10,000,000	(CY – 410,000UGX) x 30% + 48,500
Above 10,000,000	[(CY – 410,000UGX) x 30% + 48,500UGX] +[(CY – 10,000,000UGX) x 10%]

Illustration

Kamude is employed on Kibinge Farm and earns a monthly salary of UGX 200,000.

a. Is Kibinge Farm obliged to deduct PAYE from Kamude's salary?

Solution

No, because Kamude's monthly salary is less than the threshold (235,000) so his salary does not attract PAYE.

b. If Kamude's monthly consolidated pay includes a monthly salary of 200,000, transport allowance of UGX 75,000 and medical allowance of UGX 95,000, the amount of Pay as You Earn to be deducted is calculated as below:

Gross Employment Income:

	UGX
Salary	200,000
Traveling allowance	75,000

Medical allowance	95,000
Total	370,000

His gross employment income lies in category three and thus we shall use the rates in the third bracket, i.e.

Exceeding UGX 335,000 but less than UGX 410,000 (10000 + 20% of the amount by which chargeable income exceeds UGX 335,000)

- Chargeable income = UGX (370,000 - 335,000)................... 35,000
- PAYE to be deducted =10,000 + 20% × 35,000...17,000/=

e) Withholding Tax (WHT)

Withholding tax (WHT) is income tax that is withheld at source by one person (withholding agent) upon making payment to another person (payee).

Withholding Agent:

A withholding agent is a person legally obliged to withhold tax on payment.

To become a withholding agent one must;

- Be on the list of selected / designated withholding agents published by the Minister of finance in a gazette or
- Be making a payment on a transaction that is required by law to be deducted from WHT.

Withholding taxes may be final or creditable;

- Under the final withholding tax system, the amount of income tax withheld by the withholding agent is constituted as a full and final payment of the income tax due from the payee on the said income. The payee is not required to file an income tax return for the particular income that has faced final withholding tax.
- Under the creditable withholding tax system, taxes withheld on certain income payments are advance tax payments which are offset against a final tax liability in an assessment for a particular year of income. The payee required to file an income tax return to report the income and/or pay the difference between the tax withheld and the tax due on the income.

WHT should be considered when making the following payments:

i. Employment income: Tax is deducted by the employer from the employment income of every liable employee on a monthly basis under the PAYE system.

ii. International payments: Tax is imposed on every non-resident person who derives any dividend, interest, royalty, natural resource payment or management charge from sources in Uganda. The tax is withheld by the payer at the rate of 15% on the gross amount before payment.

iii. Payments to non-resident Contractors or professionals: Tax is imposed on every non-resident person deriving income under a Ugandan source service contract. The tax is charged at 15% of the gross amount of payment and the person making the payment should withhold the relevant tax before effecting the payment.

iv. Payments on dividends: A resident company which pays a dividend to a resident shareholder is required to withhold tax at 15% of the gross amount of the dividend paid, except where the dividend income is exempt from tax in the hands of the shareholder. However, where the dividend is paid by a company listed on the stock exchange to a resident shareholder, the rate is 10% on the gross amount.

v. Payment for Goods and services: Any payment of amounts in total exceeding Shs. 1,000,000 to any person in Uganda for the supply of goods, materials of any kind or services, is required to withhold 6% of the gross amount. The threshold of Shs. 1,000,000 is in respect of the total contract value, implying that separate supplies which constitute one contract are subject to the 6% withholding tax regardless of the fact that the amount paid per a single supply or transaction is less than the threshold value.

vi. Payments to insurance agents: An insurance service provider who pays commission to an insurance agent is required to withhold 10% of the payment.

vii. Payments to advertising agents: A person who makes a commission payment to an advertising agent is required to withhold 10% of the gross amount of the payment.

Responsibility of Filing a WHT return and Payment of WHT

- The responsibility for payment of the tax rests primarily on the person making payment as a withholding agent. Thus, in case of his/her failure to withhold the tax or in case of under-withholding, the under-collected tax becomes due from the withholding agent.
- A WHT Agent is required to pay the tax withheld within 15 days after the end of the month in which the payment subject to withholding tax was made by the WHT Agent. . Note; this is not only for PAYE but also all other Withholding taxes.

f) Rental Tax

In cases where a farmer has rental properties and earns rental income or they lease out their farms or equipment, this income is taxable under section 5 of the Income Tax Act.

I. Value Added Tax (VAT)

It is a tax on consumption charged on value-added to "taxable" goods and services, at different stages in the chain of distribution and is charged at a rate of 18%. However, if the seller is registered for VAT, he can claim for his Input tax when selling the product/ service.

Note

- Farmers dealing in taxable supplies with a gross turn of over above 150 million are required to register for VAT.
- Farmers dealing in unprocessed items are not subject to Value Added Tax (VAT) but must register for Income tax. However, Commercial farmers regardless of the existence of taxable supplies are required to register for VAT to enable them to claim for a refund of VAT on inputs used in the farm.

IMPORTANT:

ISSUANCE OF E-INVOICES OR E-RECEIPTS BY ALL VAT REGISTERED TAXPAYERS

It is mandatory for all VAT registered taxpayers to issue e-invoices or e-receipts as no tax credit is allowed or claimable on purchases unless they are supported by e-invoices or e-receipts.

1. PERIOD FOR CLAIMING INPUT TAX

The law allows a period of six (6) months from the date of issue of the invoice within which a person can apply for an input tax credit.

Illustration

Bukwo Cotton Farmers sold 10 tons of cotton to Brad Ginnery at UGX 7,000,000. Brad a cotton ginnery sold 10 tons of lint cotton to Greek Textiles at UGX 10,000,000. Greek textiles produced bedsheets out of the cotton and sold them to Kiyembe Ltd (a retailer) at UGX 17,500,000. Kiyembe Ltd sold all the bedsheets to various customers and total sales were UGX 22,500,000.

Note: All figures are exclusive of VAT and the VAT rate applicable is 18%.

Determine the total VAT payable through the process.

Solution:

Stage / Dealer	Cost Price (C.P) UGX	Selling Price (S.P) UGX	Input Tax IT (18% * C.P) UGX	Output Tax OT (18% * S.P) UGX	URA Account (OT - IT) UGX
Bukwo Farm		7,000,000		-	-
Brad Ginnery	7,000,000	10,000,000	-	-	-
Greek Textiles	10,000,000	17,500,000	-	3,150,000	3,150,000
Kiyembe Ltd	17,500,000	22,500,000	3,150,000	4,050,000	900,000
Final Consumer	22,500,000	-	**4,050,000**	-	-
TOTAL VAT TO URA					4,050,000

Note that Bukwo Cotton Farmers do not have any VAT to remit to URA since they sell raw cotton (unprocessed) to the ginnery, however, Cotton (Lint cotton) is exempt form VAT hence Brad Grinnery has no VAT to remit to URA. VAT starts from Kiyembe limited selling to the final consumers.

Note: If Bukwo is into commercial farming, then they would go-ahead to claim for a refund of VAT on any inputs.

The total VAT is remitted to URA by the players in the value chain.

2. WHAT ARE THE TAX POINTS APPLICABLE TO PLAYERS IN THE SECTOR?

i. The suppliers of raw materials: These are expected to have the following;

- ➢ Valid TINs that are clearly shown on invoices issued to their clients every time they supply.
- ➢ File income tax returns or the simplified returns under Part 1 of the second schedule of the Income Tax Act.
- ➢ They may opt to use presumptive rates where applicable
- ➢ Farmers who into Commercial Farming are required to register for VAT
- ➢ Where their employees are earning above 235,000 UGX per month they should withhold PAYE at the appropriate rates.

ii. Other suppliers: These could either be local suppliers or foreign suppliers.

- o Local suppliers: where the company is gazetted to withhold tax on behalf of the government, the payer is required to withhold 6% of all payments to suppliers above UGX 1,000,000 (Section 119 (1)); these could be transporters, cleaning firms, any other vendors. Take note that separate supplies of goods or materials or supplies amounting to above 1 million may attract the 6% WHT.
- o International payments: this is applicable where a farmer makes foreign payments for management fees or makes payments to non-resident contractors or professionals under section 83 and 85 of the Income Tax Act respectively.
- o

3. WHAT TAX INCENTIVES APPLY TO THE AGRICULTURE SECTOR?

To ensure that agriculturalists get a fair return on investment, the Government of Uganda has continued to prioritize the sector and over the years many incentives have been introduced to boost the sector development and these include;

EXCISE DUTY	
Type of incentive	**Conditions for granting exemption**
Nil duty on construction materials of a factory or warehouse exclusive of those available on the local market, locally produced raw materials and inputs. Beneficiary: Developers of industrial parks and free zones, operators and other investors in specified business which include; i. Processing agricultural goods; ii. Manufacture or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobile, house hold appliances; iii. Manufacture of furniture, pulp, paper, printing and publishing of instructional materials; iv. Establish or operate vocational or technical institutes; v. Carry on business in logistics and ware housing, information technology or commercial farming; vi. Manufacture of tyres, footwear, mattress or toothpaste.	A minimum capital investment requirement for duty exemption of US$10 million in the case of a foreigner or US$ 300,00 in case of a citizen; or US$150,000, for a citizen whose investment is placed up country. The business that qualifies for duty exemption; is required to employ at least 70% of its employees being citizens, earning an aggregate wage of at least 70% of the total wage bill.
Nil duty on construction materials for development of industrial parks or free zones by a developer	Must invest a minimum of USD 50m for foreign investors & USD 10m for EAC citizens. The incentive takes effect from the date of commencement of construction.
STAMP DUTY	
Type of incentive	**Conditions for granting exemption**
No Stamp duty on debentures, lease of land, Increase of share capital, transfer of land. Operator within an industrial park or free zone or an operator of a single factory or other business outside the industrial park who invests in agro processing, food	Must invest a minimum of USD 10m for foreign investors and USD 300,000 for EAC citizens or USD 150,000 where the investment is made upcountry. Incentive takes effect from the date of commencement of the specified business, same incentives applies to an existing operator in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw

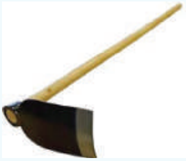
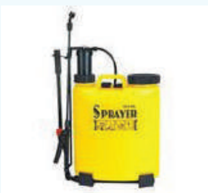
processing, medical appliances, building materials, light industry,	materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill.
automobile manufacturing and assembly, household appliances, furniture, logistics and warehousing, information technology or commercial farming, operating vocational or technical institutes.	
VAT	
Type of incentive	**Conditions for granting exemption**
Exporters	Zero rated
No VAT on the supply of feasibility study and design services and on the supply of locally produced raw materials and inputs.	Investment in processing agricultural products; manufacturing or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobiles and house hold appliances; manufacturing furniture, pulp, paper, printing and publishing of instructional materials; establishing or operating vocational or technical institutes; or carrying on business in logistics and warehousing, information technology or commercial farming. Must invest a minimum of USD 10m for foreign investors and USD 300,000 for EAC citizens or USD 150,000 where the investment is made upcountry. Incentive takes effect from the date of commencement of the specified business, same incentives applies to an existing operator in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill.
VAT registered persons claim all the VAT incurred.	Turnover of UGX 150m in any 12 month period for first time registration, ability to keep proper books of accounts and making taxable supplies.

VAT Exemption on agricultural supplies: animal feeds and premixes, crop extension services, irrigation works and sprinklers, supply of agriculture insurance, etc.	Taxpayers in agricultural sector.
Deemed VAT: Tax payable on a taxable supply made by a supplier to a contractor executing an aid-funded project is deemed to have been paid by the contractor provided the supply is for use by the contractor solely and exclusively for the aid funded project.	Contractors executing aid-funded projects
INCOME TAX	
Type of incentive	**Conditions for granting exemption**
10 years Exemption of Income derived by a person from undertaking any of the listed business activities in the Industrial Park or Free Zone.	Operator in an Industrial Park or Free Zone who invests in processing agricultural products; manufacturing or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobiles and house hold appliances; manufacturing furniture, pulp, paper, printing and publishing of instructional materials; establishing or operating vocational or technical institutes; or carrying on business in logistics and warehousing, information technology or commercial farming or manufacture of tyres, footware, mattresses or tooth paste, Must invest a minimum of USD 10m for foreign investors and USD 300,000 for EAC citizens or USD 150,000 where the investment is made upcountry. Incentive takes effect from the date of commencement of the specified business, same incentives applies to an existing operator in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill.

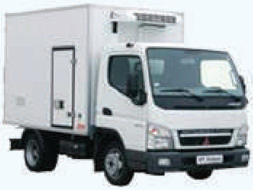
10 years Exemption of Income derived by a person from undertaking any of the specified business activities.	Investor outside an industrial park or free zone carrying out activities above. Must invest a minimum of USD 10m for foreign investors and USD 300,000 for EAC citizens or USD 150,000 where the investment is made upcountry. Incentive takes effect from the date of commencement of the specified business, same incentives applies to an existing operator in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw
	materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill.
6% WHT exemption	6 months renewable Where the Commissioner is satisfied that the taxpayer has regularly complied with the obligations under the tax laws
Indexation in the calculation of capital gains in order to account for inflation.	Before determining Capital Gains tax on a business asset, one will factor in inflation among others that influence the asset value. However, indexation shall not apply to an asset that is sold within twelve months from the date of purchase.
Preferential treatment of capital gains tax for a venture capital fund registered under the Capital Markets Authority Act.	A venture capital fund shall be entitled to a non-recognition of a gain or loss equivalent to the percentage of reinvested proceeds.
Recognition of losses	If for any year of income, the total business income earned by a taxpayer is less than the total expenses relating to the generation of the business income, the excess (loss) shall be carried forward and allowed as a loss in the following year. Note that it must be declared and proved by URA in the current year of income as a loss.
Wear and Tear	Wear and Tear allowance is granted for assets and equipment's owned by the entity and registered in the business names. The rates are as provided for in the Income Tax Act.

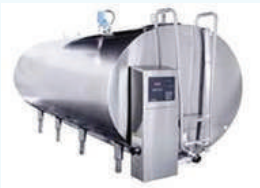
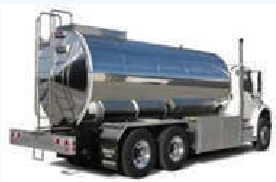
Allowable deduction of purchase expense from a supplier designated to use e-invoicing system	Allowable deduction of purchase expense from a supplier designated to use e-invoicing system. These suppliers will be gazetted and these expenses should be supported by e-invoices or e-receipts.
100% deduction of Scientific research expenditure	A person who incurs expenditure for scientific research
100% deduction of training expenditure	Employers who train permanent residents or provide tertiary education not exceeding in the aggregate 5 years
Income tax exemption for Collective Investment Schemes	Must be licensed to operate as a collective investment scheme. Participants in the scheme should not have day to day control over the management of the property. Participants contributions and ultimate income/ profits must be pooled Property must be managed as a whole by the operator of the scheme
Double Taxation Agreements (DTA): Investors from countries with active DTA's with Uganda i.e. United Kingdom, Denmark, Norway, South Africa, India, Italy, Netherlands and Mauritius. Withholding tax rates applicable to dividends, interests, management fees and royalties are 10% except UK at 15%	Beneficial owner of investment as defined in the Income Tax Act established with economic substance in a country with which Uganda has a DTA.
Deduction of 2% Income tax for employers that employ PWDs	5% of employees must be PWDs
Income tax exemption Non-profit making Organisations	Where the Commissioner has issued a written ruling stating that it is exempt

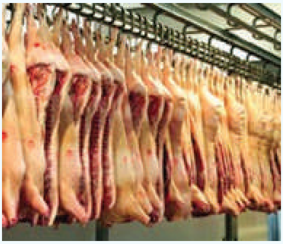
INTERNATIONAL TRADE INCENTIVES

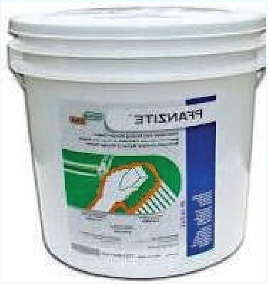
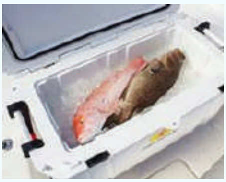
	Description	Tax incentive
	Hoes A hoe is a long-handled gardening tool with a thin metal blade, used mainly for weeding and breaking up soil.	• VAT Exempted when imported by dealers under the VAT Act. • Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
	Ploughs, Harrows, seeders, planters and trans planters, manure spreaders and fertilizer distributors	• VAT Exempted when imported by dealers under the VAT Act. • Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
	Agricultural sprayers	• VAT Exempted when imported by dealers under the VAT Act.Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.

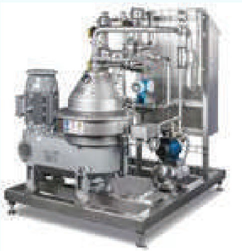
	Fertilizers A fertilizer is any material of natural or synthetic origin (other than liming materi-als) that is applied to soils or to plant tissues (usually leaves) to supply one or more plant nutrients essen-tial to the growth of plants	Exempted from all taxes under the 5^{th} Schedule of the East African Community Customs Management Act, 2004 upon approval by the Ministry of Agriculture, Animal Industry and Fisheries.

	Refrigerated Trucks	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
	Agricultural-Chemicals (fungicides and pesticides)	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
	Veterinary Chemicals (Acaricides)	VAT Exempted when imported by dealers under the VAT Act.Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.

	Agricultural Tractors	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
	Aluminum Cans for the dairy industry	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
	Heat Insulated Milk tanks for the dairy industry	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
	Insulated tankers	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
	Imported inputs by persons engaged in horticulture, agriculture or floriculture and aquaculture sector e.g. hatching eggs, day old chicks, semen, fish eggs, Fry / fingerling	Exempted from all taxes when imported by persons engaged in horticulture, agriculture, aquaculture or floriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.

	(young fish),seeds, green houses/ materials used in construction of green houses, flower cuttings, incubators, hatcheries etc	
	**Cold Rooms** A cold a room in which a low temperature is maintained (as for refrigeration)	Import Duty is 0% in accordance with the EAC CET. Helps on post harvest management and cold chain storage of agricultural products such beef, chicken, fish etc
	Poultry parent stock imported by persons engaged in poultry farming. **A broiler** and layer breeder farms raise **parent stock** which produce fertilized eggs. A **broiler/layer** hatching egg is never sold in shops and is not meant for human consumption but for hatching into day old chicks.	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5^{th} Schedule of the East African Community Customs Management Act, 2004.
	Seeds for sowing, spores and cut plants A **seed** is an embryonic plant enclosed in a protective outer covering.	Exempted from all taxes under fifth schedule of the East African Community Customs Management Act, 2004 upon approval by Ministry of Agriculture Animal Industry and Fisheries.

	**Breeding animals.** **Breeding** stock is a group of animals used for the purpose of planned **breeding**	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
	Preparations for cleaning Diary apparatus Example **PFANZITE POWDER DAIRY DETERGENT.** Pfanzite is a highly chlorinated, powdered manual cleaner designed especially for cleaning bulk tanks, the Surge bucket milker and utensils.	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
	Fish, Crustaceans and Molluscs, fresh (dead or live) chilled or frozen caught and landed by canoes or vessels registered and based in a Partner State	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
	Feeds for Poultry and Livestock **Poultry** **Feed** is food for farm **poultry**, including **chickens**, ducks, geese and other domestic birds. Modern **feeds for poultry** consists	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.

	largely of grain, protein supplements such as soybean oil meal, mineral supplements, and vitamin supplements	
	Machinery for processing dairy products	VAT Exempted when imported by dealers under the VAT Act. Import duty is 0%, under East African Community Common External Tariff VAT Exempted.
	Packing material of any kind designed for packaging goods for export	Exempted from all taxes when imported with an intention of packaging goods meant for export, 2004.
	The supply of irrigation works, sprinklers and ready to use drip lines	VAT Exempted when imported by dealers under the VAT ACT. Exempted from all taxes when imported by persons engaged in agriculture under the 5th schedule of the East African Community Customs Management Act,2004

RETURNS AND ACCOUNTS

WHAT IS REQUIRED OF YOU AS A TAX PAYER AFTER TIN REGISTRATION?

You will be required to meet your tax obligations through filing returns and making payments.

RETURNS

- A tax return is the tax form on which you report your income for the year to URA and declare your profits or losses for tax purposes.
- A Tax period is the duration for which a return is required i.e. a year, month or

week.

- Due date is the deadline for filing a return beyond which a person is required to pay a penalty for late filing.

ANNUAL RETURNS		
Tax Type	**Provisional return due date**	**Final Return Due date**
• Individual Income tax • Rental Income tax – Individual	The last day of the 3rd month after the start of the year of Income.	The last day of the 6th month after the end of the year of Income.
• Corporate income tax • Rental Income tax- Non individual	The last day of the 6th month after the start of the year of Income.	The last day of the 6th month after the end of the year of Income.
• Presumptive/Small business income tax	-	The last day of the 6th month after the end of the year of Income.
Trust Income tax(Chargeable in the hands of beneficiary)	The last day of the 3rd month after the start of the year of Income.	The last day of the 6th month after the end of the year of Income.
Trust Income tax(Chargeable in the hands other than beneficiary)	The last day of the 6th month after the start of the year of Income.	The last day of the 6th month after the end of the year of Income.
Partnership Income tax	-	The last day of the 6th month after the end of the year of Income.
MONTHLY RETURNS		
• With Holding Tax • PAYE • Excise Duty(Goods & Services)	-	By the 15th day of the following month.

Note:

The law provides for a separate quarterly return for non-resident suppliers of services deemed to be supplied in Uganda when made to non-taxable persons.

A taxable person who is providing services to a non-taxable person in Uganda and is engaged in providing services in connection to.

- Immovable property in Uganda;
- Radio or television broadcasting services received at an address in Uganda;
- Electronic Services delivered to a person in Uganda;
- Transfer, assignment, or grant of a right to use a copyright, patent, trademark, or similar right in Uganda;
- Telecommunication services other than those by a supplier of telecommunication services or services to a person who is roaming while temporarily in Uganda

These shall be required to file returns within 15 days after the end of the three consecutive calendar months.

Advance return

- This is a return submitted before its due date.
- During any year of income, where a taxpayer has died, is bankrupt, wound up, gone into liquidation, is about to leave Uganda permanently or any other reason the Commissioner considers appropriate, he/she may be required to file an advance return by a specified date.
- In the event that the Advance Return is not submitted by the due date, an Advance Assessment is issued.

Note that the notice requesting for such a return shall be in writing specifying the due date for filing the return.

Extension of the Filing Date

- If you are not able to file a return by the due date, you can apply for an extension to file your return providing reasons justifying the extension.
- The extension if granted will not exceed 90 days (in aggregate) and does not change the due date for payment of the tax due. Interest will, therefore, accrue on any outstanding tax liability.

If any taxpayer is dissatisfied with the Commissioner's decision about the extension, he may challenge it under the objection and appeals procedure.

Offenses and penalties

Failure to file a return

The penalty for failure to furnish a tax return by the due date or within a further time allowed by the Commissioner to a fine not exceeding Shs. 1,000,000 and failure to furnish the return within the time prescribed by court to a fine not exceeding Shs. 2,000,000 on conviction.

False Data

The penalty for knowingly or recklessly making false or misleading statements or omitting from a statement to a tax officer, a matter or thing is a fine not exceeding two hundred currency points that is Shs. 4,000,000 or imprisonment not exceeding ten years or both on conviction.

Return Amendment

A taxpayer may amend the tax return on condition the return is not under investigation and amendment is done within 3 years from the date on which the original return was lodged by the taxpayer.

ASSESSMENTS

a.What an assessment?

An assessment is a tax form showing the estimated taxable income generated and the tax payable on it including any penalty.

b.What is a self-assessment?

This is a form prepared by the taxpayer showing the taxable income generated and the tax payable on it.

This is done through filing a return which may include any of the following:

(a) An Income Tax return;

(b) A Rental income return;

(c) A VAT return;

(d) An Excise Duty return;

(e) Any other self- declaration return under the tax law.

c.What is a Default assessment?

This is a tax form showing the estimated taxable income generated and the tax payable on it issued by the Commissioner due to failure to furnish a self-assessment return for any given tax period.

d.What is an Advance assessment?

This is a declaration issued if the Commissioner is satisfied that there is a risk that a taxpayer may delay, obstruct, prevent, or render ineffective payment or collection of tax that has not yet become due.

- It may be made before the date on which the taxpayer's tax return for the period is due.
- It can be issued if a taxpayer defaults in submitting an advance return when requested by the Commissioner (with or without notice).

Note that for a Default or Advance assessment, the taxpayer's return for the tax period shall be accepted if filed and the return shall take precedence over the assessment.

e.What is an Additional assessment?

This is an amendment of an original tax assessment issued by the commissioner for any tax period to ensure that correct tax liability is obtained.

It is made at any time, if fraud or any gross or wilful neglect has been Committed by, or on behalf of the taxpayer or new information has been discovered in relation to the tax payable for a tax period.

PAYMENT OF TAX

When is the tax payment due?

- All taxpayers are required to pay the tax liable before the end of any given tax period.
- Any unpaid tax shall be collected by the Commissioner through serving a notice of demand on the person liable.
- The taxpayer will be given at least 28 days from the date of service of the notice within which they can pay any outstanding amount specified in the demand notice.

How the Payment made is allocated to outstanding tax?

- If a taxpayer has any outstanding liability and pays any amount, the payment will be allocated in the order of PPI (Principal tax liability, penal tax and Interest due).
- If a taxpayer has more than one tax liability at the time a payment is made, the amount will be used to clear the oldest / earliest liability first in the same order as above (PPI).

Can you be able to pay tax at a later date?

Yes, a taxpayer can apply in writing to the Commissioner for an extension to pay tax at a later date.

Note that the date of payment can be extended but the payment due date does not change and thus interest shall accrue from the due date.

OBJECTIONS AND APPEALS

What is an objection?

An objection is a communication from a taxpayer to the Commissioner expressing dissatisfaction with either an assessment raised on him/her or any other tax decision made by the Commissioner.

This is always presented in the format prescribed by the Commissioner.

What are the Objection timelines?

- If you are dissatisfied with any tax decision, you may lodge an objection with the Commissioner within <u>45 days</u> after receiving notice of the tax decision and wait for an objection decision within 90 days.
- You may also apply in writing to the Commissioner for an extension of time to lodge an objection and wait for the Commissioner's decision.
- In case an objection decision has not been served within <u>90 days</u>, the person objecting may, by notice in writing to the Commissioner, consider the Commissioner as having allowed his objection decision.

- The time limit for making an objection decision is waived in case a review of a taxpayer's records is necessary for the settlement of the objection and the taxpayer is notified.
- A person dissatisfied with an objection decision may;

a) pply to the Commissioner to resolve the dispute using alternative dispute resolution procedures. This may present other avenues for taxpayers who would like to review tax decisions issued by URA without necessarily lodging an appeal to the Tax Appeals Tribunal.

b) Lodge an application to the Tax Appeals Tribunal (TAT) for review of the objection decision.

- A person dissatisfied with a decision of the Tribunal may, within 30 days after being served with a notice of the decision, lodge an application with the High Court for review of the decision.
- A person dissatisfied with a decision of the High Court, arising from appeals to the TAT, may, within 30 days after being served with a notice of the decision or within further time as the Court of Appeal may allow, lodge an application with the Court of Appeal for review of the decision. This appeal will be on questions of law only.
- The Court of appeal shall inquire and determine the appeal expeditiously and shall declare its findings not later than 60 days from the date of filing the appeal.
- An appeal to the Supreme Court may be lodged with a certificate of the court of appeal that the matter raises questions of law of great public importance or if the Supreme Court in its overall duty to see that justice is done, considers that the appeal should be heard.
- The Supreme Court shall inquire and determine the appeal expeditiously and shall declare its findings not later than 30 days from the date of filing the appeal."
- Where the decision maker is required to refund an amount of tax to a person as a result of a decision of a reviewing body, the tax shall be repaid with interest at the rate specified in the relevant law on the amount of the refund for the period commencing from the date the person paid the tax refunded and ending on the last day of the month in which the refund is made.

Reviewing body means the Tribunal, the High Court, the Court of Appeal and the Supreme Court.

Burden Of Proof

In any objection proceeding;

(a) It is upon the taxpayer to prove that the assessment is incorrect.

OR

(b) In case of a decision made to prove that the decision should not have been made or should have been made differently.

ENFORCEMENT OF TAX

i. How is a tax collected from persons leaving Uganda permanently?

The Commissioner may issue a certificate containing particulars of the tax payable to the officer responsible for immigration control and request the Commissioner for

Immigration to prevent that person from leaving Uganda until that person;

(a) Makes payment of the tax in full; or

(b) Executes a financial bond guaranteeing payment of the tax liability.

ii. What are the tax Recovery procedures?

When a person refuses or fails to comply, the taxes may be collected using various methods, such as:

- By Distress i.e. selling goods on which the assessed person has a claim in order to recover the tax.
- By Agency Notice: i.e. instructing a person who has money or other liabilities of the assessed person to pay the held amount directly to URA.
- Temporary closure of business premises.
- Charge over immovable property: The Commissioner may write, to the Registrar of Titles, and direct the Registrar that the land or buildings in the notice are the subjects of security for unpaid tax.
- Seizure of goods in cases where there is proof that the taxes due have not been paid especially in respect of the supply, removal or import of the goods.

Note: The Commissioner may write to a taxpayer, to give security by bond, deposit, or anything else that is satisfactory, for the payment of tax that may become payable, if there is reason to believe that;

(a) a taxpayer establishing a business in Uganda intends to carry on the business for a limited time only; or

(b) A taxpayer may not pay tax when it becomes payable.

INVESTIGATIONS

i. Who is entitled to access tax information?

The Commissioner is entitled to have at all times and without prior notice, full and free access to; any premises or place; any record and any data storage device.

He can make an extract or copy, seize any record, data storage device that may contain data relevant to a tax obligation; and retain any record or data storage device seized for as long as it is required for determining a taxpayer's tax obligation and liability.

ii. How is evidence obtained?

The Commissioner may request any person;

(a) to furnish any information or

(b) to attend and be examined at the time and place designated for that purpose concerning the tax affairs of that person or any other person.

For that purpose, the Commissioner may require the person to produce any record, including an electronic format, in the control of the person.

OTHER IMPORTANT INFORMATION

a. Who requires a tax clearance certificate?

- A taxpayer providing a passenger transport service; or a freight transport service with a goods vehicle with a capacity of two tonnes or more.
- A taxpayer providing warehousing or clearing and forwarding services.
- A taxpayer supplying goods or services to the Government.

b. What other offenses can be committed?

- Failure to furnish a return or any other document.
- Failure to comply with an agency notice or the requirements of a receiver.
- Failure to maintain proper records.
- Failure, without good cause, to comply with a request for information.
- Improper use of a taxpayer identification number.
- Making false or misleading statements.
- Obstructing an officer.
- Aiding and abetting another person to commit an offense.
- Offering bribes to officers.

c. Is there any advice to the players in the sector?

i. For Associations, mobilize your members and invite URA to sensitize them.

ii. For Taxpayers in the Agricultural sector

- Register for taxes,
- Periodically assess yourselves by filing returns and Pay liabilities due (or claim refunds) by the due dates to avoid any penalties and interest that may accrue due to noncompliance.
- Always attend URA Tax clinics whenever called upon.
- Engage URA as much as possible to avoid being misled about taxes.

d.Are there any Initiatives to train farmers?

•One of URA's focus areas this Financial Year is going to be agriculture and thus we urge farmers to fully participate and attend Tax clinics and workshops when called upon.

•Taxpayer Registration Expansion Program is being implemented to ease the registration process and compliance process.

References:

i. **THE TAX PROCEDURES CODE ACT, 2014.**

ii. **THE INCOME-TAX ACT (IT A), CAP.340**

iii. **THE VALUE ADDED TAX ACT (VAT A), CAP.349**

iv. **THE EXCISE DUTY ACT,2014**

v. **THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT**

Disclaimer

This information is strictly for creating awareness and providing guidance to our clients. It should not at any one time be used in place of substantive law; and is subject to change on amendment of tax legislation and any other regulations governing tax administration.