INTERNATIONAL

TAXES IN AFRICA & MIDDLE EAST

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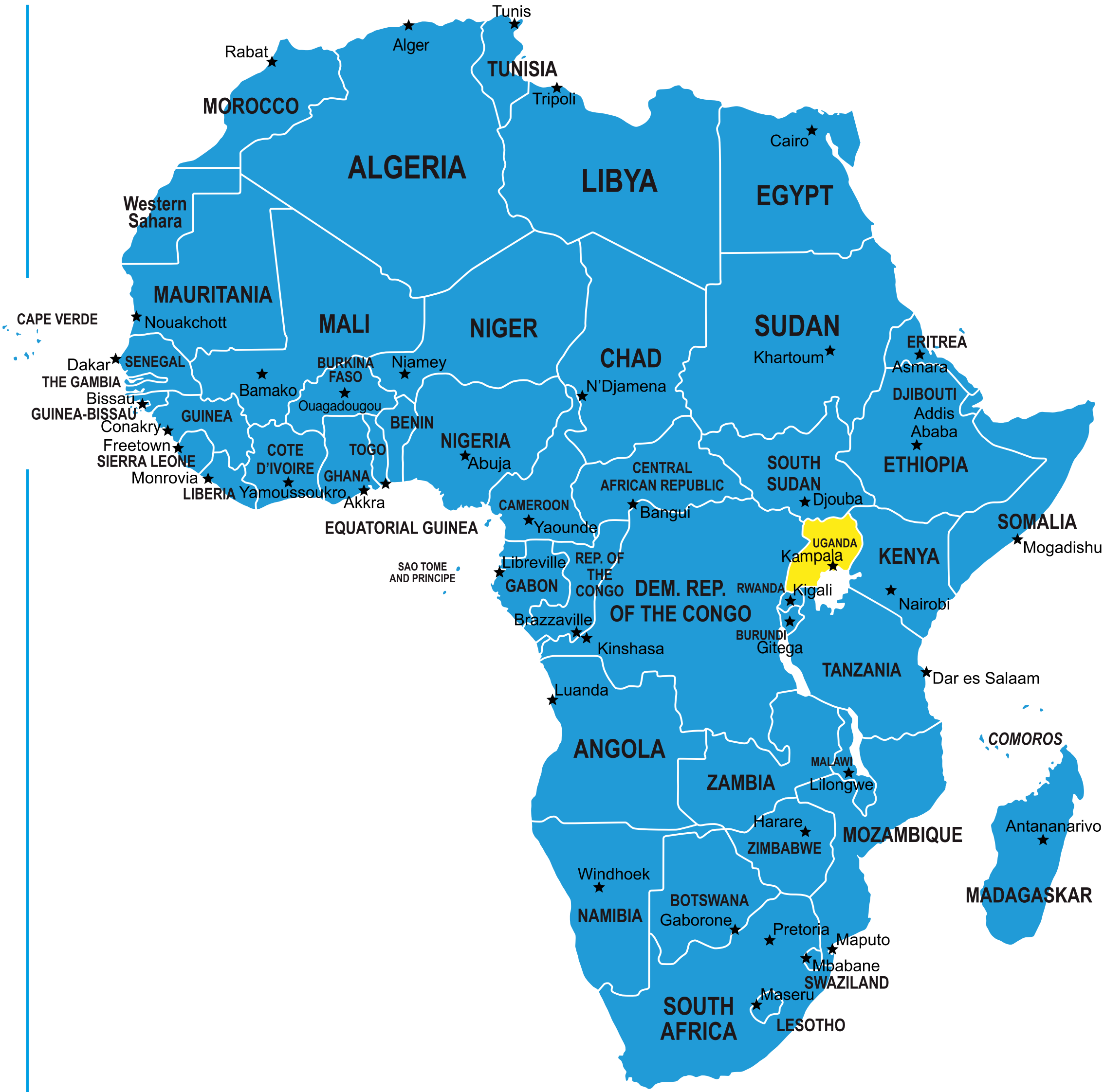
24, Rue de Londres - 75009 Paris - France
Tel: +33 (0) 1 44 15 95 23 - www.eaiinternational.org

Uganda



Capital city :
Kampala

Language :
English, Swahili

GDP/capita 2023 :
USD 2,693

Telephone code :
+256

Area :
241,550 km²

Political system :
Republic

Currency :
Ugandan shilling (UGX)

National day :
9 October

Population :
49,249,695

ISO Code :
UGA

Uganda

1. Corporation tax

1.1 Tax base

Companies and entities liable for corporation tax pay tax on their profit (taxable income).

Differences between the taxable income and the book profit before tax are very limited.

1.2 Residence and non-residence

Non-resident companies are taxed on the income earned in Uganda, whereas resident companies are taxed on the total income earned in Uganda and elsewhere.

For an entity to be considered to be a resident, it must have the following in Uganda:

- its registered office;
- or a permanent establishment;
- a fixed place of business.

Some entities are however exempted from corporation tax, such as:

- entities that fulfil the conditions required by the law on the promotion of investment;
- entities operating in free trade zones;
- social security funds;
- qualified pension funds;
- miscellaneous other funds specified by law
- religious, charitable or humanitarian entities unless it is found that their revenue exceeds their expenditure, or that they carry out commercial activities.

Exempted entities must however submit a tax return no later than at the end of the 6th month after the close of the fiscal period (which extends from 1 July to 30 June). The deadline for filing the return for an accounting period that ended on 30 June is thus set to 31 December.

1.3 Tax year and filing

Annual tax declarations of companies cover periods identical to that of their financial periods, that is generally 12 months (ending on 30 June).

The tax return must be filed with the tax authorities no later than on 31 December following the close of the fiscal period (the normal period ends on 30 June).

The balance of tax owed is paid when the annual declaration is filed.

It needs to be specified that instalments equivalent to 50% of the tax assessed for the period (which assessment must be declared within six months of the start of the period) are to be paid no later than in the 6th month of the period (i.e. 31 December for a normal period), and before the 12th month (30 June).

1.4 Taxable income

The taxable profit is very close to the book result of the company. However, some adjustments need to be made.

There are limits on the deduction of charges concerning:

- surplus depreciation in relation to the rates defined by law;
- fines and penalties;
- private and entertainment expenditure;
- gifts to political and/or for-profit organisations.

Provisions are only deductible when the entity has applied rules accepted by the authorities, such as provisions made up in the banking industry.

Entities that operate in free trade zones or sectors identified by the authorities may be exempted from corporation tax, after approval of a special application.

1.5 Group income and grouping arrangements

There is no specific regime for groups of companies in Uganda. Each entity is taxed separately. On the other hand, dividend received from a resident company is totally exempted, providing it has led to the payment of a final withholding of 15%.

1.6 Capital gains

Capital gains, whether derived from the disposal of immovable property or the disposal of securities, attract corporation tax at the normal rate, along with other income.

1.7 Losses

Losses may be deducted indefinitely from gains of the same type in subsequent periods, providing the organisation of the entity has not undergone fundamental change.

1.8 Exemptions

Financial income (dividend and assimilated income) from subsidiaries is exempted (providing the distributing company has opted for the 15% final withholding). There is no condition of percentage or time of holding of capital.

1.9 Rates

The tax rate is 30%. Companies that have recently registered with the capital market benefit from low tax rates for five years:

- 20% rate for companies that sell at least 40% of their shares to the public;
- 25% rate for companies that sell at least 30% of their shares to the public;
- 28% rate for companies that sell at least 20% of their shares to the public.

Small companies with turnover set by the law are liable for a standard rate of 3% of the turnover.

1.10 Relief for double taxation

Uganda has signed agreements to avoid double taxation of the income of resident companies, essentially with the United Kingdom and Norway. Entities where the majority shareholders are nationals of the East African Community (EAC) are considered to be residents for tax purposes.

Regarding tax paid abroad on income derived from other countries, it may be deducted from the tax payable in Uganda providing the income is included in the tax base applicable in Uganda.

2. Tax on the income of natural persons

2.1 Tax base

Natural persons are liable for tax on income derived from Uganda or other countries, including:

- income from salaried employment;
- business income;
- capital gains;
- other investment income.

Tax agreements between countries limit double taxation of income derived from outside Uganda.

2.2 Residence and non-residence

The natural persons liable for income tax are:

- those who are tax residents in Uganda;
- those whose principal place of occupation is Uganda;
- those who have invested capital in Uganda.

2.3 Tax year and filing

The tax declaration of natural persons is to be sent to the tax authorities no later than at the end of the sixth month following the fiscal period. However, withholding tax must be declared and paid no later than on the 15th day of the month following that during which the payment became due.

The annual declaration is not required for taxpayers who have only received income liable to withholding tax (income from salaried employment, dividend etc.).

2.4 Taxable income of natural persons

Income is divided into two broad categories:

- income from salaried employment;
- income from investment, including capital gains and dividend;

- Income tax is owed on the net amounts of salaries.

- Capital income includes two main categories:

  - dividend from shares and earnings from fixed-yield investment products, remunerated by interest (bank investment, treasury bonds etc.) which attract a 15% final withholding;
  - capital gains made from the disposal of shares: such income also attracts tax at the rate of 15%, except the shares held by employees in mutual investment funds, which are exempted.

Note that a reduced rate applies to:

- dividend and financial income from securities listed in the capital market attract 6% withholding if the beneficiary resides in Uganda or in an East African Community country;
- interest on treasury bonds with a maturity of at least three years is also liable for final withholding of 6%.

2.5 Capital gains

Ugandan law defines the capital gains made by natural persons as the difference between the price at which shares are sold and their cost price. The disposal of immovable property devoted to trade is taxed at a progressive rate, like any other business profit.

The rate of taxation of capital gains on the disposal of shares by natural persons is 6%.

Note the exemption of capital gains on shares held by the employees of a company as part of a mutual fund, and the capital gains on securities listed in the capital market.

2.6 Losses

Business losses (from commercial activity) are carried forward to income of the same type, with no time limitation.

2.7 Exemptions

Exemptions mainly apply to small incomes, and to capital gains made in the financial market by natural persons, and those made from the disposal of securities in a mutual investment fund.

2.8 Reductions and rates

The taxation rate applicable to monthly employment income:

Taxable monthly income	Tax rate (%)
Income not above UGX 235,000	0
Income above UGX 235,000 but not above UGX 335,000	10
Income above UGX 335,000 but not above UGX 410,000	UGX 10,000 plus 20% of the amount above UGX 410,000
Income above UGX 410,000	(a) UGX 45,500 plus 30% of the amount above UGX 410,000; (b) Additional 10% on the amount above UGX 10,000,000

Income tax is withheld at source from employees.

2.9 Social security

Welfare contributions are only owed on employment income (salaries), to the exclusion of business income received by natural persons.

- Retirement contributions:

  The withholding applied by the employer as retirement contribution is calculated by applying a 5% rate on the salary. The employer contributes 10% of the salary. The employer may opt for full 15% contribution, which entitles it to deduct all the charges from its taxable income.

- Sickness and maternity cover:

  Since 2019, all employers are required to withhold 4% of the basic salary, to which they are required to add 1%, i.e. a total of 5% of the basic salary.

2.10 Expatriates

There is no special tax regime for expatriates.

2.11 Stock options

Capital gains made by employees through a mutual investment fund are exempted. The other gains are liable to 6% final withholding.

2.12 Associations and partnerships

- Non-profit charitable organisations are not taxed.
- Organisations with for-profit activities are taxed like companies.
- De facto companies with for-profit activities are taxed in the name of the shareholders.

2.13 Pensions

Pensions paid by a public institution where social security is part of its duties and by qualified pension funds are exempted from income tax.

3. Taxes on successions and gifts

3.1 Residence and non-residence

Successions and gifts are the subject of very light regulation in Uganda. Only transfers of the ownership of immovable property give rise to the payment of registration fees, which are not very significant. However, it must be noted that gifts to individuals other than descendants of the owner of the assets are assimilated with transfers when the assets are located in Uganda, whether or not the beneficiary and/or donor resides in Uganda.

3.2 Tax base & rates

Registration fees are owed on the value of the immovable property located in Uganda. These are standard amounts based on built zones and areas.

4. Value-added tax

4.1 Rates

The VAT rates applied are as follows:

- 18% on ordinary goods and services;
- 0% on exports;
- 0% on medicines and medical equipment made in Uganda.

Exemptions:

- medical care and medical tests;
- educational material and services;
- books, newspapers and magazines;
- industrial machinery;
- farming products;
- locally produced milk;
- transport services;
- imported medicines and medical equipment;
- strategic investment in a minimum amount of USD 10.000.000 for a foreign national and USD 10.000.000 for a Ugandan national.

4.2 Declaration and payment

Declarations are monthly, to be filed by the 15th day of the month following the VAT collection period.

VAT on imports is paid at the time when the goods are released for consumption, as are customs duties.

4.3 Remote sales

These forms of sale are not addressed by the legislation of Uganda.

5. Other taxes

These mainly include local and municipal taxes:

5.1 Tax on gambling and betting

The granting of a license to organise gambling and betting is subject to certain conditions of capital and financial guarantees, and the payment of duties (business tax). These taxes are established on a standard basis depending on miscellaneous criteria, such as the capital committed, the nationalities of the parties involved etc.

5.2 Rental tax

This is a municipal tax, but is collected by the tax authorities.

The rates applied differ depending on the whether the rented property belongs to a natural person, a company or a non-resident:

- For natural persons, progressive rates are applied after standard 20% deduction for miscellaneous expenses, after deducting any interest paid for the related loans 0% up to UGX 2,820,000 ; 20% above UGX 2,820,000.
- For companies, net rental income is taxable at the rate of 30% applicable to other income;

6. Foreign income

Taxes paid in other countries by a taxpayer taxable in Uganda may be deducted from the amounts owed to the tax authorities. The deduction may not be greater than the amount that would have been used if the foreign income had been taxed in Uganda.

Audace Sekarimunda

Contact

FIDASCO
16, avenue Muhabo
Mutanga Nord
BP 2235 - Bujumbura
Tel. +257 22 21 46 81
Fax +257 22 22 09 36
fidasco@yahoo.fr
Audace Sekarimunda