

Uganda

Income Tax Act

Chapter 338

Legislation as at 31 December 2023

Note: There are **outstanding amendments** that have not yet been applied:
General Notice 2917 of 2024.

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Uganda

Income Tax Act Chapter 338

Commenced on 1 July 1997

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[Note: This legislation was revised and consolidated as at 31 December 2000 and 31 December 2023 by the Law Reform Commission of Uganda. All subsequent amendments have been researched and applied by Laws.Africa for ULII.]

*[Amended by [Income Tax \(Amendment\) Act, 2003 \(Act 3 of 2003\)](#) on 1 July 1997]
[Amended by [Income Tax \(Amendment\) Act, 2010 \(Act 24 of 2010\)](#) on 1 July 1997]
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[Amended by [Income Tax \(Amendment\) Act, 2023 \(Act 25 of 2023\)](#) on 1 July 2023]
[Amended by [Law Revision \(Miscellaneous Amendments\) Act, 2023 \(Act 17 of 2023\)](#) on 28 July 2023]*

An Act to provide for income tax and related matters.

[Act 11/1997; Cap. 340 (Revised Edition, 2000); Act 1/2001; Act 10/2002; Act 3/2003; Act 3/2005; Act 13/2005; Act 30/2006; Act 4/2008; Act 19/2008; Act 15/2009; Act 24/2010; Act 21/2011; Act 4/2012; Act 15/2013; Act 12/2014; Act 14/2014; Act 3/2015; Act 11/2015; Act 20/2016; Act 10/2017; Act 14/2017; Act 7/2018; Act 13/2019; Act 20/2020; Act 7/2021; Act 24/2021; Act 11/2022; Act 23/2023; Act 25/2023]

Part I – Preliminary

1. Application of Act

This Act applies to years of income commencing on or after 1st July, 1997.

2. Interpretation

In this Act, unless the context otherwise requires—

“amateur sporting association” means an association whose sole or main object is to foster or control any athletic sport or game and whose members consist only of amateur sports persons or affiliated associations, the members of which consist only of amateur sports persons;

“approved” means approved by the Minister under regulations made under section [151](#);

“assessed loss” has the meaning in section [36](#);

“assessment” means—

- (a) the ascertainment of the chargeable income of, and the amount of tax payable on it by, a taxpayer for a year of income under this Act;
- (b) the ascertainment of the rental income of, and the amount of tax payable on it by, an individual for a year of income under this Act;
- (c) the ascertainment of the amount of penal tax payable by a person under this Act; or
- (d) any decision of the Commissioner General which, under this Act, is subject to objection and appeal;

“associate” has the meaning in section [3](#);

“beneficial owner” means the natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is conducted and includes a person who exercises ultimate control over a legal person or arrangement and—

- (a) in relation to a legal person includes—
 - (i) the natural person who either directly or indirectly holds at least ten percent of shares or voting rights of the legal person;
 - (ii) the natural person who exercises control of the legal person through other means including personal or financial superiority; and
 - (iii) the natural person who has power to make or influence decisions of a legal person;
- (b) in relation to trusts includes—
 - (i) the settlor;
 - (ii) the trustee;
 - (iii) the protector;
 - (iv) the beneficiary or the individual benefitting from the trust who is yet to be determined; and
 - (v) any other natural person exercising ultimate control of the trust; and
- (c) in relation to other legal arrangements similar to trusts, the natural person who holds positions equivalent to those referred to in subparagraph [\(b\)](#);

“building society” means a building society registered under the Building Societies Act;

“business” includes any trade, profession, vocation or adventure in the nature of trade, but does not include employment;

“business asset” means an asset which is used or held ready for use in a business, and includes any asset held for sale in a business and any asset of a partnership or company;

“business debt” means—

- (a) in the case of a debtor—
 - (i) a debt obligation, the proceeds of which are used to acquire a business asset or to incur an expense of a business;

- (ii) a debt obligation arising, as a result of being given time to pay, on the acquisition of a business asset or the incurring of an expense of a business; or
- (iii) any debt obligation of a partnership or company; or
- (b) in the case of a creditor, any debt obligation owed to the creditor that was entered into or arose in the course of the creditor's business;

“business income” has the meaning in section [18](#);

“chargeable income” has the meaning in section [15](#);

“chargeable trust income” has the meaning in section [69](#);

“citizen” means—

- (a) a natural person who is a citizen of a Partner State of the East African Community; and
- (b) a company or a body of persons incorporated under the laws of a Partner State of the East African Community in which at least fifty-one percent of the shares are held by a person who is a citizen of a Partner State of the East African Community;

“collective investment scheme” has the meaning assigned to it by section 2 of the Collective Investment Schemes Act;

“Commissioner General” means the Commissioner General appointed under the Uganda Revenue Authority Act;

“company” means a body of persons corporate or unincorporate, whether created or recognised under the law in force in Uganda or elsewhere, and a unit trust, but does not include any other trust or a partnership;

“consideration” includes, the total amount in money or of payment in kind, paid or payable for the supply of goods, services or sale of land by any person, directly or indirectly, including any duties, levies, fees, and charges other than tax paid or payable on, or by reason of, the supply, reduced by any discounts or rebates allowed and accounted for at the time of the supply or sale;

“cost base”, in relation to an asset, has the meaning in section [50](#);

“court” means a court of competent jurisdiction;

“currency point” has the value assigned to it in Schedule 1 to this Act;

“debenture” includes any debenture stock, mortgage, mortgage stock, loan, loan stock or any similar instrument acknowledging indebtedness, whether secured or unsecured;

“debt obligation” means an obligation to make a repayment of money to another person, including accounts payable and the obligations arising under promissory notes, bills of exchange and bonds;

“dependent”, in relation to a member of a retirement fund, means a spouse of the member, any child, including an adopted child, of the member who is under the age of eighteen years or any other relative of the member who the Commissioner General is satisfied relies on the member for support;

“depreciable asset” means any plant or machinery, or any implement, utensil or similar article, which is wholly or partly used, or held ready for use, by a person in the production of income included in gross income and which is likely to lose value because of wear and tear, or obsolescence;

“disposal” has the meaning in section [49](#);

“dividend” includes—

- (a) where a company issues debentures or redeemable preference shares to a shareholder—
 - (i) in respect of which the shareholder gave no consideration, an amount equal to the greater of the nominal or redeemable value of the debentures or shares; or

- (ii) in respect of which the shareholder gave consideration which is less than the greater of the nominal or redeemable value, an amount equal to the excess;
- (b) any distribution upon redemption or cancellation of a share, or made in the course of liquidation, in excess of the nominal value of the share redeemed, cancelled or subject to liquidation;
- (c) in the case of a partial return of capital, any payment made in excess of the amount by which the nominal value of the shares was reduced;
- (d) in the case of a reconstruction of a company, any payment made in respect of the shares in the company in excess of the nominal value of the shares before the reconstruction;
- (e) the amount of any loan, the amount of any payment for an asset or services, the value of any asset or services provided, or the amount of any debt obligation released, by a company to, or in favour of, a shareholder of the company or an associate of a shareholder to the extent to which the transaction is, in substance, a distribution of profits, but does not include a distribution made by a building society;
- (f) the issue of bonus shares to shareholders; however, bonus shares shall only be taxable upon disposal; or
- (g) the payment of the excess of the return on investment in the bond to the bond holder under Islamic financial business for each payment period over the interest as defined in paragraph (f) in the definition of the term “interest” in this section;

“**employee**” means an individual engaged in employment;

“**employer**” means a person who employs or remunerates an employee;

“**employment**” means—

- (a) the position of an individual in the employment of another person;
- (b) a directorship of a company;
- (c) a position entitling the holder to a fixed or ascertainable remuneration; or
- (d) the holding or acting in any public office;

“**employment income**” has the meaning in section 19;

“**exempt organisation**” means any company, institution or irrevocable trust—

- (a) which is—
 - (i) an amateur sporting association;
 - (ii) a religious, charitable, educational institution or research institution whose object is not for profit; or
 - (iii) a labour union, an association of employees, an association of employers registered under any law of Uganda, or an association established for the purpose of promoting farming, mining, tourism, manufacturing or commerce and industry in Uganda;
 - (iv) a body established by law for the purpose of regulating the conduct of professionals; and
- (b) which has been issued with a written ruling by the Commissioner General currently in force stating that it is an exempt organisation; and
- (c) none of the income or assets of which confers, or may confer, a private benefit on any person; or
- (d) the National Medical Stores;

“**farming**” means pastoral, agricultural, plantation, horticultural or other similar operations;

“financial institution” means any person carrying on the business of receiving funds from the public or from members through the acceptance of money deposits repayable upon demand, after a fixed period, or after notice, or any similar operation through the sale or placement of bonds, certificates, notes or other securities, and the use of such funds either in whole or part for loans, investments or any other operation authorised either by law or by customary banking practices, for the account and at the risk of the person doing such business;

“foreign-source income” means any income which is not derived from sources in Uganda;

“gross income” has the meaning in section 17;

“gross turnover”, in relation to a resident taxpayer, for a year of income, means—

- (a) the amount shown in the recognised accounts of the taxpayer as the gross proceeds derived in carrying on a business or businesses during the year of income, including the gross proceeds arising from the disposal of trading stock, without deduction for expenditures or losses incurred in deriving that amount; and
- (b) the amount, if any, shown in the recognised accounts of the taxpayer as the amount by which the sum of the gains derived by the taxpayer during the year of income from the disposal of business assets, other than trading stock, exceeds the losses incurred by the taxpayer during the year in respect of the disposal of such assets;

“incapacitated person” means a resident individual adjudged under a law in Uganda to be suffering from mental illness;

“incapacitated person’s trust” means a trust established for the benefit of an incapacitated person;

“industrial building” means any building which is wholly or partly used, or held ready for use, by a person in—

- (a) manufacturing operations;
- (b) research and development into improved or new methods of manufacture;
- (c) mining operations;
- (d) an approved hotel business;
- (e) an approved hospital; or
- (f) an approved commercial building;

“interest” includes—

- (a) any payment, including a discount or premium, made under a debt obligation which is not a return of capital;
- (b) any swap or other payments functionally equivalent to interest;
- (c) any commitment, guarantee or service fee paid in respect of a debt obligation or swap agreement;
- (d) a distribution by a building society;
- (e) any payment, including a discount or premium, made under sale-based financing or lease-based financing under Islamic financial business;
- (f) any payment as the excess of the total amount paid by a bond issuer over and above the amount received from a bond holder under Islamic financial business for each payment period calculated at a rate not exceeding the rate determined by the Bank of Uganda and does not include dividends; or
- (g) a partner’s share of partnership income derived from a partnership arrangement under Islamic financial business;

“Islamic financial business” means financial business undertaken by a person that conforms to Shari’ah principles and includes—

- (a) the business of receiving property into profit sharing investment accounts or of managing such accounts;
- (b) any other business of a person which involves or is intended to involve the entry into one or more contracts under Shari’ah or otherwise carried out or purported to be carried out in accordance with Shari’ah principles including—
 - (i) equity or partnership financing;
 - (ii) lease-based financing;
 - (iii) sale-based financing;
 - (iv) currency exchange contracts; or
 - (v) fee-based activity;
- (c) the purchase of bills of exchange, certificates of Islamic deposit or other negotiable instruments;
- (d) the acceptance or guarantee of any liability, obligation or duty of any person; and
- (e) the business of providing finance by all means, including through the acquisition, disposal or leasing of assets or through the provision of services which have similar economic effect and are economically equivalent to any other financial business;

“life insurance business” has the meaning in section [16\(3\)](#);

“listed institution” means an institution listed in Schedule 2 to this Act;

“local authority” means any public body established under a law of Uganda and having control over the expenditure of revenue derived from rates or taxes imposed by law upon the residents of the areas for which that body is established;

“local council” has the same meaning as in [the Local Governments Act](#);

“manufacturing” means the substantial transformation of tangible movable property, including power generation and water supply;

“mineral” has the same meaning as in the Mining and Minerals Act;

“mining operations” includes every method or process by which any mineral is won from the soil or from any substance or constituent of the soil;

“Minister” means the Minister responsible for finance;

“natural resource payment” means—

- (a) a payment, including a premium or like payment, made as consideration for the right to take minerals or a living or non-living resource from the land; or
- (b) a payment calculated in whole or in part by reference to the quantity or value of minerals or a living or non-living resource taken from the land;

“nominal value”, in relation to a share or debenture, means the paid-up amount of the share or face value of the debenture, including any premium paid in respect of the share or debenture;

“non-resident person” has the meaning in section [14](#);

“partnership” means an association of persons carrying on business for joint profit, and includes an equity or partnership financing under Islamic financial business;

“payment” includes any amount paid or payable in cash or kind, and any other means of conferring value or benefit on a person;

“**person**” includes an individual, a partnership, a trust, a company, a retirement fund, a government, a political subdivision of a government and a listed institution;

“**property income**” has the meaning in section 20;

“**provisional taxpayer**” means a person liable for provisional tax under section 121;

“**relative**”, in relation to an individual, means—

- (a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or
- (b) a spouse of the individual or of any person specified in paragraph (a) of this definition;

“**rent**” means any payment, including a premium or like amount, made as consideration for the use or occupation of, or the right to use or occupy, land or buildings;

“**rental income**”, in relation to a person for a year of income, means the total amount of rent derived by the person for the year of income from the lease of immovable property in Uganda with the deduction of any expenditures and losses incurred in respect of the property;

“**resident company**” has the meaning in section 10;

“**resident individual**” has the meaning in section 9;

“**resident partnership**” has the meaning in section 12;

“**resident person**” means a resident individual, resident company, resident partnership, resident trust, resident retirement fund, the Government of Uganda or a political subdivision of the Government of Uganda;

“**resident retirement fund**” has the meaning in section 13;

“**resident taxpayer**” means a taxpayer who is a resident person;

“**resident trust**” has the meaning in section 11;

“**retirement fund**” means a pension or provident fund established as a permanent fund maintained solely for either or both of the following purposes—

- (a) the provision of benefits for members of the fund in the event of retirement; or
- (b) the provision of benefits for dependents of members in the event of the death of the member;

“**royalty**” means—

- (a) any payment, including a premium or like amount, made as consideration for—
 - (i) the use of, or right to use, any patent, design, trademark or copyright, or any model, pattern, plan, formula or process, or any property or right of a similar nature;
 - (ii) the use of, or the right to use—
 - (A) any motion picture film;
 - (B) any video or audio material, whether stored on film, tape, disk or other medium, for use in connection with television or radio broadcasting; or
 - (C) any sound recording or advertising matter connected with material referred to in subparagraph (a)(ii)(A) or (B) of this definition;
 - (iii) the use of, or the right to use, or the receipt of, or right to receive, any video or audio material transmitted by satellite, cable, optic fibre or similar technology for use in connection with television, internet or radio broadcasting;

- (iv) the imparting of, or undertaking to impart, any scientific, technical, industrial or commercial knowledge or information;
 - (v) the use of, or right to use, any tangible movable property;
 - (vi) the rendering of, or the undertaking to render, assistance ancillary to a matter referred to in paragraph (a)(i) to (v) of this definition; or
 - (vii) a total or partial forbearance with respect to a matter referred to in paragraph (a)(i) to (vi); or
- (b) any gain on the disposal of any right or property referred to in paragraph (a) of this definition;

“substituted year of income” has the meaning in section 37;

“swap agreement” means an arrangement between a person who has incurred a debt obligation with a floating interest rate and a person who has incurred a debt obligation with a fixed interest rate under which the persons agree to exchange their interest obligations;

“swap payment” means a payment made under a swap agreement;

“takaful” means insurance business conducted in accordance with Shari’ah principles;

“tax” means any tax imposed under this Act;

“tax-exempt employer” means an employer whose income is exempt from tax;

“taxpayer” means any person who derives an amount subject to tax under this Act and includes—

- (a) any person who incurs an assessed loss for a year of income; or
- (b) for the purposes of any provision relating to a return, any person required by this Act to furnish such a return;

“trading stock” includes anything produced, manufactured, purchased or otherwise acquired for manufacture, sale or exchange, as well as consumable stores;

“transitional year of income” has the meaning in section 37;

“trust” means any arrangement affecting property in relation to which there is a trustee;

“trustee” includes—

- (a) any person appointed or constituted as such by act of the parties, by will, by order or declaration of any court or by operation of the law;
- (b) an executor, administrator, tutor or curator;
- (c) a liquidator or judicial manager;
- (d) any person having the administration or control of property subject to a trust;
- (e) any person acting in a fiduciary capacity;
- (f) any person having, either in a private or official capacity, the possession, direction, control or management of any property of a person under a legal disability; and
- (g) any person who manages assets under a private foundation or other similar arrangement;

“underlying ownership”, in relation to a person other than an individual, means an interest held in, or over, the person directly or indirectly through interposed companies, partnerships or trusts by an individual or by a person not ultimately owned by individuals;

“unit trust” means a unit trust registered or required to be registered as Parliament may by law prescribe;

“year of income” means the period of twelve months ending on 30th June and includes a substituted year of income and a transitional year of income.

3. Associate

- (1) For the purposes of this Act, where any person, not being an employee, acts in accordance with the directions, requests, suggestions or wishes of another person whether or not they are in a business relationship and whether those directions, requests, suggestions or wishes are communicated to the first-mentioned person, both persons are treated as associates of each other.
- (2) Without limiting the generality of subsection (1), the following are treated as an associate of a person—
 - (a) a relative of the person, unless the Commissioner General is satisfied that neither person acts in accordance with the directions, requests, suggestions or wishes of the other person;
 - (b) a partner of the person, unless the Commissioner General is satisfied that neither person acts in accordance with the directions, requests, suggestions or wishes of the other person;
 - (c) a partnership in which the person is a partner where the person, either alone or together with an associate or associates under another application of this section, controls fifty percent or more of the rights to income or capital of the partnership;
 - (d) the trustee of a trust under which the person, or an associate under another application of this section, benefits or may benefit;
 - (e) a company in which the person, either alone or together with an associate or associates under another application of this section, controls fifty percent or more of the voting power in the company either directly or through one or more interposed companies, partnerships or trusts;
 - (f) where the person is a partnership, a partner in the partnership who, either alone or together with an associate or associates under another application of this section, controls fifty percent or more of the rights to income or capital of the partnership;
 - (g) where the person is the trustee of a trust, any other person who benefits or may benefit under the trust; or
 - (h) where the person is a company—
 - (i) a person who, either alone or together with an associate or associates under another application of this section, controls fifty percent or more of the voting power in the company, either directly or through one or more interposed companies, partnerships or trusts; or
 - (ii) another company in which the person referred to in subparagraph (i), either alone or together with an associate or associates under another application of this section, controls fifty percent or more of the voting power in that other company, either directly or through one or more interposed companies, partnerships or trusts.

Part II – Imposition of tax

4. Income tax imposed

- (1) Subject to and in accordance with this Act, a tax to be known as income tax shall be charged for each year of income and is imposed on every person who has chargeable income for the year of income.
- (2) Subject to subsections (4) and (5), the income tax payable by a taxpayer for a year of income is calculated by applying the relevant rates of tax determined under this Act to the chargeable income of the taxpayer for the year of income and from the resulting amount are subtracted any tax credits allowed to the taxpayer for the year of income.

- (3) Where a taxpayer is allowed more than one tax credit for a year of income, the credits shall be applied in the following order—
 - (a) the foreign tax credit allowed under section 80; then
 - (b) the tax credit allowed under section 146; then
 - (c) the tax credit allowed under section 121(8).
- (4) Subject to subsection (7), where the gross income of a taxpayer for a year of income consists exclusively of employment income derived from a single employer from which tax has been withheld as required under section 126, the income tax payable by the taxpayer for the year of income is the amount equal to the sum of the amounts required to be withheld from such income under section 126.
- (5) Subject to subsection (8), where the gross turnover of a resident taxpayer for a year of income derived from carrying on a business or businesses is less than one hundred fifty million shillings, the income tax payable by the taxpayer for the year of income shall be determined in accordance with Schedule 3 to this Act, unless the taxpayer elects by notice in writing to the Commissioner General for subsection (2) to apply; and—
 - (a) the tax shall be a final tax on the business income of the taxpayer;
 - (b) no deductions shall be allowed under this Act for expenditures or losses incurred in the production of the business income; and
 - (c) no tax credits allowed under this Act shall be used to reduce the tax payable on the business income of the taxpayer, except as provided in Schedule 3 to this Act.
- (6) An election under subsection (5) must be lodged with the Commissioner General by the due date for the taxpayer's return for the year of income to which it relates.
- (7) Subsection (4) shall not apply to a taxpayer for a tax year if the employment income of that taxpayer for that year includes an amount under section 19(1)(g).
- (8) Subsection (5) does not apply to a resident taxpayer who is in the business of providing medical, dental, architectural, engineering, accounting, legal or other professional services, public entertainment services, public utility services or construction services.

5. Rental tax imposed

- (1) Subject to and in accordance with this Act, a tax shall be charged for each year of income and is imposed on every person who has rental income for the year of income.
- (2) The tax payable by any person under this section for a year of income is—
 - (a) where the person is an individual, calculated by applying the relevant rates of tax determined under section 6(2) to the rental income derived by the individual for the year;
 - (b) where the person is a company, calculated by applying the relevant rates of tax determined under section 7(2) to the rental income derived by the company for the year;
 - (c) where the person is a trustee of a trust or a retirement fund, calculated by applying the relevant rates of tax determined under section 8(5) to the rental income derived by the trustee or retirement fund for the year;
 - (d) where the person is a partnership, calculated by applying the relevant rates of tax on the individual partners under section 6(2) to the rental income derived by the partnership for the year.

- (3) The tax imposed under this section on any person is separate from the tax imposed under section [4](#) and—
 - (a) the rent derived by a person shall not be included in the gross income of the person which is subject to tax under this Act for any year of income;
 - (b) the expenditures and losses incurred by a person, other than an individual or partnership, in the production of rent shall be allowed as a deduction for any year of income only as provided for in section [22\(1\)\(c\)](#);
 - (c) the expenditures incurred, or gross rent derived by a partnership shall be allocated to the partners in accordance with section [66\(5\)](#) and [\(7\)](#) of this Act.
- (4) For the purposes of assessing rental tax under this section, the Minister shall, by statutory instrument, prescribe estimates of rent based on the rating of the rental property in a specific location.
- (5) A statutory instrument made under subsection [\(4\)](#), shall only apply to a person who fails to file a return in accordance with subsection [\(1\)](#) or whose return is misleading on the face of it and has been contested by the Commissioner General.
- (6) A statutory instrument made under this section shall come into force after approval by Parliament.

Rates of tax

6. Rates of tax for individuals

- (1) The chargeable income of an individual for a year of income is charged to income tax at the rates prescribed in Part [I](#) of [Schedule 4](#) to this Act.
- (2) The rental income of a resident individual for a year of income is charged to rental tax at the rate prescribed in Part [II](#) of [Schedule 4](#) to this Act.

7. Rate of income tax for companies

- (1) The chargeable income of a company for a year of income is charged to income tax at the rate prescribed in Part [III](#) of [Schedule 4](#) to this Act.
- (2) The rental income of a company for a year of income is charged to income tax at the rate prescribed in Part [III](#) of [Schedule 4](#) to this Act.

8. Rate of income tax for trustees and retirement funds

- (1) Subject to subsections [\(2\)](#) and [\(3\)](#), a trustee of a trust is charged to tax at the rate prescribed in Part [IV](#) of [Schedule 4](#) to this Act on the chargeable trust income of the trust for a year of income.
- (2) A trustee of a trust being the estate of a deceased taxpayer who, at the date of death, was a resident individual is charged to tax on the chargeable trust income of the trust at the rates prescribed in Part [I](#) of [Schedule 4](#) to this Act for—
 - (a) the year of income in which death occurred; and
 - (b) the following year of income.
- (3) A trustee of an incapacitated person's trust is charged to tax at the rates prescribed in Part [I](#) of [Schedule 4](#) to this Act on the chargeable trust income of the trust for a year of income.
- (4) The chargeable income of a retirement fund for a year of income is charged to tax at the rate prescribed in Part [IV](#) of [Schedule 4](#) to this Act.

- (5) Subject to subsections (6) and (7) the rental income of a trustee for a year of income is charged to tax at the rate prescribed in Part IV of Schedule 4 to this Act.
- (6) A trustee of a trust being the estate of a deceased taxpayer who, at the date of death, was a resident individual, is charged to tax on the rental income of the trust at the rates prescribed in Part I of Schedule 4 to this Act for—
 - (a) the year of income in which death occurred; and
 - (b) the following year of income.
- (7) A trustee of an incapacitated person's trust is charged to tax on the rental income of the trust for a year of income at the rates prescribed in Part I of Schedule 4 to this Act.
- (8) The rental income of a retirement fund for a year of income is charged to tax at the rate prescribed in Part IV of Schedule 4 to this Act.

Part III – Residents and non-residents

9. Resident individual

- (1) Subject to subsections (2) and (3), an individual is a resident individual for a year of income if that individual—
 - (a) has a permanent home in Uganda;
 - (b) is present in Uganda—
 - (i) for a period of, or periods amounting in aggregate to one hundred eighty-three days or more in any twelve-month period that commences or ends during the year of income; or
 - (ii) during the year of income and in each of the two preceding years of income for periods averaging more than one hundred twenty-two days in each such year of income; or
 - (c) is an employee or official of the Government of Uganda posted abroad during the year of income.
- (2) An individual who is a resident individual under subsection (1) for a year of income, in this section referred to as the “current year of income”, but who was not a resident individual for the preceding year of income is treated as a resident individual in the current year of income only for the period commencing on the day on which the individual was first present in Uganda.
- (3) An individual who is a resident individual for the current year of income but who is not a resident individual for the following year of income is treated as a resident individual in the current year of income only for the period ending on the last day on which the individual was present in Uganda.

10. Resident company

A company is a resident company for a year of income if it—

- (a) is incorporated or formed under the laws of Uganda;
- (b) has its management and control exercised in Uganda at any time during the year of income; or
- (c) undertakes the majority of its operations in Uganda during the year of income.

11. Resident trust

A trust is a resident trust for a year of income if—

- (a) the trust was established in Uganda;

- (b) at any time during the year of income, a trustee of the trust was a resident person; or
- (c) the trust has its management and control exercised in Uganda at any time during the year of income.

12. Resident partnership

A partnership is a resident partnership for a year of income if, at any time during that year, a partner in the partnership was a resident person.

13. Resident retirement fund

A retirement fund is a resident retirement fund for a year of income if it—

- (a) is organised under the laws of Uganda;
- (b) is operated for the principal purpose of providing retirement benefits to resident individuals; or
- (c) has its management and control exercised in Uganda at any time during the year of income.

14. Non-resident person

- (1) Subject to subsection (2), a person is a non-resident person for a year of income if the person is not a resident person for that year.
- (2) Where section 9(2) or (3) applies, an individual is a non-resident person for that part of the year of income in which the individual is not a resident individual.

Part IV – Chargeable income

15. Chargeable income

Subject to section 16, the chargeable income of a person for a year of income is the gross income of the person for the year less total deductions allowed under this Act for the year.

16. Chargeable income arising from insurance business

- (1) The chargeable income of a person for a year of income arising from the carrying on of a short-term insurance or general takaful business is determined in accordance with Schedule 5 to this Act.
- (2) Where a person to whom subsection (1) applies derives income charged to tax other than income arising from the carrying on of a short-term insurance or general takaful business for a year of income, the chargeable income determined under subsection (1) is added to that other income for the purposes of determining the person's total chargeable income for the year of income.
- (3) In this section—

“insurance business” means the business of, or in relation to the issue of, or the undertaking of liability under, life policies, or to make good or indemnify the insured against any loss or damage, including liability to pay damages or compensation contingent upon the happening of a specified event;

“life insurance business” means business of any of the following classes—

 - (a) effecting, carrying out and issuing policies on human life or contracts to pay annuities on human life;
 - (b) effecting, carrying out and issuing contracts of insurance against the risk of the person insured sustaining injury or dying as the result of an accident or of an accident of a specific class, or becoming incapacitated in consequence of disease or of diseases of specified classes,

being contracts that are expressed to be in effect for a period of not less than five years or without limit of time and either are not expressed to be terminable by the insurer before the expiry of five years from taking effect or are expressed to be so terminable before the expiry of such period only in special circumstances specified in the contract; or

- (c) effecting, carrying out and issuing of insurance whether effected by the issue of policies, bonds, endowment certificates or otherwise, where, in return for one or more premiums paid to the insurer, an amount or series of amounts is to become payable to the insurer in the future, not being such contracts as fall within paragraph (a) or (b); and

“short-term insurance business” means any insurance business, including general takaful, which is not a life insurance business or family takaful;

“family takaful” has the same meaning as life insurance business.

Gross income

17. Gross income

- (1) Subject to this Act, the gross income of a person for a year of income is the total amount of—
 - (a) business income;
 - (b) employment income; and
 - (c) property income,derived during the year by the person, other than income exempt from tax.
- (2) For the purposes of subsection (1)—
 - (a) the gross income of a resident person includes income derived from all geographical sources; and
 - (b) the gross income of a non-resident person includes only income derived from sources in Uganda.
- (3) Unless this Act provides otherwise, Part V of this Act, which deals with tax accounting principles, applies in determining when an amount is derived for the purposes of this Act.

18. Business income

- (1) Business income means any income derived by a person in carrying on a business and includes the following amounts, whether of a revenue or capital nature—
 - (a) the amount of any gain, as determined under Part VI of this Act which deals with gains and losses on disposal of assets, derived by a person on the disposal of a business asset, or on the satisfaction or cancellation of a business debt, whether or not the asset or debt was on revenue or capital account;
 - (b) any amount derived by a person as consideration for accepting a restriction on the person’s capacity to carry on business;
 - (c) the gross proceeds derived by a person from the disposal of trading stock;
 - (d) any amount included in the business income of the person under any other section of this Act;
 - (e) the value of any gifts derived by a person in the course of, or by virtue of, a past, present or prospective business relationship; and
 - (f) the interest derived by a person in respect of trade receivables or by a person engaged in the business of banking or money lending.

- (2) An amount included in business income under subsection (1)(f) retains its character as interest or rent for the purposes of any section of this Act referring to such income.
- (3) Where, as a result of any concession granted by, or a compromise made with, a taxpayer's creditors in the course of an insolvency, the taxpayer derives a gain on the cancellation of a business debt, section 36(3) applies *in lieu* of including the gain in the business income of the taxpayer under subsection (1).
- (4) In this section, "business asset" does not include trading stock or a depreciable asset.

19. Employment income

- (1) Subject to this section, employment income means any income derived by an employee from any employment and includes the following amounts, whether of a revenue or capital nature—
 - (a) any wages, salary, leave pay, payment *in lieu* of leave, overtime pay, fees, commission, gratuity, bonus or the amount of any travelling, entertainment, utilities, cost of living, housing, medical or other allowance;
 - (b) the value of any benefit granted;
 - (c) the amount of any discharge or reimbursement by an employer of expenditure incurred by an employee, other than expenditure incurred by an employee on behalf of the employer which serves the proper business purposes of the employer;
 - (d) any amount derived as compensation for the termination of any contract of employment, whether or not provision is made in the contract for the payment of such compensation, or any amount derived which is in commutation of amounts due under any contract of employment;
 - (e) any amount paid by a tax-exempt employer as a premium for insurance on the life of the employee and which insurance is for the benefit of the employee or any of his or her dependants;
 - (f) any amount derived as consideration for the employee's agreement to any conditions of employment or to any changes in his or her conditions of employment;
 - (g) the amount by which the value of shares issued to an employee under an employee share acquisition scheme at the date of issue exceeds the consideration, if any, given by the employee for the shares, including any amount given as consideration for the grant of a right or option to acquire the shares;
 - (h) the amount of any gain derived by an employee on disposal of a right or option to acquire shares under an employee share acquisition scheme.
- (2) Notwithstanding subsection (1), the employment income of an employee does not include—
 - (a) the cost incurred by the employer of any passage to or from Uganda in respect of the employee's appointment or termination of employment where the employee—
 - (i) was recruited or engaged outside Uganda;
 - (ii) is in Uganda solely for the purpose of serving the employer; and
 - (iii) is not a citizen of Uganda;
 - (b) any reimbursement or discharge of the employee's medical expenses;
 - (c) except where subsection (1)(e) applies, any amount paid as a premium for insurance on the life of the employee and which insurance is for the benefit of the employee or any of his or her dependants;

- (d) any allowance given for, and which does not exceed the cost actually or likely to be incurred, or a reimbursement or discharge of expenditure incurred by the employee on—
 - (i) accommodation and travel expenses; or
 - (ii) meals and refreshment,while undertaking travel in the course of performing duties of employment;
 - (e) the value of any meal or refreshment provided by the employer to the employee in premises operated by or on behalf of the employer solely for the benefit of employees and which is available to all full time employees on equal terms;
 - (f) any benefit granted by the employer to the employee during a month, where the total value of the benefits provided by the employer to the employee for the month is less than ten thousand shillings;
 - (g) any contribution or similar payment by the employer made to a retirement fund for the benefit of the employee or any of his or her dependants; or
 - (h) the value of a right or portion to acquire shares granted to an employee under an employee share acquisition scheme.
- (3) For the purposes of this section, the value of any benefit is determined in accordance with Schedule 6 to this Act.
- (4) Where the amount to which subsection (1)(d) applies is paid by an employer to an employee who has been in the employment of the employer for ten years or more, the amount included in employment income is calculated according to the following formula—
- $$A \times 75\%$$
- where—
- A is the total amount derived by the employee to which subsection (1)(d) applies.
- (5) For the purposes of subsection (2), a director of a company is only a full time employee of the company if the director—
- (a) is required to devote substantially the whole of his or her time to the service of the company in a managerial or technical capacity; and
 - (b) does not have an interest of more than five percent in the underlying ownership of the company.
- (6) For the purposes of this section, an amount or benefit is derived in respect of employment if the amount or benefit—
- (a) is provided by an employer or by a third party under an arrangement with the employer or an associate of the employer;
 - (b) is provided to an employee or to an associate of an employee; and
 - (c) is provided in respect of past, present or prospective employment.
- (7) An amount excluded from the employment income of an employee under subsection (2) or (4) is exempt income of the employee.
- (8) In this section—
- “employee share acquisition scheme” means an agreement or arrangement under which—
- (a) a company is required to issue shares in the company to the employees of the company or of an associated company; or

- (b) a company is required to issue shares to a trustee of a trust and under the trust deed the trustee is required to transfer the shares to the employees of the company or of an associated company; and

“medical expenses” includes a premium or other amount paid for medical insurance.

20. Property income

- (1) Property income means—
 - (a) any dividends, interest, annuity, natural resource payments, rents, royalties and any other payment derived by a person from the provision, use or exploitation of property;
 - (b) the value of any gifts derived by a person in connection with the provision, use or exploitation of property;
 - (c) the total amount of any contributions made to a retirement fund during a year of income by a tax-exempt employer; and
 - (d) any other income derived by a person, but does not include any amount which is business, employment or exempt income.
- (2) An amount included in property income under subsection (1)(a) retains its character as dividends, interest, annuity, natural resource payment, rent or royalties for the purposes of any section of this Act referring to such income.

Exempt income

21. Exempt income

- (1) The following amounts are exempt from tax—
 - (a) the income of a listed institution;
 - (b) the income of any organisation or person entitled to privileges under [the Diplomatic Privileges Act](#), to the extent provided in the regulations and orders made under that Act;
 - (c) the official employment income derived by a person in the public service of the government of a foreign country if—
 - (i) the person is either a non-resident person or is a resident individual solely by reason of performing such services;
 - (ii) the income is payable from the public funds of that country; and
 - (iii) the income is subject to tax in that country;
 - (d) any allowance payable outside Uganda to a person working in a Ugandan foreign mission;
 - (e) the income of any local authority;
 - (f) the income of an exempt organisation, other than—
 - (i) property income, except rent received by an exempt organisation in respect of immovable property and the rent is used by the lessor exclusively for the activities of the organisation specified in paragraph (a) of the definition of “exempt organisation” in section 2; or
 - (ii) business income that is not related to the function constituting the basis for the organisation’s existence;

- (g) any education grant which the Commissioner General is satisfied has been made *bona fide* to enable or assist the recipient to study at a recognised educational or research institution;
- (h) any amount derived by way of alimony or allowance under any judicial order or written agreement of separation;
- (i) the value of any property acquired by gift, bequest, devise or inheritance that is not included in business, employment or property income;
- (j) any capital gain that is not included in business income, other than capital gains on the sale of shares in a private limited liability company or on the sale of a commercial building;
- (k) employment income derived by an individual to the extent provided for in a technical assistance agreement where—
 - (i) the individual is a non-resident or a resident solely for the purpose of performing duties under the agreement; and
 - (ii) the Minister has concurred in writing with the tax provisions in the agreement;
- (l) foreign-source income derived by—
 - (i) a short-term resident of Uganda;
 - (ii) a person to whom paragraph (c) or (k) of this subsection applies; or
 - (iii) a member of the immediate family of a person referred to in subparagraph (i) or (ii);
- (m) pension;
- (n) a lump sum payment made by a resident retirement fund to a member of the fund or a dependent of a member of the fund;
- (o) the proceeds of a life insurance policy paid by a person carrying on a life insurance business;
- (p) the official employment income of a person employed in the Uganda Peoples' Defence Forces, External Security Organisation, Internal Security Organisation, the Uganda Police Force, or the Uganda Prisons Service, other than a person employed in a civil capacity;
- (q) the employment income of a person employed as a member of Parliament, except salary;
- (r) the employment income of a prosecutor in the Office of the Director of Public Prosecution;
- (s) the income of the Government of the Republic of Uganda and the Government of any other country;
- (t) the income of the Bank of Uganda;
- (u) the income of a collective investment scheme to the extent of which the income is distributed to the participants in the collective investment scheme;
- (v) the emoluments paid to the employees of the East African Development Bank with effect from 1st July 1997;
- (w) the income of an Investor Compensation Fund established under section 90 of the Capital Markets Authority Act;
- (x) the income of the Deposit Protection Fund established under section 108 of the Financial Institutions Act;
- (y) the income of a person derived from the operation of aircraft in domestic and international traffic or the leasing of aircraft;

- (z) the income of a person derived from the exportation of finished consumer and capital goods for a period of ten years where the person—
 - (i) in the case of a new investment, applies in writing to the Commissioner General to be issued with a certificate of exemption at the beginning of the investment of that person; or
 - (ii) in the case of an existing investment, applies for a certificate from the Commissioner General which is effective from 1st July, 2007, and the person—
 - (A) exports at least eighty percent of the production of goods;
 - (B) has fulfilled such conditions as may be prescribed by regulations made by the Minister; and
 - (C) has been issued with a certificate of exemption prescribed by the Commissioner General;
- (aa) an award received by a sports person as a reward for winning or participating in a sports competition;
- (ab) the income of Bujagali hydro power project up to 30th June, 2024;
- (ac) the income of a savings and credit cooperative society up to 30th June, 2027;
- (ad) the income derived by a person from letting or leasing facilities whose investment capital is at least fifty million United States Dollars, in the case of a foreigner, or ten million United States Dollars, in the case of a citizen in an industrial park or free zone for a period of ten years from the date of commencement of construction or in the case of an existing developer, from the date on which the existing developer makes an additional investment equivalent to fifty million United States Dollars in the case of a foreigner or ten million United States Dollars in the case of a citizen;
- (ae) the income of an operator in an industrial park or free zone or the income of any other person carrying on business outside the industrial park or free zone and the investment capital of that operator or that other person, over a period of at least ten years from the date of commencement of business, is at least ten million United States Dollars, in the case of a foreigner or three hundred thousand United States Dollars, in the case of a citizen or one hundred fifty thousand United States Dollars, for a citizen whose investment is placed up country, or in the case of an existing operator or other person carrying on business outside the industrial park or free zone, from the date on which the operator makes an additional investment equivalent to ten million United States Dollars in the case of a foreigner or three hundred thousand United States Dollars in the case of a citizen, or one hundred fifty thousand United States Dollars, for a citizen whose investment is placed up country who, subject to availability, uses at least seventy percent of locally sourced raw materials and employs at least seventy percent of its employees being citizens earning an aggregate wage of at least seventy percent of the total wage bill and—
 - (i) processes agricultural goods;
 - (ii) manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile or household appliances;
 - (iii) manufactures furniture, pulp, paper, printing and publishing of instructional materials;
 - (iv) establishes or operates vocational or technical institutes;
 - (v) carries out business in logistics and ware housing, information technology or commercial farming;

- (vi) manufactures tyres, footwear, mattresses or toothpaste; or (vii) manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers;
- (af) interest paid on infrastructure bonds;
- (ag) dividends earned from a company which came into existence through a stock exchange.
- (2) An operator in an industrial park or free zone or any other person carrying on business outside the industrial park or free zone who undertakes investment and who seeks to benefit from the income tax exemption provided for under section 21(1)(ad) and (ae) shall declare in their tax return for a year of income the qualifying income and its related expenses.
- (3) The qualifying income referred to in subsection (2) shall be the income attributable to the qualifying investment made in Uganda to be determined as follows—

I^*A/B

where—

I is the sum of gross income and exempt income of the person for the year of income, before accounting for the qualifying income;

A is the total amount of investment made by an investor from the beginning of the year of income in which the investment becomes a qualifying investment;

B is the sum of amount of the qualifying investments and the total investment made before the commencement of the current year of income.

- (4) The expenses which are related to the qualifying income shall be determined as follows—

E^*F/G

where—

E is the total allowable deductions for the year of income as provided for under the Act;

F is qualifying income calculated under subsection (3);

G is the sum of gross income and exempt income of the person for the year of income, before accounting for the qualifying income.

- (5) For purposes of subsection (1)(ad) and (ae), the date of commencement of business of the investor shall be the later of the first day of the year of income or the first day during the year of income on which the qualifying generates income.
- (6) For purposes of subsection (3), where a qualifying investment is still under construction or assembling, the amount in the qualifying investment shall be cumulated to the year of income in which the qualifying investment starts to generate income.
- (7) In this section—
 - “short-term resident” means a resident individual, other than a citizen of Uganda, present in Uganda for a period or periods not exceeding two years;
 - “technical assistance agreement” means a grant agreement between the Government of Uganda and a foreign government or a listed institution for the provision of technical assistance to Uganda;
 - “agro-processing” in relation to agricultural products of pastoral, agricultural, or other farming operations, means an industrial or manufacturing process that substantially transforms or converts raw agricultural produce in order to convert the produce into a different chemical or physical state and includes the activities that take place between slaughter or harvest of the raw product in order to change it or preserve it;

“infrastructure bond” means all listed bonds, notes or other similar securities used to raise funds for public infrastructure and other social services, if those bonds have a maturity period of at least ten years.

Deductions

22. Expenses of deriving income

- (1) Subject to this Act, for the purposes of ascertaining the chargeable income of a person for a year of income, there shall be allowed as a deduction—
 - (a) all expenditures and losses incurred by the person during the year of income to the extent to which the expenditures or losses were incurred in the production of income included in gross income;
 - (b) the amount of any loss as determined under Part VI of this Act, which deals with gains and losses on the disposal of assets, incurred by the person on the disposal of a business asset during the year of income, whether or not the asset was on revenue or capital account;
 - (c) in case of rental income, the expenditure and losses incurred by a person other than an individual or partnership in the production of such income subject to subsection (2);
 - (d) local service tax paid by an individual; and
 - (e) two percent of income tax payable under this Act by private employers who prove to Uganda Revenue Authority that five percent of their employees on full time basis are persons with disabilities.
- (2) Where the expenditure and losses incurred by a person other than an individual or partnership in the production of rental income exceeds fifty percent of the rental income, the allowable deduction shall be fifty percent of the rental income for that year of income.
- (3) Except as otherwise provided in this Act, no deduction is allowed for—
 - (a) any expenditure or loss incurred by a person to the extent to which it is of a domestic or private nature;
 - (b) subject to subsection (1), any expenditure or loss of a capital nature, or any amount included in the cost base of an asset;
 - (c) any expenditure or loss which is recoverable under any insurance, contract or indemnity;
 - (d) income tax payable in Uganda or a foreign country;
 - (e) any income carried to a reserve fund or capitalised in any way;
 - (f) the cost of a gift made directly or indirectly to an individual where the gift is not included in the individual's gross income;
 - (g) any fine or similar penalty paid to any government or a political subdivision of a government for breach of any law or subsidiary legislation;
 - (h) a contribution or similar payment made to a retirement fund by the employee either for the benefit of the employee or for the benefit of any other person;
 - (i) a premium or similar payment made to a person carrying on a life insurance business on the life of the person making the premium or on the life of some other person;
 - (j) the amount of a pension paid to any person;
 - (k) any alimony or allowance paid under any judicial order or written agreement of separation;

- (l) any expenditure above five million shillings in one transaction on goods and services from a supplier who does not have a taxpayer identification number; or
 - (m) expenses of a person who purchases goods or services from a supplier who is designated to use the e-invoicing system unless the expenses are supported by e-invoices or e-receipts.
- (4) In this section, expenditure of a domestic or private nature incurred by a person includes—
 - (a) the cost incurred in the maintenance of the person and the person's family or residence;
 - (b) the cost of commuting between the person's residence and work;
 - (c) the cost of clothing worn to work, except clothing which is not suitable for wearing outside of work; and
 - (d) the cost of education of the person not directly relevant to the person's employment or business, and the cost of education leading to a degree, whether or not it is directly relevant to the person's employment or business.
- (5) Unless this Act provides otherwise, Part V of this Act, which deals with tax accounting principles, applies for the purposes of determining when an expenditure or loss is incurred for the purposes of this Act.
- (6) In this section, "business asset" does not include trading stock or a depreciable asset.

23. Meals, refreshment and entertainment expenditure

A deduction is allowed for expenditure incurred by a person in providing meals, refreshment or entertainment in the production of income included in gross income, but only where—

- (a) the value of the meals, refreshment or entertainment is included in the employment income of an employee under section 19(1)(b) or is excluded from employment income by section 19(2)(d) or (e); or
- (b) the person's business includes the provision of meals, refreshment or entertainment and the persons to whom the meals, refreshment or entertainment have been provided have paid an arm's-length consideration for them.

24. Bad debts

- (1) Subject to subsection (2), a person is allowed a deduction for the amount of a bad debt written off in the person's accounts during the year of income.
- (2) A deduction for a bad debt is only allowed—
 - (a) if the amount of the debt claim was included in the person's gross income in any year of income;
 - (b) if the amount of the debt claim was in respect of money lent in the ordinary course of a business carried on by a financial institution in the production of income included in gross income; or
 - (c) if the amount of the debt claim was in respect of a loan granted to any person by a financial institution for the purpose of fanning, forestry, fish farming, bee keeping, animal and poultry husbandry or similar operations.
- (3) In this section—

"bad debt" means—

 - (a) a debt claim in respect of which the person has taken all reasonable steps to pursue payment and which the person reasonably believes will not be satisfied; and

- (b) in relation to a financial institution, a debt in respect of which a loss reserve held against presently identified losses or potential losses, and which is therefore not available to meet losses which subsequently materialise, has been made; and

“debt claim” means a right to receive a repayment of money from another person, including deposits with financial institutions, accounts receivable, promissory notes, bills of exchange and bonds.

25. Interest

- (1) Subject to this Act, a person is allowed a deduction for interest incurred during the year of income in respect of a debt obligation to the extent that the debt obligation has been incurred by the person in the production of income included in gross income.
- (2) In this section, “debt obligation” includes an obligation to make a swap payment arising under a swap agreement and shares in a building society.
- (3) The amount of deductible interest in respect of all debts owed by a taxpayer who is a member of a group, other than a financial institution, microfinance deposit taking institution, tier 4 microfinance institution or person carrying on insurance business, shall not exceed thirty percent of the tax earnings before interest, depreciation and amortisation.
- (4) A taxpayer whose interest exceeds thirty percent of the tax earnings before interest, tax, depreciation and amortisation may carry forward the excess interest for not more than three years, and the excess interest shall be treated as incurred during the next year of income.
- (5) In this section—
 - “group” means persons other than individuals, with common underlying ownership;
 - “tax earnings before interest, tax, depreciation and amortisation” means the sum of—
 - (a) gross income less allowable deductions, except a deduction under subsection (1);
 - (b) depreciation; and
 - (c) amortisation.

26. Repairs and minor capital equipment

- (1) A person is allowed a deduction for expenditure incurred during the year of income for the repair of property occupied or used by the person in the production of income included in gross income.
- (2) A person is allowed a deduction for expenditure incurred during the year of income in acquiring a depreciable asset except returnable containers with a cost base of less than fifty currency points.
- (3) The Commissioner General shall allow a deduction of an amount representing the diminution in value of returnable containers, not being machinery or plant, as a deduction for each year of income.
- (4) Subsection (2) only applies to a depreciable asset if the asset normally functions in its own right and is not an individual item, which forms part of a set.

27. Depreciable assets

- (1) A person is allowed a deduction for the depreciation of the person’s depreciable assets, other than an asset to which section 26(2) applies, during the year of income as calculated in accordance with this section.
- (2) Depreciable assets are classified into three classes as set out in Part I of Schedule 7 to this Act with depreciation rates applicable for each class as specified in that Part.

- (3) A person's depreciable assets shall be placed into separate pools for each class of asset, and the depreciation deduction for each pool is calculated according to the following formula—
- $A \times B$
- where—
- A is the written-down value of the pool at the end of the year of income; and
- B is the depreciation rate applicable to the pool.
- (4) The written-down value of a pool at the end of a year of income is the total of—
- (a) the written-down value of the pool at the end of the preceding year of income after allowing for the deduction under subsection (3) for that year; and
 - (b) the cost base of assets added to the pool during the year of income, reduced, but not below zero, by the consideration received from the disposal of assets in the pool during the year of income.
- (5) Where the amount of consideration received by a person from the disposal during a year of income of any asset or assets in a pool exceeds the written-down value of the pool at the end of the year of income disregarding that amount, the excess is included in the business income of the person for that year.
- (6) If the written-down value of a pool at the end of the year of income, after allowing for the deduction under subsection (3), is less than fifty currency points, a deduction shall be allowed for the amount of that written-down value.
- (7) Where all the assets in a pool are disposed of before the end of a year of income, a deduction is allowed for the amount of the written-down value of the pool as at the end of that year.
- (8) Where a person has incurred non-deductible expenditures in more than one year of income in respect of a depreciable asset, this section applies as if the expenditures incurred in different years of income were incurred for the acquisition of separate assets of the same class.
- (9) The cost base of a depreciable asset is added to a pool in the year of income in which the asset is placed in service.
- (10) Where a depreciable asset is only partly used during a year of income in the production of income included in gross income, the depreciation deduction allowed under this section in relation to the asset shall be proportionately reduced.
- (11) For the purposes of subsection (4)(b), the cost base of a road vehicle, other than a commercial vehicle, is not to exceed the amount set out in Part II of Schedule 7 to this Act.
- (12) Where the cost base of a road vehicle for the purposes of subsection (4)(b) is limited under subsection (11), the person is treated as having acquired two assets—
- (a) a depreciable asset being a road vehicle with a cost base equal to the amount set out in Part II to Schedule 7 to this Act; and
 - (b) a business asset that is not a depreciable asset with a cost base equal to the difference between the cost base of the asset not taking into account subsection (11), in this section referred to as the “actual cost base”, and the amount set out in Part II of Schedule 7 to this Act.
- (13) Where a road vehicle to which subsection (12) applies is disposed of, the person is treated as having disposed of each of the assets specified under that subsection, and the consideration received on disposal is apportioned between the two assets based on the ratio of the cost base of each asset as determined under that subsection to the actual cost base of the asset.

- (14) In calculating the amount of any gain or loss arising on disposal of an asset specified in subsection (12)(b), the cost base of the asset as determined under that paragraph is reduced by the depreciation deductions which would have been allowed to the person if the asset—
- (a) was a depreciable asset being a road vehicle; and
 - (b) the asset was the only asset in the pool.
- (15) In this section, “commercial vehicle” means—
- (a) a road vehicle designed to carry loads of more than half a tonne or more than thirteen passengers; or
 - (b) a vehicle used in a transportation or vehicle rental business.

28. Industrial buildings

- (1) Subject to this section, where a person has incurred capital expenditure in any year of income on the construction of an industrial building and the building is used by the person during the year of income in the production of income included in gross income, the person is allowed a deduction for the depreciation of the building during the year of income as calculated according to the following formula—

$$A \times B \times C/D$$

where—

A is the depreciation rate applicable to the building as determined under Part III of Schedule 7 to this Act;

B is the capital expenditure incurred in the construction of the building;

C is the number of days in the year of income during which the asset was used or was available for use in the production of income included in gross income; and

D is the number of days in the year of income.

- (2) Subject to subsection (3), where an industrial building is only partly used by a person during a year of income for prescribed uses, the amount of the depreciation deduction allowed under subsection (1) shall be proportionately reduced.
- (3) Where an industrial building is only partly used by a person during a year of income for prescribed uses and the capital expenditure incurred in the construction of that part of the building used for other uses is not more than ten percent of the total capital expenditure incurred on the construction of the building, the building is treated as wholly used for prescribed uses.
- (4) Where a person has incurred expenditure in making a capital improvement to an industrial building in a year of income, this section applies as if the expenditure was capital expenditure incurred in that year in the construction of a separate industrial building.
- (5) Where an industrial building is purchased by a person, the person is deemed to have incurred the capital expenditure incurred by the person who constructed the building.
- (6) The amount of the deduction allowed under this section is not to exceed the amount which, apart from making the deduction, would be the residue of expenditure at the end of the year of income.
- (7) Where an industrial building has been disposed of by a person during a year of income, the cost base of the building for the purposes of this Act is reduced by any deductions allowed to the person under this section in respect of the building.
- (8) Where an industrial building is bought and sold together with land, the value of the land shall be the difference between the total consideration and the value of the industrial building as defined in subsection (7).

- (9) Where subsection (4) applies, the consideration received on disposal of an industrial building shall be reasonably apportioned among the separate industrial buildings identified under that subsection.
- (10) In this section—
- “capital expenditure” does not include—
- (a) expenditure incurred in the acquisition of a depreciable asset installed in an industrial building; or
 - (b) expenditure incurred in the acquisition of, or of any rights in or over, any land;
- “prescribed uses” means the uses specified in the definition of “industrial building” in section 2; and
- “residue of expenditure” means the capital expenditure incurred on the construction of an industrial building less any deductions allowed under this section to any person and any amounts which would have been allowed as deductions if the building was solely used for prescribed uses at all times since construction was completed.

29. Start-up costs

- (1) A person who has incurred expenditure in starting up a business to produce income included in gross income or in the initial public offering at the stock market shall be allowed a deduction of an amount equal to twenty-five percent of the amount of the expenditure in the year of income in which the expenditure was incurred and in the following three years of income in which the business is carried on by the person.
- (2) In this section, “expenditure in starting up a business” means—
- (a) in the case of initial public offering, costs incurred in listing the business with the Uganda Stock Exchange;
 - (b) in any other case, non-recurring preliminary or pre-opening costs, which are associated, with setting up a business such as fees of an accountant, registration charges, legal fees, costs for promotional and advertising activities, as well as costs for employee training.

30. Costs of intangible assets

- (1) A person who has incurred expenditure in acquiring an intangible asset having an ascertainable useful life is allowed a deduction in each year of income during the useful life of the asset in which the person wholly uses the asset in the production of income included in gross income of an amount calculated according to the following formula—
- $$A/B$$
- where—
- A is the amount of expenditure incurred; and
- B is the useful life of the asset in whole years.
- (2) Where an intangible asset has been disposed of by a person during the year of income, the cost base of the asset is reduced by any deductions allowed under this section to the person in respect of the asset.

31. Scientific research expenditure

- (1) A person is allowed a deduction for scientific research expenditure incurred during the year of income in the course of carrying on a business, the income from which is included in gross income.

- (2) In this section—

“scientific research” means any activities in the fields of natural or applied science for the development of human knowledge;

“scientific research expenditure”, in relation to a person carrying on business, means the cost of scientific research undertaken for the purposes of developing the person’s business, including any contribution to a scientific research institution which is used by the institution in undertaking research for the purposes of developing the person’s business, but does not include—

- (a) expenditure incurred for the acquisition of a depreciable or intangible asset;
- (b) expenditure incurred for the acquisition of land or buildings; or
- (c) expenditure incurred for the purpose of ascertaining the existence, location, extent or quality of a natural deposit; and

“scientific research institution” means an association, institute, college or university which undertakes scientific research.

32. Training expenditure

- (1) An employer is allowed a deduction for expenditure incurred during the year of income for the training or tertiary education, not exceeding in the aggregate five years of a citizen or permanent resident of Uganda, other than an associate of the employer, who is employed by the employer in a business, the income from which is included in gross income.
- (2) In this section, “permanent resident” means a resident individual who has been present in Uganda for a period or periods in total of five years or more.

33. Charitable donations

- (1) A person is allowed a deduction for a gift made during a year of income to an organisation within section 2(a)(i) or (ii) of the definition of “exempt organisation”.
- (2) For the purposes of subsection (1), the value of a gift of property is the lesser of—
 - (a) the value of the property at the time of the making of the gift; or
 - (b) the consideration paid by the person for the property.
- (3) The amount of a deduction allowed under subsection (1) for a year of income shall not exceed five percent of the person’s chargeable income calculated before taking into account the deduction under this section.

34. Farming

- (1) Expenditure incurred by a person in acquiring farm works is included in the person’s pool for class 4 assets under section 27 in the year of income in which the expenditure is incurred and is depreciated accordingly.
- (2) Subject to subsection (3), a person carrying on a business of horticulture in Uganda to produce income included in gross income, who has incurred expenditure of a capital nature on—
 - (a) the acquisition or establishment of a horticultural plant; or
 - (b) the construction of a greenhouse,

shall be allowed a deduction of an amount equal to twenty percent of the amount of the expenditure in the year of income in which the expenditure was incurred and in the following four years of income in which the plant or greenhouse is used in the business of horticulture carried on by the person.

- (3) Expenditure of a capital nature incurred on the establishment of a horticultural plant shall include expenditure incurred in draining or clearing land.
- (4) In this section—
 - “farm works” means any labour quarters and other immovable buildings necessary for the proper operation of a farm, fences, ditches, 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—
 - (a) farmhouses; or
 - (b) depreciable assets;
 - “horticulture” includes—
 - (a) propagation or cultivation of seeds, bulbs, spores or similar things;
 - (b) propagation or cultivation of fungi; or
 - (c) propagation or cultivation in environments other than soil, whether natural or artificial.

35. Apportionment of deductions

- (1) A deduction relating to the production of more than one class of income shall be reasonably apportioned among the classes of income to which it relates.
- (2) Where a person derives more than one class of income, the deduction allowed under section 33 shall be allocated rateably to each class of income.

36. Carry forward losses

- (1) Subject to this section and section 74, where, for any year of income, the total amount of income included in the gross income of a taxpayer is exceeded by the total amount of deductions allowed to the taxpayer, the amount of the excess, in this Act referred to as an assessed loss, shall be carried forward and allowed as a deduction in determining the taxpayer's chargeable income in the following year of income.
- (2) Where for any year of income the total farming income derived by a taxpayer who is an individual is exceeded by the total deductions allowed to the taxpayer relating to the production of that income, the amount of the excess, in this Act referred to as an “assessed farming loss”, may not be deducted against any other income of the taxpayer for the year of income, but shall be carried forward and allowed as a deduction in determining the chargeable farming income of the taxpayer in the following year of income.
- (3) The amount of an assessed loss carried forward under this section for a taxpayer shall be reduced by the amount or value of any benefit to the taxpayer from a concession granted by, or a compromise made with, the taxpayer's creditors in the course of an insolvency whereby the taxpayer's liabilities to those creditors have been extinguished or reduced, provided such liabilities were incurred in the production of income included in gross income.
- (4) Where a taxpayer has more than one class of loss, the reduction in subsection (3) shall be applied rateably to each class of loss.
- (5) Subsection (1) shall apply separately to income derived from sources in Uganda and to foreign-source income.
- (6) Notwithstanding the provisions of this section, a taxpayer who, after a period of seven years of income, carries forward assessed losses, shall only be allowed a deduction of fifty percent of the loss carried forward in the following year of income and the subsequent years of income in determining the taxpayer's chargeable income.

(7) In this section—

“chargeable farming income” means the total farming income of a taxpayer for a year of income reduced by any deductions allowed under this Act for that year which relate to the production of such income; and

“farming income” means the business income derived from the carrying on of farming operations.

Part V – Tax accounting principles

37. Substituted year of income

- (1) A taxpayer may apply, in writing, to use as the taxpayer’s year of income a substituted year of income being a twelve-month period other than the normal year of income; and the Commissioner General may, subject to subsection (3), by notice in writing, approve the application.
- (2) A taxpayer granted permission under subsection (1) to use a substituted year of income may apply, in writing, to change the taxpayer’s year of income to the normal year of income or to another substituted year of income; and the Commissioner General, subject to subsection (3), may, by notice in writing, approve the application.
- (3) The Commissioner General may only approve an application under subsection (1) or (2) if the taxpayer has shown a compelling need to use a substituted year of income or to change the taxpayer’s year of income, and any approval is subject to such conditions as the Commissioner General may prescribe.
- (4) The Commissioner General may, by notice in writing to a taxpayer, withdraw the permission to use a substituted year of income granted under subsection (1) or (2).
- (5) A notice served by the Commissioner General under subsection (1) takes effect on the date specified in the notice, and a notice under subsection (2) or (4) takes effect at the end of the substituted year of income of the taxpayer in which the notice was served.
- (6) Where the year of income of a taxpayer changes as a result of subsection (1), (2) or (4), the period between the last full year of income prior to the change and the date on which the changed year of income commences is treated as a separate year of income, to be known as the “transitional year of income”.
- (7) In this Act, a reference to a particular normal year of income includes a substituted year of income or a transitional year of income commencing during the normal year of income.
- (8) A taxpayer dissatisfied with a decision of the Commissioner General under subsection (1), (2) or (4) may only challenge the decision under the objection and appeal procedure in Part VIII of the Tax Procedures Code Act.
- (9) In this section, normal year of income” means the period of twelve months ending on 30th June.

38. Method of accounting

- (1) A taxpayer’s method of accounting shall conform to generally accepted accounting principles.
- (2) Subject to subsection (1) and unless the Commissioner General prescribes otherwise in a particular case, a taxpayer may account for tax purposes on a cash or accrual-basis.
- (3) A taxpayer who intends to change the taxpayer’s method of accounting shall apply, in writing, to the Commissioner General and the Commissioner General may, by notice in writing, approve the application where the Commissioner General is satisfied that the change is necessary to clearly reflect the taxpayer’s income.
- (4) A taxpayer dissatisfied with a decision under this section may only challenge the decision under the objection and appeal procedure in Part VIII of the Tax Procedures Code Act.

- (5) If the taxpayer's method of accounting is changed, adjustments to items of income, deduction or credit or to other items shall be made in the year of income following the change, so that no item is omitted and no item is taken into account more than once.

39. Cash-basis taxpayer

A taxpayer who is accounting for tax purposes on a cash-basis derives income when it is received or made available and incurs expenditure when it is paid.

40. Accrual-basis taxpayer

- (1) A taxpayer who is accounting for tax purposes on an accrual basis—
 - (a) derives income when it is receivable by the taxpayer; and
 - (b) incurs expenditure when it is payable by the taxpayer.
- (2) Subject to this Act, an amount is receivable by a taxpayer when the taxpayer becomes entitled to receive it, even if the time for discharge of the entitlement is postponed or the entitlement is payable by instalments.
- (3) Notwithstanding subsection (2), in the case of a diminishing partnership under Islamic financial business, an amount of the portion of the interest of the person offering Islamic financial business disposed of, is receivable by a taxpayer when the taxpayer becomes entitled to the instalment due in accordance with the partnership agreement.
- (4) Subject to this Act, an amount is treated as payable by the taxpayer when all the events that determine liability have occurred and the amount of the liability can be determined with reasonable accuracy, but not before economic performance with respect to the amount occurs.
- (5) Notwithstanding subsection (3), in the case of a diminishing partnership under Islamic financial business, an amount of the portion of the interest of the person offering Islamic financial business disposed of, is payable by a taxpayer when the taxpayer becomes liable to pay the instalment due in accordance with the partnership agreement.
- (6) For the purposes of subsection (4), economic performance occurs—
 - (a) with respect to the acquisition of services or property, at the time the services or property are provided;
 - (b) with respect to the use of property, at the time the property is used; or
 - (c) in any other case, at the time the taxpayer makes payment in full satisfaction of the liability.

41. Pre-payments

Where a deduction is allowed for expenditure incurred on a service or other benefit which extends beyond thirteen months, the deduction is allowed proportionately over the years of income to which the service or other benefit relates.

42. Claim of right

- (1) A taxpayer who is accounting for tax purposes on a cash-basis shall include an amount in gross income when received or claim a deduction for an amount when paid, notwithstanding that the taxpayer is not legally entitled to receive the amount or liable to make the payment, if the taxpayer claims to be legally entitled to receive or legally obliged to pay the amount.
- (2) Where subsection (1) applies, the calculation of the chargeable income of the taxpayer shall be adjusted for the year of income in which the taxpayer refunds the amount received or recovers the amount paid.

- (3) A taxpayer who is accounting for tax purposes on an accrual basis shall include an amount in gross income when receivable or claim a deduction for an amount when payable notwithstanding that the taxpayer is not legally entitled to receive the amount or liable to make the payment, if the taxpayer claims to be legally entitled to receive or legally obliged to pay the amount.
- (4) Where subsection (3) applies, the calculation of the chargeable income of the taxpayer shall be adjusted for the year of income in which the taxpayer ceases to claim the right to receive the amount or ceases to claim an obligation to pay the amount.

43. Long-term contracts

- (1) In the case of an accrual-basis taxpayer, income and deductions relating to a long-term contract are taken into account on the basis of the percentage of the contract completed during the year of income.
- (2) The percentage of completion is determined by comparing the total costs allocated to the contract and incurred before the end of the year of income with the estimated total contract costs as determined at the time of commencement of the contract.
- (3) Where, in the year of income in which a long-term contract is completed, it is determined that the contract has made a final year loss, the Commissioner General may allow the loss to be carried back to the preceding years of income and applied against an amount in gross income over the period of the contract under subsection (1) for those years, starting with the year immediately preceding the year in which the contract was completed.
- (4) In this section—

“final year loss”, in relation to a long-term contract, occurs where both the following conditions are satisfied—

 - (a) the profit estimated to be made under the contract for the purposes of subsection (1) exceeds the actual profit, including a loss, made under the contract; and
 - (b) the difference between the estimated profit and the actual profit exceeds the amount included in income under subsection (1) for the year of income in which the contract is completed, and the amount of the excess referred to in paragraph (b) of this subsection is the amount of the final year loss; and

“long-term contract” means a contract for manufacture, installation or construction or, in relation to each, the performance of related services, which is not completed within the year of income in which work under the contract commenced, other than a contract estimated to be completed within six months of the date on which work under the contract commenced.

44. Trading stock

- (1) A taxpayer is allowed a deduction for the cost of trading stock disposed of during a year of income.
- (2) The cost of trading stock disposed of during a year of income is determined by adding to the opening value of trading stock for the year, the cost of trading stock acquired during the year, and subtracting the closing value of trading stock for the year.
- (3) The opening value of trading stock for a year of income is—
 - (a) the closing value of trading stock at the end of the previous year of income; or
 - (b) where the taxpayer commenced business during the year of income, the market value at the time of commencement of the business of trading stock acquired prior to the commencement of the business.
- (4) The closing value of trading stock is the lower of cost or the market value of trading stock on hand at the end of the year of income.

- (5) A taxpayer who is accounting for tax purposes on a cash basis may calculate the cost of trading stock on the prime-cost method or absorption-cost method; and a taxpayer who is accounting for tax purposes on an accrual-basis shall calculate the cost of trading stock on the absorption cost method.
- (6) Where particular items of trading stock are not readily identifiable, a taxpayer may account for that trading stock on the first-in-first-out method or the average-cost method but, once chosen, a stock valuation method may be changed only with the written permission of the Commissioner General.
- (7) In this section—

“absorption-cost method” means the generally accepted accounting principle under which the cost of trading stock is the sum of direct material costs, direct labour costs and factory overhead costs;

“average-cost method” means the generally accepted accounting principle under which trading stock valuation is based on a weighted average cost of units on hand;

“direct labour costs” means labour costs directly related to the production of trading stock;

“direct material costs” means the cost of materials that become an integral part of the trading stock produced;

“factory overhead costs” means the total costs of manufacturing except direct labour and direct material costs;

“first-in-first-out method” means the generally accepted accounting principle under which trading stock valuation is based on the assumption that trading stock is sold in the order of its receipt;

“prime-cost method” means the generally accepted accounting principle under which the cost of trading stock is the sum of direct material costs, direct labour costs and variable factory overhead costs; and

“variable factory overhead costs” means those factory overhead costs which vary directly with changes in volume.

45. Debt obligations with discount or premium

- (1) Subject to subsection (2), interest in the form of any discount, premium or deferred interest shall be taken into account as it accrues.
- (2) Where the interest referred to in subsection (1) is subject to withholding tax, the interest shall be taken to be derived or incurred when paid.

46. Foreign currency debt gains and losses

- (1) Foreign currency debt gains are included in gross income and foreign currency debt losses are deductible only under this section.
- (2) A foreign currency debt gain derived by a taxpayer during the year of income is included in the business income of the taxpayer for that year.
- (3) Subject to subsections (4) and (6), a foreign currency debt loss incurred by a taxpayer during a year of income is allowed as a deduction to the taxpayer in that year.
- (4) A deduction is not allowed to a taxpayer for a foreign currency debt loss incurred by the taxpayer unless the taxpayer has notified the Commissioner General in writing of the existence of the debt which gave rise to the loss by the due date for furnishing of the taxpayer's return of income for the year of income in which the debt arose or by such later date as the Commissioner General may allow.
- (5) Subsection (4) does not apply to a financial institution.

(6) Where—

- (a) a taxpayer has incurred a foreign currency debt loss under a transaction;
- (b) the taxpayer or another person has derived a foreign currency debt gain under another transaction; and
- (c) either—
 - (i) the transaction giving rise to the loss would not have been entered into, or might reasonably be expected not to have been entered into, if the transaction giving rise to the gain had not been entered into; or
 - (ii) the transaction giving rise to the gain would not have been entered into, or might reasonably be expected not to have been entered into, if the transaction giving rise to the loss had not been entered into,

no deduction is allowed to the taxpayer to the extent that the amount of the loss exceeds that part of the gain included in gross income.

(7) Subject to subsection (9), a taxpayer derives a foreign currency debt gain if—

- (a) where the taxpayer is a debtor, the amount in shillings of the foreign currency debt incurred by the taxpayer is greater than the amount in shillings required to settle the debt; or
- (b) where the taxpayer is a creditor, the amount in shillings of the foreign currency debt owed to the taxpayer is less than the amount in shillings paid to the taxpayer in settlement of the debt.

(8) Subject to subsection (9), a taxpayer incurs a foreign currency debt loss if—

- (a) where the taxpayer is a debtor, the amount in shillings of the foreign currency debt incurred by the taxpayer is less than the amount in shillings required to settle the debt; or
- (b) where the taxpayer is a creditor, the amount in shillings of the foreign currency debt owed to the taxpayer is greater than the amount in shillings paid to the taxpayer in settlement of the debt.

(9) In determining whether a taxpayer has derived a foreign currency debt gain or incurred a foreign currency debt loss, account shall be taken of the taxpayer's position under any hedging contract entered into by the taxpayer in respect of the debt.

(10) A foreign currency debt gain is derived, or a foreign currency debt loss is incurred by a taxpayer in the year of income in which the debt is satisfied.

(11) In this section—

“foreign currency debt” means a business debt denominated in foreign currency; and

“hedging contract” means a contract entered into by the taxpayer for the purpose of eliminating or reducing the risk of adverse financial consequences which might result for the taxpayer under another contract from currency exchange rate fluctuation.

Part VI – Gains and losses on disposal of assets

47. Application of Part

This Part applies for the purposes of determining the amount of any gain or loss arising on the disposal of an asset where the gain is included in the gross income, or the loss is allowed as a deduction under this Act.

48. Gains and losses on disposal of assets

- (1) The amount of any gain arising from the disposal of an asset is the excess of the consideration received for the disposal over the cost base of the asset at the time of the disposal.
- (2) The amount of any loss arising from the disposal of an asset is the excess of the cost base of the asset at the time of the disposal over the consideration received for the disposal.
- (3) Where as a result of the application of this Act, a gain or loss on disposal of an asset is subject to tax being a gain or loss, the cost base of the asset is calculated on the basis that each item of cost or expense included in the cost base shall be determined according to the following formula—

$$CB \times \frac{CPI D}{CPI A}$$

where—

CB is the amount of an item of cost or expense incurred determined in accordance with section [50\(2\)](#);

CPID is the Consumer Price Index number published for the calendar month of sale; and

CPIA is the Consumer Price Index number published for the month immediately prior to the date on which the relevant item of cost or expense was incurred.

- (4) Subsection [\(3\)](#) shall not apply to an asset that is sold within twelve months from the date of purchase.

49. Disposals

- (1) A taxpayer is treated as having disposed of an asset when the asset has been—
 - (a) sold, exchanged, redeemed or distributed by the taxpayer;
 - (b) transferred by the taxpayer by way of gift; or
 - (c) destroyed or lost.

- (2) A disposal of an asset includes a disposal of a part of the asset.

- (3) Where the Commissioner General is satisfied that a taxpayer—
 - (a) has converted an asset from a taxable use to non-taxable use; or
 - (b) has converted an asset from a non-taxable use to a taxable use,

the taxpayer is deemed to have disposed of the asset at the time of the conversion for an amount equal to the market value of the asset at that time and to have immediately reacquired the asset for a cost base equal to that same value.

- (4) A non-resident person who becomes a resident person is deemed to have acquired all assets, other than taxable assets, owned by the person at the time of becoming a resident for their market value at that time.
- (5) A resident person who becomes a non-resident person is deemed to have disposed of all assets, other than taxable assets, owned by the person at the time of becoming a non-resident for their market value at that time.
- (6) Where a person to whom subsection [\(5\)](#) would otherwise apply—
 - (a) intends, in the future, to re-acquire status as a resident person; and

- (b) provides the Commissioner General with sufficient security to satisfy any tax liability which would otherwise arise under subsection (5),

the Commissioner General may, by notice in writing, exempt the person from the application of subsection (5).

- (7) In this section, “taxable asset” means an asset the disposal of which would give rise to a gain included in the gross income of, or a loss allowed as a deduction to, a resident or non-resident taxpayer.

50. Cost base

- (1) Subject to this Act, this section establishes the cost base of an asset for the purposes of this Act.
- (2) The cost base of an asset purchased, produced or constructed by the taxpayer is the amount paid or incurred by the taxpayer in respect of the asset, including incidental expenditures of a capital nature incurred in acquiring the asset, and includes the market value at the date of acquisition of any consideration in kind given for the asset.
- (3) Subject to subsection (4), the cost base of an asset acquired in a non-arm’s length transaction is the market value of the asset at the date of acquisition.
- (4) The cost base of an asset acquired in a transaction described in section 51 (2) is the amount of the consideration deemed by that subsection to have been received by the person disposing of the asset.
- (5) Where a part of an asset is disposed of, the cost base of the asset shall be apportioned between the part of the asset retained and the part disposed of in accordance with their respective market values at the time of acquisition of the asset.
- (6) Unless otherwise provided in this Act, expenditures incurred to alter or improve an asset which have not been allowed as a deduction are added to the cost base of the asset.
- (7) Where the acquisition of an asset by a taxpayer represents the derivation of an amount included in gross income, the cost base of the asset is the amount included in gross income plus any amount paid by the taxpayer for the asset.
- (8) Where the receipt of an asset represents the derivation of an amount which is exempt from tax, the cost base of the asset is the amount exempt from tax plus any amount paid by the taxpayer for the asset.

51. Special rules for consideration received

- (1) The consideration received on disposal of an asset includes the market value at the date of the disposal of any consideration received in kind.
- (2) Where an asset is disposed of to an associate or in a non-arm’s-length transaction, other than by way of transmission of the asset to a trustee or beneficiary on the death of a taxpayer, the person disposing of the asset, in this section referred to as the “disposer”, is treated as having received consideration equal to the greater of—
 - (a) the cost base of the asset to the disposer at the time of disposal; or
 - (b) the fair market value of the asset at the date of disposal.
- (3) Where two or more assets are disposed of in a single transaction and the consideration paid for each asset is not specified, the total consideration received is apportioned among the assets disposed of in proportion to their respective market values at the time of the transaction.

52. Non-recognition of gain or loss

- (1) No gain or loss is taken into account in determining chargeable income in relation to—
 - (a) a transfer of an asset between spouses;
 - (b) a transfer of an asset between former spouses as part of a divorce settlement or a *bona fide* separation agreement;
 - (c) an involuntary disposal of an asset to the extent to which the proceeds are re-invested in an asset of a like kind within one year of the disposal;
 - (d) the transmission of an asset to a trustee or beneficiary on the death of a taxpayer; or
 - (e) capital gains arising from the sale of investment interest of a registered venture capital fund if at least fifty percent of the proceeds on sale is reinvested within the year of income.
- (2) Notwithstanding subsection (1)(e), a registered venture capital fund shall be entitled to a non-recognition of a gain or loss equivalent to the percentage of reinvested proceeds.
- (3) Where no gain or loss is taken into account as a result of subsection (1)(a), (b) or (d), the transferred or transmitted asset is deemed to have been acquired by the transferee, or trustee or beneficiary as an asset of the same character for a consideration equal to the cost base of the asset to the transferor or deceased taxpayer at the time of the disposal.
- (4) The cost base of a replacement asset described in subsection (1)(c) is the cost base of the replaced asset plus the amount by which any consideration given by the taxpayer for the replaced asset exceeds the amount of proceeds received on the involuntary disposal.

Part VII – Miscellaneous rules for determining chargeable income**53. Income of joint owners**

- (1) Income or deductions relating to jointly owned property are apportioned among the joint owners in proportion to their respective interests in the property.
- (2) Where the interest of joint owners in jointly owned property cannot be ascertained, the interest of the joint owners in the property shall be deemed to be equal.
- (3) For avoidance of doubt, subsections (1) and (2) shall apply to takaful participants.

54. Valuation

- (1) For the purposes of this Act and subject to section 19(1)(b), the value of benefit in kind is the fair market value of the benefit on the date the benefit is taken into account for tax purposes.
- (2) The fair market value of a benefit is determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash.

55. Other methods of allocating costs and revenue

In determining the chargeable income of a person, use of input-output ratios and other methods of allocating costs and revenue may be applied.

56. Currency conversion

- (1) Chargeable income under this Act shall be calculated in Uganda shillings.
- (2) Where an amount taken into account under this Act is in a currency other than the Uganda shilling, the amount shall be converted to the Uganda shilling at the Bank of Uganda mid-exchange rate

applying between the currency and the Uganda shilling on the date that the amount is derived, incurred or otherwise taken into account for tax purposes.

- (3) With the prior written permission of the Commissioner General, a taxpayer may use the average rate of exchange during the year of income or may keep books of accounts in a currency other than the Uganda shilling.

57. Indirect payments and benefits

The income of a person includes—

- (a) a payment that directly benefits the person; and
- (b) a payment dealt with as the person directs,

which would have been income of the person if the payment had been made directly to the person.

58. Finance leases

- (1) Where a lessor leases property to a lessee under a finance lease, for the purposes of this Act—
 - (a) the lessee is treated as the owner of the property; and
 - (b) the lessor is treated as having made a loan to the lessee, in respect of which payments of interest and principal are made to the lessor equal in amount to the rental payable by the lessee.
- (2) The interest component of each payment under the loan is treated as interest expense incurred by the lessee and interest income derived by the lessor.
- (3) A lease of property is a finance lease if—
 - (a) the lease term exceeds seventy-five percent of the effective life of the leased property;
 - (b) the lessee has an option to purchase the property for a fixed or determinable price at the expiration of the lease; or
 - (c) the estimated residual value of the property to the lessor at the expiration of the lease term is less than twenty percent of its fair market value at the commencement of the lease.
- (4) For the purposes of subsection (3), the lease term includes any additional period of the lease under an option to renew.

59. Exclusion of doctrine of mutuality

- (1) A company which carries on a member's club, a trade association or a mutual insurance company is treated for the purposes of this Act as carrying on a business subject to tax.
- (2) The business income of a company to which subsection (1) applies includes entrance fees and subscriptions paid by members.
- (3) Where a company referred to in subsection (1) is operated primarily to furnish goods or services to members, deductions attributable to the furnishing of goods or services to members are allowed only to the extent of the total income derived from the members, with any excess carried forward and allowed as a deduction in the following year of income.
- (4) In this section, "members club" means a club or similar institution all the assets of which are owned by or are held in trust for the members of the club or institution.

60. Compensation receipts

A compensation payment derived by a person takes the character of the item that is compensated.

61. Recouped expenditure

- (1) Where a previously deducted expenditure, loss or bad debt is recovered by the taxpayer, the amount recovered is deemed to be income derived by the taxpayer in the year of income in which it is recovered and takes the character of the income to which the deduction related.
- (2) For the purposes of subsection (1), a deduction is considered recovered upon the occurrence of an event which is inconsistent with the basis for the deduction.

Part VIII – Persons assessable**62. Taxation of individuals**

The chargeable income of each taxpayer who is an individual is determined separately.

63. Income splitting

- (1) Where a taxpayer attempts to split income with another person, the Commissioner General may adjust the chargeable income of the taxpayer and the other person to prevent any reduction in tax payable as a result of the splitting of income.
- (2) A taxpayer is treated as having attempted to split income where—
 - (a) the taxpayer transfers income, directly or indirectly, to an associate; or
 - (b) the taxpayer transfers property, including money, directly or indirectly, to an associate with the result that the associate receives or enjoys the income from that property,and the reason or one of the reasons for the transfer is to lower the total tax payable upon the income of the transferor and the transferee.
- (3) In determining whether the taxpayer is seeking to split income, the Commissioner General shall consider the value, if any, given by the associate for the transfer.

Taxation of partnerships and partners**64. Principles of taxation for partnerships**

- (1) The income and losses arising from activities conducted by a partnership is taxed in accordance with this Act.
- (2) The presence or absence of a written partnership agreement is not decisive in determining whether a partnership relationship exists between persons.
- (3) A partnership shall be liable to furnish a partnership return of income in accordance with section 118 but shall not be liable to pay tax on that income.
- (4) Any election, notice or statement required to be filed in relation to a partnership's activities shall be filed by the partnership.
- (5) Unless the context otherwise requires, partnership assets are treated as owned by the partnership and not by the partners.

65. Calculation of partnership income or loss

- (1) The partnership income for a year of income is—
 - (a) the gross income of the partnership for that year calculated as if the partnership were a resident taxpayer; less

- (b) the total amount of deductions allowed under this Act for expenditures or losses incurred by the partnership in deriving that income, other than the deduction allowed under section [36](#).
- (2) A partnership loss occurs for a year of income where the amount in subsection [\(1\)\(b\)](#) exceeds the amount in subsection [\(1\)\(a\)](#) for that year, and the amount of the excess is the amount of the loss.
- (3) Where the partnership is a non-resident partnership for a year of income, section [87](#) applies in calculating partnership income or partnership loss of the partnership for that year.

66. Taxation of partners

- (1) The gross income of a resident partner for a year of income includes the partner's share of partnership income for that year.
- (2) The gross income of a non-resident partner for a year of income includes the partner's share of partnership income attributable to sources in Uganda.
- (3) A resident partner is allowed a deduction for a year of income for the partner's share of a partnership loss for that year.
- (4) A non-resident partner is allowed a deduction for a year of income for the partner's share of a partnership loss, but only to the extent that the activity giving rise to the loss would have given rise to partnership income attributable to sources in Uganda if a loss had not been incurred.
- (5) Income derived, or expenditure or losses incurred, by a partnership retain their character as to geographic source and type of income, expenditure or loss in the hands of the partners, and are deemed to have been passed through the partnership on a pro rata basis unless the Commissioner General permits otherwise.
- (6) Subject to subsection [\(7\)](#), a partner's share of partnership income or loss is equal to the partner's percentage interest in the income of the partnership as set out in the partnership agreement.
- (7) Where the allocation of income in the partnership agreement does not reflect the contribution of the partners to the operations of the partnership, a partner's share of partnership income or loss shall be equal to the partner's percentage interest in the capital of the partnership.
- (8) A resident partner in a partnership arrangement under an Islamic financial business shall withhold tax or interest sourced in Uganda accruing to a non-resident partner in accordance with section [82\(2\)](#).

67. Formation, reconstitution or dissolution of partnership

- (1) A contribution to a partnership by a partner of an asset owned by the partner is treated as a disposal of the asset by the partner to the partnership for a consideration equal to—
 - (a) the cost base of the asset to the partner at the date on which the contribution was made where all the following conditions are satisfied—
 - (i) the asset was a business asset of the partner immediately before its contribution to the partnership;
 - (ii) the partner and partnership are residents at the time of the contribution;
 - (iii) the partner's interest in the capital of the partnership after the contribution is twenty-five percent or more;
 - (iv) the interest in the partnership received by the partner in return for the contribution equals the market value of the asset contributed at the time of the contribution; and
 - (v) an election for this paragraph to apply has been made by the partners jointly; or
 - (b) in any other case, the market value of the asset at the date the contribution was made.

- (2) Where subsection (1)(a) applies, the asset retains the same character in the hands of the partnership as it did in the hands of the partner.
- (3) Where there is a change in the constitution of a partnership or a partnership is dissolved, the former partnership is treated as having disposed of all the assets of the partnership to the reconstituted partnership or to the partners in the case of dissolution for a consideration equal to—
 - (a) the cost base of the asset to the former partnership at the date of the change in constitution where all the following conditions are satisfied—
 - (i) the former partnership and the reconstituted partnership are resident partnerships at the time of the change;
 - (ii) twenty-five percent or more of the interests in the capital of the reconstituted partnership are held for twelve months after the change by persons who were partners in the former partnership immediately before the change; and
 - (iii) an election for this paragraph to apply has been made by the partners of the reconstituted partnership jointly; or
 - (b) in any other case, the market value of the asset at the date of the change in constitution or dissolution, as the case may be.
- (4) Where subsection (3)(a) applies, the asset retains the same character in the hands of the reconstituted partnership as it did in the hands of the former partnership.
- (5) An election under this section shall be made in the partnership return of income for the year of income in which the contribution was made or the constitution of the partnership changed.

68. Cost base of interest of partner

- (1) The interest of the partner in a partnership is treated as a business asset of the partner for the purposes of this Act.
- (2) Subject to subsections (3) and (4), the cost base of the interest of the partner in a partnership is—
 - (a) in the case of an interest acquired by contribution of property (including money) to the partnership, the amount of any such money contributed plus—
 - (i) the cost base of an asset contributed to the partnership by the partner where section 67(1)(a) applies; and
 - (ii) the market value of any asset contributed to the partnership by the partner where section 67(1)(b) applies; or
 - (b) in any other case, the price paid for the interest.
- (3) The cost base of the interest of the partner in a partnership determined under subsection (2) is increased by the sum of the share of the partner for the year of income and prior years of income of —
 - (a) the partnership income; and
 - (b) the income of the partnership exempt from tax under this Act.
- (4) The cost base of the interest of the partner in a partnership determined under subsection (2) is reduced, but not below zero, by distributions by the partnership and by the sum of the share of the partner for the year of income and prior years of income of partnership losses and expenditures of the partnership not deductible in computing its chargeable income and not properly chargeable to capital account.

Taxation of trusts and beneficiaries

69. Interpretation of provisions relating to taxation of trusts and beneficiaries

In this section and sections [70](#), [71](#) and [72](#)—

“**chargeable trust income**”, in relation to a year of income, means—

- (a) the gross income of the trust (other than an amount to which section [71\(1\)](#) or [72\(1\)](#) applies) for that year calculated as if the trust is a resident taxpayer; less
- (b) the total amount of deductions allowed under this Act for expenditures or losses incurred by the trust in deriving that income;

“**non-resident trust**”, in relation to a year of income, means a trust that is not a resident trust for that year;

“**qualified beneficiary**” means a person referred to in the definition of “qualified beneficiary trust”;

“**qualified beneficiary trust**” means—

- (a) a trust in relation to which a person, other than a settlor, has a power solely exercisable by that person to vest the corpus or income of the trust in that person; or
- (b) a trust whose sole beneficiary is an individual or an individual’s estate or appointees,

but does not include a trust whose beneficiary is an incapacitated person;

“**settlor**” means a person who has transferred property to, or conferred benefit on, a trust for no consideration or for a consideration which is less than the market value of the property transferred, or benefit conferred at the date of the transfer or conferral; and

“**settlor trust**” means a trust in relation to a whole or part of which the settlor has—

- (a) the power to revoke or alter the trust so as to acquire a beneficial entitlement in the corpus or income of the trust; or
- (b) a reversionary interest in the corpus or income of the trust.

70. Principles of taxation for trusts

- (1) Subject to subsection (5), the income of a trust is taxed either to the trustee or to the beneficiaries of the trust, as provided in this Act.
- (2) Separate calculations of chargeable trust income shall be made for separate trusts regardless of whether they have the same trustee.
- (3) Income derived or expenditure or losses incurred by a trust retain their character as to geographic source and type of income, expenditure or loss in the hands of the beneficiary.
- (4) A trust is required to furnish a trust return of income in accordance with section [118](#).
- (5) A settlor trust or a qualified beneficiary trust—
 - (a) is not treated as an entity separate from the settlor or qualified beneficiary, respectively; and
 - (b) the income of such a trust is taxed to the settlor or qualified beneficiary, and the property owned by the trust is deemed to be owned by the settlor or qualified beneficiary, as the case may be.
- (6) The trustee of an incapacitated person’s trust is liable for tax on the chargeable trust income of the trust.

- (7) Trustees are jointly and severally liable for a tax liability arising in respect of chargeable trust income that is not satisfied out of the assets of the trust.
- (8) Where a trustee has paid tax on the chargeable trust income of the trust under section [71](#) or [72](#), that income shall not be taxed again in the hands of the beneficiary.

71. Taxation of trustees and beneficiaries

- (1) Any amount derived by a trustee for the immediate or future benefit of any ascertained beneficiary, other than an incapacitated person, with a vested right to such amount is treated as having been derived by the beneficiary for the purposes of this Act.
- (2) Where a beneficiary has acquired a vested right to any amount referred to in subsection [\(1\)](#) as a result of the exercise by the trustee of a discretion vested in the trustee under a deed of trust, an arrangement or a will of a deceased person, such amount is deemed to have been derived by the trustee for the immediate benefit of the beneficiary.
- (3) For subsection [\(2\)](#) to apply to a beneficiary for a year of income, the trustee must have exercised the discretion by the end of the second month after the end of the year of income.
- (4) Where subsection [\(1\)](#) or [\(2\)](#) applies, the beneficiary is treated as having derived the amount at the time the amount was derived by the trustee.
- (5) Where any amount to which subsection [\(1\)](#) applies is included in the gross income of a beneficiary for a year of income, the beneficiary shall be allowed a deduction in accordance with this Act for any expenditure or losses incurred in that year by the trustee in deriving that income.
- (6) A trustee of a trust that is a resident trust for a year of income is liable for tax on the chargeable trust income of the trust for that year.
- (7) A trustee of a trust that is a non-resident trust for a year of income is liable for tax on so much of the chargeable trust income of the trust for that year as is attributable to sources in Uganda.
- (8) This section is subject to section [72](#).

72. Taxation of estates of deceased persons

- (1) Any amount derived by a trustee as executor of the estate of a deceased person shall, to the extent that the Commissioner General is satisfied that such amount has been derived for the immediate or future benefit of any ascertained heir or legatee of the deceased, be treated as having been derived by such heir or legatee for the purposes of this Act.
- (2) Where any amount to which subsection [\(1\)](#) applies is included in the gross income of the heir or legatee for a year of income, the heir or legatee shall be allowed a deduction in accordance with this Act for any expenditure or losses incurred in that year by the trustee in deriving that income.
- (3) The trustee of an estate of a deceased person that is a resident trust for a year of income is liable for tax on the chargeable trust income of the estate for that year.
- (4) The trustee of an estate of a deceased person that is a non-resident trust for a year of income is liable for tax on so much of the chargeable trust income of that year attributable to sources in Uganda.
- (5) The trustee of an estate of a deceased person is responsible for the tax liability of the deceased taxpayer arising for any year of income prior to the year of income in which the taxpayer died.

Taxation of companies and shareholders

73. Principles of taxation for companies

- (1) A company is liable to tax separately from its shareholders.
- (2) Subject to subsection (3), a dividend paid to a resident company, other than an exempt organisation, by another resident company is exempt from tax where the company receiving the dividend controls, directly or indirectly, twenty-five percent or more of the voting power in the company paying the dividend.
- (3) Subsection (2) does not apply to—
 - (a) a dividend paid to a financial institution by virtue of its ownership of redeemable shares in the company paying the dividend; or
 - (b) a dividend to which section 75 applies.

74. Change in control of companies

- (1) Where, during a year of income, there has been a change of fifty percent or more in the underlying ownership of a company, as compared with its ownership one year previously, the company is not permitted to deduct an assessed loss in the year of income or in subsequent years, unless the company, for a period of two years after the change or until the assessed loss has been exhausted if that occurs within two years after the change—
 - (a) continues to carry on the same business after the change as it carried on before the change; and
 - (b) does not engage in any new business or investment after the change where the primary purpose of the company or the beneficial owners of the company is to utilise the assessed loss so as to reduce the tax payable on the income arising from the new business or investment.
- (2) For the purposes of section 78(h), a person other than an individual, a local government, a political subdivision of a local government and a listed institution, that changes its ownership by fifty percent or more, within a period of three years shall be treated as—
 - (a) realising all its assets and liabilities immediately before the change;
 - (b) having parted with ownership of each asset and deriving an amount in respect of the realisation equal to the market value of the asset at the time of the realisation;
 - (c) re-acquiring the asset and incurring expenditure of the amount referred to in paragraph (b) for the acquisition;
 - (d) realising each liability; and is deemed to have spent the amount equal to the market value of that liability at the time of the realisation; and
 - (e) re-stating the liability for the amount referred to in paragraph (d).

75. Dividend stripping

- (1) Where a company takes part in a transaction in the nature of dividend stripping and receives a dividend from a resident company in the transaction, the company receiving the dividend shall include the dividend in its gross income to the extent to which the Commissioner General considers necessary to offset any decrease in the value of shares in respect of which the dividend is paid or in the value of any other property caused by the payment of the dividend.

- (2) In any such transaction, the Commissioner General may also reduce the amount of any deduction arising to the extent to which it represents the decrease in value of the shares or other property.
- (3) In this section, “dividend stripping” includes an arrangement under which—
 - (a) a company, referred to as the “target company”, has accumulated profits or current-year profits, or both, represented by cash or other readily realisable assets;
 - (b) another company, referred to as the “acquiring company”, acquires the shares in the target company for an amount that reflects the profits of the target company;
 - (c) the disposal of the shares in the target company gives rise to a tax-free capital gain to the shareholders in the target company;
 - (d) after the acquiring company has acquired the shares in the target company, the target company pays a dividend to the acquiring company, which in the absence of section [73\(3\)\(b\)](#) would be exempt from tax in the hands of the target company; and
 - (e) after the dividend is declared, the acquiring company sells the shares for a loss.

76. Roll-over relief

- (1) Where a resident person, in this subsection referred to as the “transferor”, transfers a business asset, with or without any liability not in excess of the cost base of the asset, to a resident company other than an exempt organisation, in this subsection referred to as the “transferee”, in exchange for a share in the transferee and the transferor has a fifty percent or greater interest in the voting power of the transferee immediately after the transfer—
 - (a) the transfer is not treated as a disposal of the asset by the transferor but is treated as the acquisition by the transferee of a business asset;
 - (b) the transferee’s cost base for the asset is equal to the transferor’s cost base for the asset at the time of transfer; and
 - (c) the cost base of a share received by the transferor in exchange for the asset is equal to the cost base of the asset transferred, less any liability assumed by the transferor in respect of the asset.
- (2) Where, as part of the liquidation of a resident company, in this subsection referred to as the “liquidated company”, a business asset is transferred to a shareholder being a resident company, other than an exempt organisation, in this subsection referred to as the “transferee company”, and, immediately prior to the transfer, the transferee company held a fifty percent or greater interest in the voting power of the liquidated company—
 - (a) the transfer is not treated as a disposal of the asset by the liquidated company, but is treated as the acquisition of a business asset by the transferee company;
 - (b) the transferee’s cost base for the asset is equal to the liquidated company’s cost base for the asset at the time of transfer;
 - (c) the transfer of the asset is not a dividend; and
 - (d) no gain or loss is taken into account on the cancellation of the transferee’s shares in the liquidated company.
- (3) Where a resident company or a group of resident companies is re-organised without any significant change in the underlying ownership or control of the company or group, the Commissioner General may—
 - (a) permit any resident company involved in the re-organisation to treat the re-organisation as not giving rise to the disposal of any business asset or the realisation of any business debt, as the case may be; and

- (b) determine the cost base of any business asset held, or business debt undertaken, by the resident company after the re-organisation in order to reflect the fact that no disposal or realisation is treated as having occurred.
- (4) For purposes of this section, “re-organisation” means—
 - (a) a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed;
 - (b) a transaction in which a person, whether for payment or not, is allotted shares in or debentures of a company in respect of and in proportion to, or as nearly as may be in proportion to, their holdings of shares in the company and in any case which there is more than one class of shares, and the rights attached to shares of any class are altered;
 - (c) a merger or amalgamation where, all or substantially all the assets and liabilities of one or more transferor companies are transferred to a single transferee company, where the transferor company ceases to exist by operation of law;
 - (d) a transaction which two or more companies transfer their assets and liabilities to a single newly established company; or
 - (e) corporate division through which all or substantially all the assets of one company are transferred in exchange for shares to at least two or more newly established or pre-existing companies, except where the assets are already in the hands of a subsidiary.
- (5) For the avoidance of doubt, a sale of a share from one person to another does not constitute a re-organisation for the purposes of this Act.

Part IX – International taxation

77. Interpretation of Part

In this Part—

“**branch**” means a place where a person carries on business, other than investing in Islamic financial business in the case of equity or partnership agreement and includes—

- (a) a place where a person is carrying on business through an agent, other than a general agent of independent status acting in the ordinary course of business as such;
- (b) a place where a person has, is using, is installing substantial equipment or substantial machinery for ninety days or more;
- (c) a place where a person is engaged in a construction, assembly or installation project for ninety days or more, including a place where a person is conducting supervisory activities in relation to such a project; or
- (d) the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purpose, but only if the activities of that nature continue for the same or a connected project for a period or periods aggregating more than ninety days in any twelve-month period;

“**immovable property**” includes a mining right, petroleum right, mining information, or petroleum information, any intangible asset which is a business asset or any part of the business;

“**management charge**” means any payment made to any person, other than a payment of employment income, as consideration for any managerial services, however calculated; and

“**mining information**”, “mining right” and “petroleum right” have the meanings assigned in section 89.

78. Source of income

Income is derived from sources in Uganda to the extent to which it is—

- (a) derived by a resident person in carrying on a business except to the extent that it is attributable to a business carried on by the person through a branch outside Uganda;
- (b) derived by a non-resident person in carrying on a business through a branch in Uganda;
- (c) derived by a resident person in carrying on a business as owner or charterer of a vehicle, ship or aircraft, wherever such vehicle, ship or aircraft may be operated;
- (d) employment income or a fee for the provision of services—
 - (i) derived from employment or services exercised or rendered in Uganda;
 - (ii) paid by a resident person, other than as an expenditure of a business carried on by a person outside Uganda through a branch; or
 - (iii) paid by non-resident person as an expenditure of a business carried on by a person through a branch in Uganda;
- (e) derived by a resident individual from any employment exercised or services rendered as a driver of a vehicle, or an officer or member of a crew of any vehicle, ship or aircraft, wherever the vehicle, ship or aircraft may be operated;
- (f) derived from the rental of immovable property located in Uganda;
- (g) derived from the disposal of an interest in immovable property located in Uganda or from the disposal of a share in a company the property of which consists directly or indirectly principally of an interest or interests in such immovable property, where the interest or share is a business asset;
- (h) derived from the direct or indirect change of ownership by fifty percent or more, of a person other than an individual, a local government, a political subdivision of a local government and a listed institution located in Uganda;
- (i) derived from the disposal of movable property, other than goods, under an agreement made in Uganda for the sale of the property, wherever the property is to be delivered;
- (j) an amount—
 - (i) included in the business income of a taxpayer under section 27(5) in respect of the disposal of a depreciable asset used in Uganda; or
 - (ii) treated as income under section 61, where the deduction was allowed for an expenditure, loss or bad debt incurred in the production of income sourced in Uganda;
- (k) a royalty—
 - (i) paid by a resident person, other than as an expenditure of a business carried on by the person outside Uganda through a branch;
 - (ii) paid by non-resident person as an expenditure of a business carried on by the person through a branch in Uganda; or
 - (iii) arising from the disposal of industrial or intellectual property used in Uganda;
- (l) interest where—
 - (i) the debt obligation giving rise to the interest is secured by immovable property located, or movable property used, in Uganda;
 - (ii) the payer is a resident person; or
 - (iii) the borrowing relates to a business carried on in Uganda;

- (m) a dividend or director's fee paid by a resident company;
- (n) a pension or annuity where—
 - (i) the pension or annuity is paid by the Government of Uganda or by a resident person; or
 - (ii) the pension or annuity is paid in respect of an employment exercised or services rendered in Uganda;
- (o) a natural resource payment in respect of a natural resource taken from Uganda;
- (p) a foreign currency debt gain derived in relation to a business debt which has arisen in the course of carrying on a business in Uganda;
- (q) a contribution to a retirement fund made by a tax-exempt employer in respect of an employee whose employment is exercised in Uganda;
- (r) a management charge paid by a resident person; or
- (s) taxable in Uganda under an international agreement; or
- (t) attributable to any other activity which occurs in Uganda, including an activity conducted through a branch in Uganda.

79. Foreign source employment income

- (1) Foreign source employment income derived by a resident individual is exempt from tax if the individual has paid foreign income tax in respect of the income.
- (2) A resident individual is treated as having paid foreign income tax on foreign source employment income if tax has been withheld and paid to the revenue authority of the foreign country by the employer of the individual.

80. Foreign tax credit

- (1) A resident taxpayer is entitled to a credit, in this section referred to as a "foreign tax credit", for any foreign income tax paid by the taxpayer in respect of foreign source income included in the gross income of the taxpayer.
- (2) The amount of the foreign tax credit of a taxpayer for a year of income shall not exceed the Ugandan income tax payable on the taxpayer's foreign source income for that year, calculated by applying the average rate of Ugandan income tax of the taxpayer for that year to the taxpayer's net foreign source income for that year.
- (3) The calculation of the foreign tax credit of a taxpayer for a year of income is made separately for foreign source business income and other income derived from foreign sources by the taxpayer during the year.
- (4) The foreign income tax paid by—
 - (a) a partnership is treated as paid by the partners;
 - (b) a trustee is treated as paid by the beneficiary where the income on which foreign income tax has been paid is included in the gross income of the beneficiary under this Act; or
 - (c) a beneficiary is treated as paid by the trustee where the income on which foreign income tax has been paid is taxed to the trustee under this Act.
- (5) For the purposes of this section—

"average rate of Ugandan income tax", in relation to a taxpayer for a year of income, means the percentage that the Ugandan income tax, before the foreign tax credit, is of the chargeable income of the taxpayer for the year and, in the case of a taxpayer with both foreign source business income

and other income derived from foreign sources, the average rate of tax is to be calculated separately for both classes of income;

“foreign income tax” includes a foreign withholding tax, but does not include a foreign tax designed to raise the level of the tax on the income so that the taxation by the country of residence is reduced; and

“net foreign source income” means the total foreign source income included in the gross income of the taxpayer, less any deductions allowed to the taxpayer under this Act that—

- (a) relate exclusively to the derivation of the foreign source income; and
- (b) in the opinion of the Commissioner General, may appropriately be related to the foreign source income.

81. Taxation of branch profits

- (1) A tax shall be charged for each year of income and is imposed on every non-resident company carrying on business in Uganda through a branch which has repatriated income for the year of income.
- (2) The tax payable by a non-resident company under this section is calculated by applying the rate prescribed in Part V of [Schedule 4](#) to this Act to the repatriated income of the branch of the non-resident company for the year of income.
- (3) The repatriated income of a branch for a year of income is calculated according to the following formula—

$$A + (B - C) - D$$

where—

A is the total cost base of assets, net of liabilities, of the branch at the commencement of the year of income;

B is the net profit of the branch for the year of income calculated in accordance with generally accepted accounting principles;

C is the Ugandan tax payable on the chargeable income of the branch for the year of income; and

D is the total cost base of assets, net of liabilities, of the branch at the end of the year of income.

- (4) In calculating the repatriated income of a branch, the total cost base of assets at the end of a year of income is the total cost base of assets at the commencement of the next year of income.
- (5) The tax imposed under this section is in addition to any tax imposed by this Act on the chargeable income of the branch under section 4 but is otherwise treated for all purposes of this Act as a tax on chargeable income.

82. Tax on international payments

- (1) Subject to this Act, a tax is imposed on every non-resident person who derives any dividend, interest, royalty, rent, natural resource payment, agency fee in case of Islamic financial business or management charge from sources in Uganda.
- (2) The tax payable by a non-resident person under this section is calculated by applying the rate prescribed in Part V of [Schedule 4](#) to this Act to the gross amount of the dividend, interest, royalty, rent, natural resource payment, agency fee in case of Islamic financial business or management charge derived by a non-resident person.
- (3) Notwithstanding section 78(m) a dividend derived by a non-resident person is only treated as income derived from sources in Uganda for the purposes of this section to the extent to which the dividend is paid out of profits sourced in Uganda.

- (4) For the purposes of subsection (3), where a resident company has profits sourced both within and outside Uganda, the company is treated as having paid a dividend out of the profits sourced in Uganda first.
- (5) Interest paid by a resident company in respect of debentures is exempt from tax under this Act where the following conditions are satisfied—
 - (a) the debentures were issued by the company outside Uganda for the purpose of raising a loan outside Uganda;
 - (b) the debentures were widely issued for the purpose of raising funds for use by the company in a business carried on in Uganda or the interest is paid to a bank or a financial institution of a public character; and
 - (c) the interest is paid outside Uganda.
- (6) Subsection (1) does not apply to an amount attributable to the activities of a branch of the non-resident in Uganda and such amount is subject to the operation of section 17.

83. Tax on payments to non-resident public entertainers or sports persons

- (1) Subject to this Act, a tax is imposed on every non-resident entertainer, sports person or theatrical, musical or other group of non-resident entertainers or sports persons who derive income from any performance in Uganda.
- (2) The tax payable by a non-resident person under this section is calculated by applying the rate prescribed in Part V of Schedule 4 to this Act to the gross amount of—
 - (a) remuneration derived by a non-resident public entertainer or sports person; or
 - (b) receipts derived by any theatrical, musical or other group of non-resident public entertainers or sports persons.
- (3) Tax is imposed under this section on any group regardless of whether or not the performance is conducted for the joint account of all or some members of the group.
- (4) Every member of a group shall be jointly and severally liable for payment of the tax imposed under this section and, subject to section 87(1)(c), shall remit to the Commissioner General the tax due before leaving Uganda.

84. Tax on payments to non-resident contractors or professionals

- (1) Subject to this Act, a tax is imposed on every non-resident person deriving income under a Ugandan source services contract.
- (2) The tax payable by a non-resident person under this section is calculated by applying the rate prescribed in Part V of Schedule 4 to this Act to the gross amount of any payment to a non-resident under a Ugandan source services contract.
- (3) Subsection (1) does not apply to a royalty or management charge charged to tax under section 82.
- (4) In this section, “Ugandan source services contract” means a contract, other than an employment contract, under which—
 - (a) the principal purpose of the contract is the performance of services which gives rise to income sourced in Uganda; and
 - (b) any goods supplied are only incidental to that purpose.
- (5) For avoidance of doubt, income derived from the carriage of passengers who do not embark or cargo or mail which is not embarked in Uganda is not income derived from a Ugandan-source service contract.

85. Taxation of non-residents providing shipping, air transport or telecommunications services in Uganda

- (1) Subject to this Act, a tax is imposed on every non-resident person carrying on the business of ship operator, charterer or air transport operator who derives income from the carriage of passengers who embark, or cargo or mail which is embarked in Uganda and on a road transport operator who derives income from the carriage of cargo or mail which is embarked in Uganda.
- (2) The tax payable by a non-resident person under subsection (1) is calculated by applying the rate of tax prescribed in Part VI of [Schedule 4](#) to this Act to the gross amount derived by the person from the carriage and is treated for all purposes of this Act as a tax on chargeable income.
- (3) Subsection (1) does not apply to any income derived from the carriage of passengers who embark, or cargo or mail which is embarked, solely as a result of trans-shipment.
- (4) Where a non-resident person carries on the business of transmitting messages by cable, radio, optical fibre, or satellite communication, or the business of providing internet connectivity services, the tax payable by the person shall be five percent of the gross amount derived by the person in respect of—
 - (a) the transmission of messages by apparatus established in Uganda;
 - (b) the provision of direct-to-home pay services to subscribers in Uganda; or
 - (c) the provision of internet connectivity services to subscribers in Uganda.

86. Taxation of non-residents providing digital services

- (1) A tax is imposed on every non-resident person deriving income from providing digital services in Uganda to a customer in Uganda at the rate prescribed in paragraph 3 of Part V of [Schedule 4](#) to this Act.
- (2) For the purposes of subsection (1), income is derived from providing a digital service in Uganda to a customer in Uganda, if the digital service is delivered over the internet, electronic network or an online platform.
- (3) For the purposes of this section “digital service” includes—
 - (a) online advertising services;
 - (b) data services;
 - (c) services delivered through an online marketplace or intermediation platform, including an accommodation online marketplace, a vehicle hire online marketplace and any other transport online market place;
 - (d) digital content services, including accessing and downloading of digital content;
 - (e) online gaming services;
 - (f) cloud computing services;
 - (g) data ware housing;
 - (h) services, other than those services in this subsection, delivered through a social media platform or any internet search engine; and
 - (i) any other digital services as the Minister may prescribe by statutory instrument made under this Act.
- (4) A non-resident person under this section shall lodge a tax return with the Commissioner General within fifteen days after the end of the tax period.

87. General provisions relating to taxes imposed under sections 82, 83, 84 and 85

- (1) The tax imposed on a non-resident person under sections [82](#), [83](#), [84](#), [85\(1\)](#) and [85\(4\)](#) is a final tax on the income on which the tax has been imposed and—
 - (a) that income is not included in the gross income of the non-resident person who derives the income;
 - (b) no deduction is allowed for any expenditure or loss incurred by the non-resident person in deriving that income; and
 - (c) the liability of the non-resident person is satisfied if the tax payable has been withheld by a withholding agent under section [137](#) and paid to the Commissioner General under section [140](#).
- (2) In this section, “withholding agent” has the meaning in section [125](#).

88. International agreements

- (1) An international agreement entered into between the Government of Uganda and the government of a foreign country, or governments of foreign countries shall have effect as if the agreement was contained in this Act.
- (2) To the extent that the terms of an international agreement to which Uganda is a party are inconsistent with the provisions of this Act apart from subsection [\(7\)](#) and Part [XI](#) which deals with tax avoidance or any other law of Uganda dealing with matters covered by this agreement the terms of the international agreement prevail over the provisions of this Act and any other law of Uganda dealing with matters covered by this agreement.
- (3) Where an international agreement provides for reciprocal assistance in the collection of taxes and the Commissioner General has received a request from the competent authority of another country pursuant to that agreement for the collection from any person in Uganda of an amount due by that person under the income tax laws of that other country, the Commissioner General may, by notice in writing, require the person to pay the amount to the Commissioner General by the date specified in the notice for transmission to the competent authority of that other country.
- (4) Where an international agreement provides for automatic exchange of information for tax purposes, the Commissioner General shall facilitate the automatic exchange of information, as may be prescribed.
- (5) For the purposes of subsection [\(4\)](#), the Minister may make regulations to provide for the automatic exchange of information for tax purposes.
- (6) If a person fails to comply with a notice under subsection [\(3\)](#), the amount in question may be recovered for transmission to the competent authority of that other country as if it were tax payable by the person under this Act.
- (7) Except for a public listed company, where an international agreement concluded by the Government of Uganda with another contracting State provides that income derived by a person resident in such other contracting State from sources in Uganda is exempt from Ugandan tax or is subject to a reduction in the rate of Ugandan tax, the benefit of that exemption or reduction shall not be available to any person who—
 - (a) receives the income in a capacity which is other than that of a beneficial owner, who does not have full and unrestricted ability to enjoy that income and to determine its future uses; and
 - (b) does not possess economic substance in the country of residence.

- (8) In this section, “international agreement” means—
- (a) an agreement with a foreign government providing for the relief of international double taxation and the prevention of fiscal evasion;
 - (b) a bilateral or multilateral agreement with a foreign government or foreign governments or foreign organisation providing for administrative assistance in tax matters; or
 - (c) the Inter-Governmental Agreement on the East African Crude Oil Pipeline.

Part X – Special provisions for taxation of petroleum operations

89. Interpretation of Part

- (1) In this Part, unless the context otherwise requires—

“**commercial production**” means—

- (a) for mining operations, the first period of thirty consecutive days during which the average level of production of the twenty-five highest production days in the thirty-day period reaches a production level deemed to be commercial as determined by the Minister responsible for mining operations; and
- (b) for petroleum operations, the production of crude oil or natural gas, or both, and delivery of the crude oil or natural gas at the delivery point under a programme of regular production and sale;

“**contract area**” means the area described and shown in a petroleum agreement on the effective date of the agreement; and where any part of the area is relinquished under the petroleum agreement, the whole or any part of such area which at any particular time remains subject to the petroleum agreement;

“**contractor**” means a person who supplies services or goods, other than as an employee, to the following—

- (a) a licensee in respect of mining operations undertaken by the licensee;
- (b) a licensee in respect of petroleum operations undertaken by the licensee;

“**cost oil**” means a licensee’s entitlement to production as cost recovery under a petroleum agreement;

“**delivery point**” means the point at which petroleum passes through the intake valve of the pipeline, vessel, vehicle or craft at a terminal or refinery in Uganda;

“**farm-out agreement**” is an agreement to which section 101 applies;

“**gross income of a licensee**” includes cost oil, licensee’s share of profit oil and any credits earned by the licensee from petroleum operations;

“**licence area**” means the area that is the subject of a mining right;

“**licensee**” means a person who has been granted a mining right or a person with whom the Government has entered into a petroleum agreement as defined in the Petroleum (Exploration, Development and Production) Act or a person licensed under the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act;

“mining exploration expenditure” means expenditure incurred by a licensee in undertaking mining exploration operations, and includes the following—

- (a) expenditure incurred in acquiring—
 - (i) an interest in a mining exploration right from the Government or under a farm-out agreement; or
 - (ii) mining exploration information from the Government or under a farm-out agreement;
- (b) social infrastructure expenditure incurred in accordance with a mining exploration right;
- (c) expenditure incurred to acquire a depreciable asset that is first used in mining exploration operations;

“mining extraction expenditure” means capital expenditure incurred by a licensee in undertaking operations authorised under a mining lease, other than expenditure incurred to acquire a depreciable asset, and includes the following—

- (a) expenditure whenever incurred in acquiring—
 - (i) an interest in a mining right, other than an interest referred to in paragraph (a)(i) of the definition of “mining exploration expenditure”; or
 - (ii) mining information, other than information referred to in paragraph (a)(ii) of the definition of “mining exploration expenditure”;
- (b) social infrastructure expenditure incurred in accordance with a mining lease;

“mining exploration information” means information relating to the search for minerals under a mining exploration right;

“mining exploration operations” means authorised operations under a mining exploration right;

“mining exploration right” means a prospecting, exploration or retention licence granted under the Mining and Minerals Act;

“mining extraction operations” means authorised operations under a mining lease;

“mining information” means information relating to mining operations;

“mining operations” means authorised operations under a mining right;

“mining revenues” means signature and other bonuses, surface rentals, royalties, and any other duties or fees payable to the Government under the Mining and Minerals Act or a mining right granted under that Act;

“mining right” means a mining exploration right, or a mining lease;

“non-resident associate”, in relation to a licensee, means an associate of the licensee that is a non-resident person;

“non-resident contractor” means a contractor that is not a resident person;

“participation dividend”, in relation to a resident licensee, means a dividend paid by the licensee to a non-resident company that has a ten percent or greater voting interest in the voting power of the licensee;

“petroleum agreement” means an agreement entered into by the Government of Uganda with another person in accordance with the Petroleum (Exploration, Development and Production) Act or the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act;

“petroleum development expenditure” means expenditure incurred by a licensee in undertaking operations authorised under a petroleum production licence;

“petroleum development operations” means authorised operations under a petroleum production licence;

“petroleum exploration expenditure” means expenditure incurred by a licensee in undertaking exploration operations authorised under a petroleum exploration right;

“petroleum exploration operations” means an authorised operation under a petroleum exploration right;

“petroleum operation” means a petroleum activity as defined in the Petroleum (Exploration, Development and Production) Act;

“petroleum revenues” has the meaning assigned to it in section 2 of the Public Finance Management Act;

“petroleum right” means a reconnaissance permit, petroleum exploration right, or a petroleum production licence;

“prescribed licensee” means—

- (a) a person who has been granted a mining right and, in respect of whom, the Commissioner General has notified in writing to be a prescribed licensee; or
- (b) a person with whom the Government has entered into a petroleum agreement;

“resident licensee” means a licensee that is a resident company;

“service fee” includes an amount treated as a royalty in the definition of “royalty” in section 2;

“social infrastructure expenditure” means capital expenditure that a licensee is required to incur under a mining right or petroleum agreement on the construction of a public school, public hospital, public road, or similar social infrastructure.

- (2) Unless the context otherwise requires, any term that is not defined in this Act but is defined in the Mining and Minerals Act or in the Petroleum (Exploration, Development and Production) Act as the case may be, has the same meaning as in the Mining and Minerals Act or in the Petroleum (Exploration, Development and Production) Act.
- (3) If more than one person has signed a petroleum agreement, each person is treated as a licensee for the purposes of this Part.
- (4) An amount is not treated as “mining exploration expenditure”, “mining extraction expenditure”, “petroleum exploration expenditure”, or “petroleum development expenditure” to the extent that the amount is not allowed as a deduction under section 22(3) or 23.

Mining operations

90. Taxation of mining licensees

- (1) This Act applies to a licensee in relation to mining operations subject to the modifications in this Part.
- (2) Where there is any inconsistency in the taxation of a licensee referred to in subsection (1), between this Part and other Parts of this Act and any agreement, the provisions of this Part shall prevail.
- (3) The rate of income tax applicable to a licensee in respect of mining operations is the rate specified under paragraph 1 of Part VII of Schedule 4 to this Act.

91. Limitations of deductions relating to mining operations

- (1) Subject to subsection (5), an amount that a licensee may deduct under this Act in relation to mining operations undertaken by the licensee in a licence area in a year of income shall be allowed as a

deduction only against the gross income derived by the licensee from the operations in the licence area for that year.

- (2) If an amount allowed as a deduction relates partly to mining operations in a licence area and partly to mining operations in another licence area or to some other activity, the deduction shall be apportioned accordingly.
- (3) If, in any year of income, the total deductions of a licensee in relation to mining operations undertaken in a licence area exceeds the total gross income arising from those operations in the licence area, the excess is carried forward to the following year of income and shall be deducted in that year against gross income arising from the mining operations in the licence area, until the excess is fully deducted or the mining operations in the licence area cease.
- (4) If a licensee has a loss carried forward for a licence area under subsection (3) for more than one year of income, the loss of the earliest year shall be allowed as a first deduction.
- (5) In this section, the licence area for a mining lease includes the area of a mining exploration right provided the licence area for the mining lease is wholly within the area covered by the mining exploration right.

92. Mining exploration expenditure

- (1) If the cost of acquiring a depreciable asset is treated as mining exploration expenditure, section 27 applies to the asset on the following basis—
 - (a) the asset is treated as belonging to a separate pool of depreciable assets; and
 - (b) the depreciation rate applicable to the pool is one hundred percent.
- (2) If the cost of acquiring an intangible asset is treated as mining exploration expenditure, section 30 applies to the asset on the basis that the useful life of the asset is one year.
- (3) A licensee shall be allowed a deduction for mining exploration expenditure to which subsection (1) or (2) do not apply in the year of income in which the expenditure is incurred.

93. Mining extraction expenditure

- (1) Subject to subsection (4), if the cost of acquiring an intangible asset is mining extraction expenditure, the useful life of the asset is the lesser of—
 - (a) the expected life of the mining extraction operations to which the asset relates; or
 - (b) six years.
- (2) Subject to subsection (4), a licensee shall be allowed a deduction on a straight-line basis for mining extraction expenditure to which subsection (1) does not apply over the lesser of—
 - (a) the expected life of the mining extraction operations to which the expenditure relates; or
 - (b) six years.
- (3) Subject to subsection (5), if a depreciable asset for use in mining extraction operations is acquired or constructed by a licensee before the commencement of commercial production, section 27 applies to the asset as if it was acquired or constructed at the time of commencement of commercial production.
- (4) Subject to subsection (5), if mining extraction expenditure is incurred before the commencement of commercial production, subsection (2) or section 30, as the case may be, applies to the expenditure as if it was incurred at the time of commencement of the commercial production.
- (5) The amount of a deduction for a depreciable asset referred to in subsection (3) or a mining extraction expenditure referred to in subsection (4) for the year of income in which the commencement of commercial production occurs is computed using the following formula—

$A \times B/C$

where—

A is the amount of the cost of the asset or the amount of the expenditure;

B is the number of days in the period beginning on the date of commencement of commercial production and ending on the last day of the year of income in which commercial production commenced; and

C is the number of days in the year of income in which commercial production commenced.

- (6) If a licensee disposes of an interest in a mining right (other than under a farm-out agreement), any gain arising on the disposal shall be reduced by any mining extraction expenditure incurred by the licensee to which subsection (2) applies that has not been deducted by the licensee at the time of the disposal.

94. Rehabilitation expenditure

- (1) A contribution made by a licensee to a rehabilitation fund in accordance with an approved rehabilitation plan in relation to mining operations shall be allowed as a deduction in the year of income in which the contribution was made.
- (2) An expenditure incurred by a licensee in carrying out work required by an approved rehabilitation plan in respect of the licensee's mining operations shall be allowed as a deduction in the year of income in which the expenditure is incurred provided that the work is not paid for, directly or indirectly, from money made available out of the licensee's rehabilitation fund for the mining operations.
- (3) An amount accumulated in a rehabilitation fund, or an amount withdrawn from a rehabilitation fund to meet expenditure incurred under an approved rehabilitation plan, shall be exempt income.
- (4) The following amounts shall be included in the gross income of a licensee—
 - (a) an amount withdrawn from a rehabilitation fund and returned to the licensee;
 - (b) any surplus in a rehabilitation fund of a licensee at the time of completion of rehabilitation that is returned to the licensee.
- (5) For purposes of this section—

“approved rehabilitation plan” means a plan for the rehabilitation of a mine site approved by the Minister responsible for mining operations; and

“rehabilitation fund” means a fund or account required to be established under a mining right to provide for the future payment of remedial work to the licence area covered by the mining right and that is managed jointly by the licensee and the Minister responsible for mining operations.

Petroleum operations

95. Taxation of petroleum licensees

- (1) This Act applies to a licensee in relation to a petroleum operation subject to the modifications in this Part.
- (2) Where there is any inconsistency in the taxation of a licensee referred to in subsection (1) between this Part, other Parts and any petroleum agreement, the provisions of this Part shall prevail.
- (3) The rate of income tax applicable to a licensee in relation to a petroleum operation is the rate specified under paragraph 2 of Part VII of [Schedule 4](#) to this Act.

- (4) If a licensee has a loss carried forward for a contract area under subsection (3) for more than one year of income, the loss of the earliest year shall be allowed as a first deduction.
- (5) In this section, a contract area that is a development area includes an exploration area provided the development area is wholly within the exploration area.

96. Limitation on deductions relating to petroleum operations

- (1) An amount that a licensee may deduct under this Act in relation to petroleum operations undertaken by a licensee in a contract area in a year of income shall not exceed the cost oil derived by the licensee from those operations in the contract area for that year.
- (2) Notwithstanding subsection (1), the amount that a licensee for Contract Area 1, Contract Area 3A and Licence Area 2 may deduct, in relation to petroleum operations undertaken in the respective Areas in a year of income, shall not exceed the cost recovery limit in the respective petroleum agreements.
- (3) Where, in any year of income, the total deductions of a licensee in relation to petroleum operations undertaken in a contract area exceed the cost oil for that year of income arising from those operations in the contract area, the excess shall be carried forward to the next following year of income and is deductible for that year of income against the cost oil for that year of income arising from the petroleum operations in the contract area until the excess is fully deducted or the petroleum operations in the contract area cease.
- (4) For the purposes of subsection (2), where, in any year of income, the total deductions of a licensee in relation to petroleum operations undertaken respectively in each of Contract Area 1, Contract Area 3A and Licence Area 2 exceed the amount which represents the cost recovery limit applicable in that Contract Area or Licence Area respectively as determined in subsection (2) for that year of income arising from the petroleum operations in the respective Contract Area or Licence Area, the excess shall be carried forward to the next following year of income and is deductible for that year of income against the cost recovery limit set for that year of income in respect of the petroleum operations in the respective Contract Area or Licence Area, until the excess is fully deducted or the petroleum operations in the Contract Area or Licence Area cease.
- (5) For the avoidance of doubt, subsections (2) and (4) apply only to Contract Area 1, Contract Area 3A and Licence Area 2.
- (6) If a licensee has a loss carried forward from a contract area under subsection (3) for more than one year of income, the loss of the earliest year shall be allowed as a first deduction.
- (7) In case of a licensee granted a petroleum exploration licence after 31st December 2015, the allowable deductions shall be subject to the limitations on deductions specified in the production sharing agreement.

97. Petroleum exploration expenditure

- (1) If the cost of acquiring a depreciable asset is treated as petroleum exploration expenditure, section 27 applies to the asset on the following basis—
 - (a) the asset is treated as belonging to a separate pool of depreciable assets; and
 - (b) the depreciation rate applicable to the pool is one hundred percent.
- (2) If the cost of acquiring an intangible asset is treated as petroleum exploration expenditure, section 30 applies to the asset on the basis that the intangible asset is amortised at the same rate as the assets of the petroleum exploration.
- (3) A licensee shall be allowed a deduction for petroleum exploration expenditure to which subsection (1) and (2) do not apply in the year of income in which the expenditure is incurred.

98. Petroleum development expenditure

- (1) Subject to subsection (4), if the cost of acquiring an intangible asset is petroleum development expenditure, the useful life of the asset is the lesser of—
 - (a) the expected life of the petroleum development operations to which the asset relates; or
 - (b) six years.
- (2) Subject to subsection (4), a licensee shall be allowed a deduction on a straight-line basis for petroleum development expenditure to which subsection (1) does not apply over the lesser of—
 - (a) the expected life of the petroleum development operations to which the expenditure relates; or
 - (b) six years.
- (3) Subject to subsection (5), if a depreciable asset for use in petroleum development operations is acquired or constructed by a licensee before the commencement of commercial production, section 27 shall apply to the asset as if it was acquired or constructed at the time of commencement of the commercial production.
- (4) Subject to subsection (5), if petroleum development expenditure is incurred before the commencement of commercial production, subsection (2) or section 27, as the case may be, shall apply to the expenditure as if it was incurred at the time of commencement of the commercial production.
- (5) The amount of a deduction for a depreciable asset referred to in subsection (3) or petroleum development expenditure referred to in subsection (4) for the year of income in which the commencement of commercial production occurs shall be computed using the following formula—

$$A \times B/C$$
 where —

A is the amount of the cost of the asset or the amount of the expenditure;

B is the number of days in the period beginning on the date of commencement of commercial production and ending on the last day of the year of income in which commercial production commenced; and

C is the number of days in the year of income in which the commercial production commenced.
- (6) In this section, “commencement of commercial production” means the first day of the period of thirty consecutive days during which production is not less than the level of regular production delivered for sale as determined by the Government as part of the approval of, or amendment to a development plan, averaged over not less than twenty-five days in the period.

99. Decommissioning expenditure

- (1) A contribution made by a licensee to a decommissioning fund in accordance with an approved decommissioning plan in relation to petroleum operations shall be allowed as a deduction in the year of income in which the contribution was made.
- (2) An expenditure incurred by a licensee in carrying out work required by an approved decommissioning plan in respect of the licensee’s petroleum operations shall be allowed as a deduction in the year of income in which the expenditure is incurred provided that the work is not paid for, directly or indirectly, from money made available out of the licensee’s decommissioning fund for the petroleum operations.

- (3) An amount accumulated in a decommissioning fund, or an amount withdrawn from a decommissioning fund to meet expenditure incurred under an approved decommissioning plan, shall be exempt income.
- (4) An amount withdrawn from a decommissioning fund and returned to the licensee is included in the gross income of a licensee.
- (5) For purposes of this section—

“approved decommissioning plan” means a decommissioning plan approved under the Petroleum (Exploration, Development and Production) Act; and

“decommissioning fund” means a decommissioning fund established under an approved decommissioning plan.

100. Windfall tax

- (1) Where the international oil price equals USD 75 (seventy five United States Dollars) per barrel or more on any day of a year of income, all licensees for Contract Area 1, Contract Area 3A and Licence Area 2 shall each pay a windfall tax on their net income generated from petroleum operations in relation to Contract Area 1, Contract Area 3A and Licence Area 2, after deduction of corporate income tax at a rate of 15%, computed as follows—

$$\text{Windfall tax} = 15\% * (A/B) * (C-D)$$

where—

A = the number of calendar days in the year of income on which the international oil price equals USD 75 per barrel or more;

B = the total number of calendar days in the year of income;

C = the net income generated from petroleum operations by the licensee in the year of income; and

D = corporate income tax payable by the licensee for the year of income.

- (2) Where, for any calendar day there is no international oil price quotation, the oil price of the last quotation prior to the respective calendar day shall apply to that day.
- (3) The windfall tax shall be paid by the licensee on an annual basis, on the same date as the date of payment of corporate income tax due for the last quarter of the relevant year of income.
- (4) For the purposes of this section—
 - (a) “international oil price” means the higher of either the simple arithmetical average of the per barrel selling prices of three globally recognised international crude oil benchmarks which are similar to the Lake Albert Crude, as agreed to between the Government of Uganda and the licensee, not later than sixty days prior to the commencement of commercial production or the Dated Brent; and
 - (b) “net income” means the chargeable income of the licensee derived from petroleum operations in that year of income.

Rules applicable to mining and petroleum operations

101. Farm-outs

- (1) This section shall apply where the following conditions are satisfied—
 - (a) a licensee (referred to as the “transferor”) has entered into an agreement (referred to as a “farm-out agreement”) with a person (referred to as the “transferee”) for the transfer of the whole or part of the interest of the transferor in a mining right or petroleum agreement;

- (b) the consideration given by the transferee for the transferred interest wholly or partly includes the transferee undertaking some or all of the work commitments of the transferor in respect of the part of the interest retained by the transferor.
- (2) If this section applies—
- (a) the value of any work undertaken by the transferee in relation to the part of the interest retained by the transferor shall be included in—
 - (i) the consideration received by the transferor for the transferred interest; or
 - (ii) the gross income of the transferor; and
 - (b) the following applies to any amount of money received or receivable by the transferor for the transferred interest—
 - (i) section [61](#) applies to the amount of money on the basis that it is a recoupment by the transferor of any deductions allowed for expenditure incurred by the transferor in respect of the transferred interest; and
 - (ii) if the amount of money exceeds the amount of deducted expenditure to which section [61](#) applies, the excess shall be treated as consideration received for the transferred interest.

102. Indirect transfers of interest

- (1) If there is a change in the underlying ownership of a licensee, the licensee shall immediately notify the Commissioner General, in writing, of the change.
- (2) If the person disposing of the interest to which a notice under subsection [\(1\)](#) relates is a non-resident person, the licensee shall be liable, as agent for the non-resident person, for any tax payable under this Act by the non-resident person in respect of the disposal.
- (3) The interest referred to in subsection [\(2\)](#) is a business asset for the purposes of this Act.

103. Taxation of contractors

- (1) Subject to subsection [\(3\)](#), a non-resident contractor who derives a fee (referred to as a “service fee”), for the provision of services to a licensee in respect of mining or petroleum operations is liable to pay non-resident contractor tax at the rate prescribed in paragraph [3](#) of Part [VII](#) of [Schedule 4](#) to this Act.
- (2) The tax payable under subsection [\(1\)](#) shall be computed by applying the rate prescribed in paragraph [3](#) of Part [VII](#) of [Schedule 4](#) to this Act to the gross amount of the service fee.
- (3) A licensee paying a service fee to a non-resident contractor that is subject to non-resident contractor tax shall withhold tax on the gross amount paid at the rate specified in subsection [\(1\)](#).
- (4) A licensee to whom subsection [\(3\)](#) applies shall withhold tax at the earlier of—
 - (a) at the time the licensee credits the service fee to the account of the non-resident contractor; or
 - (b) at the time that the fee is actually paid.
- (5) A non-resident contractor tax imposed under this section shall be a final tax on the service fee and the fee shall not be included in the gross income of the contractor.
- (6) Section [140](#) to [146](#) of this Act and the Tax Procedures Code Act apply to a non-resident contractor on the basis that—
 - (a) the tax is a tax withheld under Part [XIV](#);

- (b) the contractor is a payee; and
 - (c) the licensee is a withholding agent.
- (7) This section shall apply as if the associate is a non-resident contractor providing services to the licensee if the following conditions are satisfied—
 - (a) a non-resident contractor provides services to a licensee;
 - (b) the service fee is paid to the contractor by a non-resident associate of the licensee; and
 - (c) the fee is recharged by the associate to the licensee.
- (8) If a non-resident contractor provides services for the benefit of a licensee and the fee for the services is paid to the non-resident contractor by a non-resident associate of the licensee, this section applies to any recharge of the fee by the associate to the licensee as if the associate provided the services to the licensee.

104. Withholding tax

- (1) The tax payable for the purposes of section 82(3) applicable to a participation dividend paid by a resident licensee to a company is calculated by applying the rate prescribed in Part VIII of Schedule 4 to this Act.
- (2) A licensee is treated as a designated person for the purposes of section 136 in respect of payments made to a resident contractor.
- (3) Section 136 applies to an amount treated as a royalty as defined in paragraph (a)(v) of the definition of “royalty” in section 2, if it is paid by a licensee to any contractor in Uganda in respect of the use of property in Uganda.
- (4) For the purposes of this section, “resident contractor” means a contractor that is a resident person.

105. Tax accounting principles

- (1) A licensee shall account on an accrual basis.
- (2) Except as may be otherwise agreed in writing between the Government and a licensee, all transactions shall be accounted for at arm’s length prices, and a licensee shall disclose all non-arm’s length transactions in a return for a specified period if required to do so by the Commissioner General.
- (3) A prescribed licensee shall, for purposes of taxation—
 - (a) maintain accounts for a contract area in Uganda Shillings and in United States Dollars, and in the case of any conflict, the accounts maintained in the United States Dollars shall prevail; and
 - (b) use the exchange rates prescribed for conversion of currencies as follows—
 - (i) the Government or a prescribed licensee shall not experience an exchange gain or loss at the expense of, or to the benefit of, the other; and any gain or loss resulting from the exchange of currency, shall be credited or charged to the accounts;
 - (ii) the amounts received and costs and expenditures made in Uganda shillings, United States Dollars or any other currency shall be converted into Uganda Shillings or United States Dollars, as the case may be, on the basis of the average of the buying and selling exchange rates between the currencies in question as published by the Bank of Uganda, prevailing on the last business day of the calendar month preceding the calendar month in which the amounts are received, and costs and expenditures are paid;

- (iii) in the event of an increase or decrease, one time or accumulative, of ten percent or more in the rates of exchange between the Uganda Shilling, the United States Dollar or the currency in question during any given calendar month, the following rates shall be used—
 - (A) for the period from the first of the calendar month to the day when the increase or decrease is first reached, the average of the official buying and selling exchange rates between the United States Dollar, the Uganda Shilling or the currency in question as issued on the last day of the previous calendar month;
 - (B) for the period from the day on which the increase or decrease is first reached to the end of the calendar month, the average of the official buying and selling exchange rates between the United States Dollar, the Uganda Shilling or the currency in question as issued on the day on which the increase or decrease is reached.
- (4) A prescribed licensee shall maintain a record of the exchange rates used in converting Uganda Shillings, United States Dollars or any other currency.

106. Allocation of costs and expenses

Any petroleum exploration expenditure or petroleum development expenditure associated with a unit development involving a discovery area which extends into a neighbouring country or licence, or both shall be allocated on the basis of the petroleum reserves attributable to that portion of the discovery area located in Uganda or licence, or both.

107. Valuation and measurement of petroleum

For the purposes of determining the value of petroleum derived from petroleum operations from a contract area, the petroleum shall be valued and measured in accordance with the regulations prescribed by the Minister which shall be laid before Parliament.

108. Application of sections 121, 122 and 123 and the Tax Procedures Code Act

Sections [121](#), [122](#) and [123](#) and the Tax Procedures Code Act apply, subject to the modifications in this Part, to a licensee in respect of—

- (a) mining and petroleum revenues and for that purpose—
 - (i) such revenues are a “tax”; and
 - (ii) a consolidated mining revenue return and a consolidated petroleum revenue return required under section [109](#) are a “tax return”; and
- (b) taxes payable to the Government not included in mining or petroleum revenues, in this Part referred to as “other taxes”.

109. Returns

- (1) Section [119](#) of this Act and sections 16 and 19 of the Tax Procedures Code Act apply to a licensee subject to the following modifications—
 - (a) a licensee shall furnish a return not later than seven days after the end of every month in respect of the provisional payments required under section [111\(b\)](#);
 - (b) not less than thirty days before the beginning of a year of income, a licensee shall furnish a return, including particulars for each calendar quarter of the year, estimated to the best of the licensee’s judgment, and shall furnish updates of the return within seven days after the end of each of the first three calendar quarters in the year;

- (c) the Commissioner General may require a duly appointed agent or trustee of the licensee, whether taxable or not, to furnish a return on the licensee's behalf or as an agent or trustee of the licensee;
 - (d) in addition to a return furnished on a licensee's own behalf, the Commissioner General may require a licensee acting as an operator in a contract area, to furnish a return in respect of that area on behalf of all licensees with an interest in the petroleum agreement;
 - (e) a return required under this section shall include particulars of mining or petroleum revenues and other taxes prescribed by the Commissioner General;
 - (f) a return required for any period shall be furnished, whether mining or petroleum revenues or other taxes are payable for the period or not;
 - (g) the Commissioner General may make provision permitting or requiring a licensee to submit returns electronically.
- (2) In addition to a return required under subsection (1), a contractor shall file an annual consolidated mining or petroleum revenue return with the Commissioner General at the end of each year of income, not later than ninety days after the expiry of the year of income.

110. Assessments, objections and appeals

- (1) Part VII of the Tax Procedures Code Act applies to a licensee subject to an assessment made by the Commissioner General on a licensee may relate to mining or petroleum revenues and not only to chargeable income.
- (2) Objections and appeals relating to mining or petroleum revenues shall be determined in accordance with Part VIII of the Tax Procedures Code Act.

111. Collection and recovery

Sections 120, 121 and 122 and Part IX of the Tax Procedures Code Act shall apply to contractors with the following modifications—

- (a) mining or petroleum revenues and other taxes charged in any assessment shall be payable within seven days after the due date for furnishing a return;
- (b) a contractor shall, in each calendar quarter, make a provisional payment consisting of—
 - (i) in the case of income tax, one quarter of the contractor's estimated income tax for the year; and
 - (ii) in the case of mining or petroleum revenues, other than income tax, the amounts payable for the quarter under the Mining and Minerals Act or mining right, or petroleum agreement;
- (c) unless otherwise agreed between the Government and a prescribed licensee, all payments or refunds of mining or petroleum revenues other than those payable in kind and other taxes shall be made in United States Dollars;
- (d) all mining or petroleum revenues shall be payable to the Uganda Revenue Authority;
- (e) subject to paragraph (f), section 123 shall apply to refunds of mining or petroleum revenues and other taxes payable to the Government;
- (f) late payment, or refunds of mining or petroleum revenues and other taxes payable to the Government shall, for each day on which the sums are overdue during any month, bear interest compounded daily at an annual rate equal to the average rates published by the Bank of Uganda plus five percentage points;

- (g) where a licensee has paid mining or petroleum revenues in kind and the amount payable subsequently requires to be adjusted for any reason, the adjustment shall be made in cash unless otherwise agreed between the Government and a licensee;
- (h) a payment of mining or petroleum revenues made by a licensee shall be allocated by the Commissioner General against the amounts payable in the order in which they become due and in such a way as to minimise any interest or penalties payable by a licensee.

112. Failure to furnish returns

- (1) Notwithstanding the provisions of sections 56 and 58 of the Tax Procedures Code Act, a licensee who fails to furnish a return or provide any other document within the time prescribed by this Act is liable to a penalty of not less than fifty thousand United States Dollars and not exceeding five hundred thousand United States Dollars.
- (2) Where a licensee convicted of an offence under subsection (1) fails to furnish the return or document to which the offence relates within a period specified by the court, or furnishes false or inaccurate returns, that licensee is liable to a fine not exceeding one hundred thousand United States Dollars.

113. Making false or misleading statements

A prescribed licensee or person in relation to a prescribed licensee who is convicted of an offence under section 67 of the Tax Procedures Code Act shall be liable, on conviction—

- (a) when the statement or omission was made knowingly or recklessly, to a fine not less than one million United States Dollars or to imprisonment for a term not exceeding five years, or both; or
- (b) in any other case, to a fine not less than fifty thousand United States Dollars and not exceeding five hundred thousand United States Dollars.

114. Penal tax and tax offences

Part XV and sections 68, 69, 81, 82, 83 and 85 of the Tax Procedures Code Act apply to a licensee in respect of mining or petroleum revenues and other taxes subject to the following modifications—

- (a) interest under section 111(f) and not penal tax under section 60 of the Tax Procedures Code Act shall be charged where provisional tax is understated;
- (b) a licensee shall not be prosecuted or fined under these sections if prosecuted or fined for the same offence under the Mining and Minerals Act, Petroleum (Exploration, Development and Production) Act or the petroleum agreement.

115. Right of Commissioner General to execute mandate

Nothing in a mining right, petroleum agreement or in any law shall be construed as limiting the right of the Commissioner General to execute his or her mandate for purposes of this Act.

Part XI – Anti-avoidance

116. Transactions between associates

- (1) In any transaction between associates or persons who are in an employment relationship, the Commissioner General may distribute, apportion or allocate income, deductions or credits between the associates or persons who are in an employment relationship, as the case may be, as is necessary to reflect the chargeable income realised by the taxpayer in an arm's length transaction.

- (2) The Commissioner General may adjust the income arising in respect of any transfer or licence of intangible property between associates so that it is commensurate with the income attributable to the property.
- (3) In making any adjustment under subsection (1) or (2), the Commissioner General may determine the source of income and the nature of any payment or loss as revenue, capital or otherwise.

117. Re-characterisation of income and deductions

- (1) For the purposes of determining liability to tax under this Act, the Commissioner General may—
 - (a) re-characterise a transaction or an element of a transaction that was entered into as part of a tax avoidance scheme;
 - (b) disregard a transaction that does not have substantial economic effect; or
 - (c) re-characterise a transaction the form of which does not reflect the substance.
- (2) A “tax avoidance scheme” in subsection (1) includes any transaction one of the main purposes of which is the avoidance or reduction of liability to tax.

Part XII – Procedure relating to income tax returns

Returns

118. Furnishing of return of income

- (1) Subject to section 119, every taxpayer shall furnish a return of income for each year of income not later than six months after the end of that year.
- (2) Notwithstanding subsection (1), a manager of a takaful business shall furnish a return of income for each year of income, not later than six months after the end of that year, on behalf of the participants in each group in the takaful business.
- (3) A return of income shall be in the form prescribed by the Commissioner General and shall be furnished in the manner prescribed by the Commissioner General.
- (4) Where a taxpayer is legally incapacitated, the legal representative of the taxpayer shall sign the return.
- (5) A return of income of a taxpayer who is carrying on business shall be accompanied by a statement of income and expenditure and a statement of the assets and liabilities of the taxpayer.
- (6) A person, other than an employee of the taxpayer, who, for remuneration, prepares or assists in the preparation of a return of income, a balance sheet, a statement of income and expenditure or any other document submitted in support of a return, shall sign the return certifying that the person has examined the books of accounts and all other relevant documentation of the taxpayer, and that, to the best of the person’s knowledge, the return or document correctly reflects the data and transactions to which it relates.
- (7) Where a person refuses to sign a certificate referred to in subsection (6), that person shall furnish the taxpayer with a statement in writing of the reasons for the refusal and the taxpayer shall include that statement with the return of income to which the refusal relates.

119. Cases where returns of income not required

Unless requested by the Commissioner General by notice in writing, no return of income shall be furnished under this Act for a year of income—

- (a) by a non-resident person where section 4(4) or section 87(1)(c) or both apply to all the income derived from sources in Uganda by the person during the year of income; or
- (b) by a resident individual—
 - (i) to whom section 4(4) applies, except persons employed by diplomatic missions and prescribed organisations on which diplomatic immunities and privileges are conferred; or
 - (ii) whose total chargeable income for the year of income is subject to the zero rate of tax under Part I of Schedule 4 to this Act.
- (c) by a non-resident person who is licensed to carry on Islamic financial business under a partnership arrangement or who has no physical place of business in Uganda.

120. Due date for payment of tax

The tax due under this Act shall be payable—

- (a) in the case of a taxpayer subject to section 22 of the Tax Procedures Code Act, on the due date for furnishing of the return of income to which the assessment relates; and
- (b) in any other case, within forty-five days from the date of service of the notice of assessment.

Provisional tax

121. Payment of provisional tax

- (1) A person who derives or expects to derive any income during a year of income which is not or will not be subject to withholding tax at the source under section 126, 127 or 128 is liable or subject to pay provisional tax under this section.
- (2) A provisional taxpayer, other than an individual, is liable to pay two instalments of provisional tax, on or before the last day of the sixth and twelfth months of the year of income, in respect of the taxpayer's liability for income tax for that year.
- (3) For the purposes of subsection (2), the amount of each instalment of provisional tax for a year of income is calculated using the following formula—

$$(50\% \times A) - B$$

where—

A is the estimated tax payable by the provisional taxpayer for the year of income; and

B is the amount of any tax withheld under this Act, prior to the due date for payment of the instalment, from any amounts derived by the taxpayer during the year of income which will be included in the gross income of the taxpayer for that year.

- (4) A provisional taxpayer who is an individual is liable to pay four instalments of provisional tax, on or before the last day of the third, sixth, ninth and twelfth months on the year of income, in respect of the taxpayer's liability for income tax for that year.
- (5) For the purposes of subsection (4), the amount of each instalment of provisional tax for a year of income is calculated using the following formula—

$$(25\% \times A) - B$$

where—

A is the estimated tax payable by the provisional taxpayer for the year of income; and

B is the amount of any tax withheld under this Act, prior to the due date for payment of the instalment, from any amounts derived by the taxpayer during the year of income which will be included in the gross income of the taxpayer for that year.

- (6) Upon written application by the taxpayer, the Commissioner General may, where good cause is shown, extend the due date for payment of an instalment of provisional tax or allow for payment of such an instalment in equal or varying amounts.
- (7) An instalment of provisional tax, when it becomes due and payable, is a debt due to the Government, and the provisions of this Act shall apply for the purposes of the collection and recovery of provisional tax by the Commissioner General.
- (8) Each instalment of provisional tax shall be credited against the income tax assessed to the provisional taxpayer for the year of income to which the instalment relates.
- (9) Where the total of the instalments credited under subsection (8) exceeds the taxpayer's income tax assessed for that year, the excess shall be dealt with by the Commissioner General in accordance with section 123(3).
- (10) No instalment of provisional tax paid by a provisional taxpayer shall be refunded to the taxpayer other than in accordance with subsection (9).
- (11) In this section, "estimated tax payable" has the meaning in section 122.

122. Estimated tax payable

- (1) A provisional taxpayer's estimated tax payable for a year of income is—
 - (a) in the case of a taxpayer to whom section 4(5) applies, the amount determined under Schedule 3 to this Act for that year as the tax payable on the gross turnover of the taxpayer estimated for that year under subsection (2); or
 - (b) in any other case, the amount calculated by applying the rates of tax in force for that year against the amount estimated under subsection (3) by the taxpayer as the chargeable income of the taxpayer for the year.
- (2) Every provisional taxpayer to whom section 4(5) applies shall furnish an estimate of the gross turnover of the taxpayer for each year of income and shall include with the estimate for a year of income, a statement of the actual gross turnover of the taxpayer for the previous year of income.
- (3) Every provisional taxpayer, other than a taxpayer to whom section 4(5) applies, shall furnish an estimate of the chargeable income to be derived by the taxpayer for a year of income in respect of which provisional tax is or may be payable by the taxpayer.
- (4) A provisional taxpayer's estimate under subsection (2) or (3) shall be in the form prescribed by the Commissioner General and shall be furnished to the Commissioner General by the due date for payment of the first instalment of provisional tax for the year of income.
- (5) A provisional taxpayer's estimate under subsection (2) or (3) shall remain in force for the whole of the year of income unless the taxpayer furnishes a revised estimate to the Commissioner General which revised estimate shall only apply to the calculation of the provisional tax payable by the taxpayer after the date the revised estimate was furnished to the Commissioner General.
- (6) Where a provisional taxpayer fails to furnish an estimate of gross turnover or chargeable income as required by subsection (2) or (3), the estimated gross turnover or chargeable income of the taxpayer for the year of income shall be such amount as estimated by the Commissioner General.

Refund of tax

123. Refunds

- (1) A taxpayer may apply to the Commissioner General for a refund, in respect of any year of income, of any tax paid by withholding, instalments or otherwise in excess of the tax liability assessed to or due by the taxpayer for that year.
- (2) An application for a refund under this section shall be made to the Commissioner General in writing within five years of the later of—
 - (a) the date on which the Commissioner General has served the notice of assessment for the year of income to which the refund application relates; or
 - (b) the date on which the tax was paid.
- (3) Where the Commissioner General is satisfied that tax has been overpaid, the Commissioner General shall—
 - (a) apply the excess in reduction of any other tax due from the taxpayer; then
 - (b) apply the balance of the excess, if any, in reduction of any outstanding liability of the taxpayer to pay other taxes not in dispute or to make provisional tax payments during the year of income in which the refund is to be made; then
 - (c) refund the remainder, if any, to the taxpayer.
- (4) Where the Commissioner General is required to refund an amount of tax to a person as a result of an application made to the Commissioner General under this section or of a decision made under section 25, 26 or 27 of the Tax Procedures Code Act, the Commissioner General shall pay simple interest at a rate of two percent per month for the period commencing on the date the person made the application for refund and ending on the last day of the month in which the refund is made.
- (5) A taxpayer shall be deemed to have submitted an application for refund referred to in subsection (4), on the date on which the application is received by the Commissioner General.
- (6) Notwithstanding subsection (8), where the Commissioner General requests for additional information, the application for refund shall be deemed to have been submitted on the date on which the additional information is received by the Commissioner General.
- (7) Notwithstanding subsection (4), a refund shall be paid by the Commissioner General to a taxpayer within a period of six months from the date on which the application by the tax payer is received by the Commissioner General.
- (8) The Commissioner General shall, within thirty days of making a decision on a refund application under subsection (1), serve on the person applying for the refund a notice in writing of the decision.
- (9) A person dissatisfied with a decision referred to in subsection (8) may only challenge the decision under the objection and appeal procedure in the Tax Procedures Code Act.

Part XIII – Procedure relating to rental tax

124. Rental tax

- (1) An individual charged to tax under section 5 shall furnish a return of rental income for each year of income not later than six months after the end of that year.
- (2) Sections 118 and 123 apply, with necessary modifications, to the tax imposed under section 5.

- (3) For the avoidance of doubt, the Commissioner General shall prescribe the form for return of rental income under this section.

Part XIV – Withholding of tax at source

125. Interpretation of Part

In this Part—

“**payee**” means a person receiving payments from which tax is required to be withheld under this Part; and

“**withholding agent**” means a person obliged to withhold tax under this Part.

126. Withholding of tax by employers

- (1) Every employer shall withhold tax from a payment of employment income to an employee as prescribed by regulations made under section 151.
- (2) The obligation of an employer to withhold tax under subsection (1) is not reduced or extinguished because the employer has a right, or is otherwise under an obligation, to deduct and withhold any other amount from such payments.
- (3) The obligation of an employer to withhold tax under subsection (1) applies notwithstanding any other law which provides that the employment income of an employee shall not be reduced or subject to attachment.

127. Payment of interest to resident persons

- (1) Subject to subsection (2), a resident person who pays interest to another resident person shall withhold tax on the gross amount of the payment at the rate prescribed in Part IX of Schedule 4 to this Act.
- (2) This section does not apply to—
 - (a) interest paid by a natural person;
 - (b) interest, other than interest from Government securities, paid to a financial institution;
 - (c) interest paid by a company to an associated company; or
 - (d) interest paid which is exempt from tax in the hands of the recipient.
- (3) In this section, “associated company”, in relation to a company, in this subsection referred to as the “payer company”, means—
 - (a) a company in which the payer company controls fifty percent or more of the voting power in the company either directly or through one or more interposed companies;
 - (b) a company which controls fifty percent or more of the voting power in the payer company either directly or through one or more interposed companies; or
 - (c) a company, in this subsection referred to as the “payee company”, where another company controls fifty percent of the voting power in the payee and payer companies either directly or through one or more interposed companies.

128. Payment of dividends to resident shareholders

- (1) A resident company which pays a dividend to a resident shareholder shall withhold tax on the gross amount of the payment at the rate prescribed in Part IX of Schedule 4 to this Act.

- (2) This section does not apply where the dividend income is exempt from tax in the hands of the shareholder.

129. Withholding tax from professional fees

- (1) A resident person who pays management fees, agency fees in case of Islamic financial business, or professional fees to a resident person shall withhold tax on the gross amount of the payment at the rate prescribed in Part X of Schedule 4 to this Act.
- (2) This section does not apply to a resident person whom the Commissioner General is satisfied has regularly complied with the obligations imposed on that person under this Act.

130. Withholding tax by purchaser of asset

- (1) A resident person who purchases an asset from a non-resident person shall withhold tax on the gross amount of the payment at the rate prescribed in Part X of Schedule 4 to this Act.
- (2) A resident person who purchases a business or business asset shall withhold tax at a rate specified in Part X of Schedule 4 to this Act.

131. Withholding of tax on payments for winnings of betting

A person who makes payment for winnings of betting shall withhold tax on the gross amount of the payment at the rate prescribed in Part XI Schedule 4 to this Act.

132. Withholding tax on payments of re-insurance or re-takaful premiums

- (1) A resident person who makes a payment of premium for reinsurance or re-takaful services to a non-resident person shall withhold tax on the gross amount of the payment at a rate prescribed in Part XII of Schedule 4 to this Act.
- (2) Subsection (1) does not apply to re-insurance or re-takaful services provided by—
 - (a) Uganda Reinsurance Company Limited;
 - (b) African Reinsurance Corporation; or
 - (c) PTA Reinsurance Company.
- (3) Reference to premium under this section shall have the same meaning as contribution in the case of re-takaful business.

133. Withholding tax on commission paid by telecommunications service providers on airtime distribution and mobile money

A telecommunications service provider who makes a payment of a commission for airtime distribution or provision of mobile money services shall withhold tax on the gross amount of the payment at the rate prescribed in Part XIII of Schedule 4 to this Act.

134. Withholding of tax on commission paid to insurance agent

An insurance service provider who makes a payment of a commission to an insurance agent shall withhold tax on the gross amount of the payment at the rate prescribed in Part XIV of Schedule 4 to this Act.

135. Withholding of tax on commission paid to advertising agent

A person who makes payment for a commission to an advertising agent shall withhold tax on the gross amount of the payment at the rate prescribed in Part XIV of Schedule 4 to this Act.

136. Payment for goods and services

- (1) Where the Government of Uganda, a Government institution, a local authority, any company controlled by the Government of Uganda, or any person designated in a notice issued by the Minister, in this section referred to as the “payer”, pays an amount or amounts in aggregate exceeding one million shillings to any person in Uganda—
 - (a) for a supply of goods or materials of any kind; or
 - (b) for a supply of any services,the payer shall withhold tax on the gross amount of the payment at the rate prescribed in Part X of Schedule 4 to this Act, and the payer shall issue a receipt to the payee.
- (2) Where—
 - (a) there are separate supplies of goods or materials, or of services and each supply is made for an amount of one million shillings or less; and
 - (b) it would reasonably be expected that the goods or materials, or services would ordinarily be supplied in a single supply for an amount exceeding one million shillings,subsection (1) applies to each supply.
- (3) Every person who imports goods into Uganda is liable to pay tax at the time of importation on the value of the goods at the rate prescribed in Part X of Schedule 4 to this Act.
- (4) The value of goods under subsection (3) shall be the value of the goods ascertained for the purposes of customs duty under the laws relating to customs.
- (5) This section does not apply to—
 - (a) importations by organisations within the definition of “exempt organisation” in section 2(a)(ii) of that definition;
 - (b) a supplier or importer—
 - (i) who is exempt from tax under this Act; or
 - (ii) who the Commissioner General is satisfied has regularly complied with the obligations imposed on the supplier or importer under this Act; and
 - (c) agricultural supplies.
- (6) The tax paid under subsections (1) and (3) is treated as tax withheld for the purposes of section 146.

137. International payments

- (1) Any person making a payment of the kind referred to in section 82, 84 or 85 shall withhold from the payment the tax levied under the relevant section.
- (2) Any promoter, agent or similar person—
 - (a) paying remuneration to a non-resident entertainer or sports person; or
 - (b) responsible for collecting the gross receipts from a performance in Uganda by a theatrical, musical or other group of non-resident entertainers or sports persons,shall withhold from the remuneration or receipts the tax levied under section 83.
- (3) This section does not apply where the payment is exempt from tax.

138. Non-resident services contract

- (1) Every person who enters into an agreement with a non-resident for the provision of services by the non-resident which services give rise to income sourced in Uganda shall, within thirty days of the date of entering into such agreement, notify the Commissioner General in writing of—
 - (a) the nature of such agreement;
 - (b) the likely duration of the agreement;
 - (c) the name and postal address of the non-resident person to whom payments under the agreement are to be made; and
 - (d) the total amount estimated to be payable under the agreement to the non-resident person.
- (2) The Commissioner General may, by notice in writing served on the person who has notified the Commissioner General under subsection (1), require that person to withhold tax from any payment made under the agreement at the rate specified by the Commissioner General in the notice.
- (3) Subsection (2) does not apply to a contract to which section 84 applies.
- (4) A person who fails to notify the Commissioner General in accordance with subsection (1) is personally liable to pay to the Commissioner General the amount of tax that the non-resident is liable for on the income arising under the contract, but the person is entitled to recover this amount from the non-resident.
- (5) The provisions of this Act relating to the collection and recovery of tax apply to the liability imposed by subsection (1) as if it were tax.

139. Withholding as final tax

Where—

- (a) tax has been withheld under section 127 on a payment of interest on treasury bills or other Government securities by the Bank of Uganda to any person or by a financial institution to a resident individual, other than in the capacity of trustee, resident retirement fund or to an exempt organisation;
- (b) tax has been withheld under section 133 on a payment of commission for airtime distribution or provision of mobile money services to a resident individual; or
- (c) tax has been withheld under section 128 on a payment of dividends to a resident individual;

the withholding tax is a final tax, and—

- (d) no further tax liability is imposed upon the taxpayer in respect of the income to which the tax relates;
- (e) that income is not aggregated with the other income of the taxpayer for the purposes of ascertaining chargeable income;
- (f) no deduction is allowed for any expenditure or losses incurred in deriving the income; and
- (g) no refund of tax shall be made in respect of the income.

140. Payment of tax withheld

- (1) Subject to subsection (2), a withholding agent shall pay to the Commissioner General any tax that has been withheld or that should have been withheld under this Part within fifteen days after the end of the month in which the payment subject to withholding tax was made by the withholding agent.

- (2) Where a person withholds or should have withheld tax as required under section [137\(2\)](#), the tax shall be paid to the Commissioner General within five days of the performance or by the day before the date the non-resident leaves Uganda, whichever is the earlier.
- (3) The provisions of this Act relating to the collection and recovery of tax apply to any amount withheld under this Part as if it were tax.

141. Advance tax for transport services

- (1) A taxpayer who provides a passenger transport service or a freight transport service where the goods vehicle used has a loading capacity of at least two tonnes shall pay an advance tax at the rates specified in Part II of Schedule 3 to this Act.
- (2) A taxpayer who provides a passenger transport service or a freight transport service under subsection [\(1\)](#), shall be required to obtain a tax clearance certificate from the Commissioner General in accordance with section 50 of the Tax Procedures Code Act before renewal of operational licences.

142. Failure to withhold tax

- (1) A withholding agent who fails to withhold tax in accordance with this Act is personally liable to pay to the Commissioner General the amount of tax which has not been withheld, but the withholding agent is entitled to recover this amount from the payee.
- (2) The provisions of this Act relating to the collection and recovery of tax apply to the liability imposed by subsection [\(1\)](#) as if it were tax.

143. Tax credit certificates

- (1) Subject to subsection [\(3\)](#), a withholding agent shall deliver to the payee a tax credit certificate setting out the amount of payments made, and tax withheld during a year of income.
- (2) A payee who is required to furnish a return of income shall attach to the return the tax credit certificate or certificates supplied to the payee for the year of income for which the return is filed.
- (3) A withholding agent shall at the end of each year of income deliver to the employee, to whom section [4\(4\)](#) applies, a certificate setting out the amount of tax withheld during a year of income.

144. Record of payments and tax withheld

- (1) A withholding agent shall maintain, and keep available for inspection by the Commissioner General, records showing, in relation to each year of income—
 - (a) payments made to a payee; and
 - (b) tax withheld from those payments.
- (2) The records referred to in subsection [\(1\)](#) shall be kept by the withholding agent for five years of income after the end of the year of income to which the records relate.
- (3) The Commissioner General may call upon a withholding agent to allow an auditor to examine the records of the agent to verify their accuracy against the tax credit certificates of the agent.

145. Priority of tax withheld

- (1) Tax withheld by a withholding agent under this Act—
 - (a) is held by the withholding agent in trust for the Government of Uganda; and

- (b) is not subject to attachment in respect of a debt or liability of the withholding agent, and in the event of the liquidation or bankruptcy of the withholding agent, an amount withheld under this Act does not form a part of the estate in liquidation, assignment or bankruptcy; and the Commissioner General shall have a first claim before any distribution of property is made.
- (2) Every amount which a withholding agent is required under this Act to withhold from a payment is—
- (a) a first charge on that payment; and
 - (b) withheld prior to any other deduction which the withholding agent may be required to make by virtue of an order of any court or any other law.

146. Adjustment on assessment and withholding agent's indemnity

- (1) The amount of tax withheld under this Part is treated as income derived by the payee at the time it was withheld.
- (2) A withholding agent who has withheld tax under this Part and remitted the amount withheld to the Commissioner General is treated as having paid the withheld amount to the payee for the purposes of any claim by that person for payment of the amount withheld.
- (3) Tax withheld from a payment under this Part is deemed to have been paid by the payee and, except in the case of a tax that is a final tax under this Act, is credited against the tax assessed on the payee for the year of income in which the payment is made.
- (4) Where the tax withheld under this Part for a year of income, together with any provisional tax paid under section [121](#) for that year, exceeds the liability under an assessment of the taxpayer for that year, the excess shall be dealt with by the Commissioner General in accordance with section [123\(3\)](#).
- (5) Where a person who pays tax in accordance with section [136\(3\)](#) is an individual whose only source of income is employment income, the tax shall be refunded on application by that person in accordance with section [123](#).

Part XV – Information collection

147. Business information returns

- (1) Every person carrying on business in Uganda who makes a payment of income sourced in Uganda, being services income, interest, royalties, management fees or other income specified by the Commissioner General shall furnish a return of such payments, in this section referred to as a “business information return”, to the Commissioner General within sixty days after the end of the year of income in which the payment was made.
- (2) A business information return shall be in the form specified by the Commissioner General and shall state the information required.
- (3) Subsection [\(1\)](#) does not apply to the payment of any income subject to withholding of tax at source under Part [XIV](#) of this Act, other than employment income.
- (4) Notwithstanding subsection [\(1\)](#), a person required to withhold tax under section [126](#) shall furnish a withholding tax return for every month in the form specified by the Commissioner General, not later than fifteen days after the end of the month to which the withholding tax relates for all employees liable to tax.
- (5) A withholding agent who makes a payment subject to withholding tax under section [82](#) to [85](#) and section [127](#) to [136](#) shall furnish a return of withholding tax for every month in the form specified by the Commissioner General not later than fifteen days after the end of every month to which withholding tax relates.

Part XVI – Interest

148. Interest on unpaid tax

- (1) A person who fails—
 - (a) to pay any tax, including provisional tax;
 - (b) to pay any penal tax; or
 - (c) to pay to the Commissioner General any tax withheld or required to be withheld by the person from a payment to another person,on or before the due date for payment is liable for interest at a rate equal to 2 percent per month on the amount unpaid calculated from the date on which the payment was due until the date on which payment is made.
- (2) Interest paid by a person under subsection (1) shall be refunded to the person to the extent that the tax to which the interest relates is found not to have been due and payable.
- (3) Where good cause is shown, in writing, by the person liable for payment of interest, the Minister may, on the advice of the Commissioner General, remit, in whole or in part, any interest charged under this section.
- (4) Interest charged in respect of a failure to comply with section 140 is borne personally by the withholding agent, and no part of it is recoverable from the person who received the payment from which tax was or should have been withheld under Part XIV of this Act.
- (5) Interest charged under this section shall be simple interest.
- (6) The provisions of this Act relating to the collection and recovery of tax apply to any interest charged under this section as if it were tax due.
- (7) The interest due and payable under subsection (1), which exceeds the aggregate of the principal tax, and the penal tax shall be waived.

Part XVII – Miscellaneous

149. Interpretation of Part

In this Part, “repealed legislation” means the Income Tax Decree, 1974, amendments to it and subsidiary legislation made under it and section 25 of the Investment Code, 1991.

150. Re-characterisation of arrangements under Islamic financial business

- (1) For purposes of determining liability to tax under this Act, the Commissioner General may re-characterise an arrangement under Islamic financial business not provided for under this Act, to the equivalent arrangement under conventional financial services for purposes of reflecting the equivalent economic substance, other than the form.
- (2) The Commissioner General shall comply with Shari’ah principles in re-characterising an arrangement under Islamic financial business not provided for under this Act.

151. Regulations

- (1) The Minister may, by statutory instrument, make regulations for better carrying into effect the purposes of this Act.

- (2) Without prejudice to the general effect of subsection (1), regulations made under that subsection may—
- (a) contain provisions of a saving or transitional nature consequent on the making of this Act; or
 - (b) prescribe penalties for the contravention of the regulations not exceeding a fine of twenty-five currency points or imprisonment not exceeding six months, or both, and may prescribe, in the case of continuing offences, an additional fine not exceeding five currency points in respect of each day on which the offence continues.

152. Power to amend monetary amounts and Schedules

- (1) The Minister may, by statutory instrument, with the approval of Cabinet, amend Schedule 1 to this Act.
- (2) The Minister may, by statutory instrument, with the approval of Parliament, amend any monetary amount set out in this Act and Schedules 2, 3, 4, 5, 6 and 7 to this Act.

153. Application of certain laws, etc.

- (1) The repealed legislation shall continue to apply to the years of income prior to the year of income in which this Act came into force.
- (2) Any arrangement between the Government of Uganda and the Government of a foreign country with a view to affording relief from double taxation made under section 47 of the Income Tax Decree, 1974, or its predecessor and which is still in force on 1st July, 1997, shall continue to have effect under this Act.
- (3) A reference in this Act to a previous year of income includes, where the context requires, a reference to a year of income under the repealed legislation.
- (4) Section 3(1)(d) of the Income Tax Decree, 1974, shall continue to apply to an amount referred to in section 21(1)(h) of this Act if the payer of the alimony, allowance or maintenance obtained a deduction for the payment under the Income Tax Decree, 1974, prior to the commencement of this Act.
- (5) Sections 18(1)(a) and 22(1)(b) do not apply to business assets of a capital nature disposed of before 1st April, 1998, or to business debts of a capital nature cancelled or satisfied before 1st April, 1998.
- (6) Where, as a result of the application of this Act, a gain or loss on realisation of a liability is subject to tax being a gain or loss which would not otherwise have been subject to tax, the value of the liability on 31st March, 1998, shall be used in the calculation of any income or deduction as from that date.
- (7) Subject to subsections (8) and (9), where, as a result of the application of this Act, a gain or loss on disposal of an asset is subject to tax being a gain or loss that would not otherwise have been subject to tax, the cost base of the asset is calculated on the basis that each item of cost or expense included in the cost base and which was incurred prior to that date is determined using the following formula—

$$CB \times \frac{CPI D}{CPI A}$$

where—

CB is the amount of an item of cost or expense incurred on or before 31st March, 1998, included in the cost base of the asset;

CPI D is the Consumer Price Index number published for the month ending on 31st March, 1998; and

CPI A is the Consumer Price Index number published for the month immediately prior to the date on which the relevant item of cost or expense was incurred.

- (8) Where the taxpayer is able to substantiate the market value of an asset on 31st March, 1998, the taxpayer may substitute that value for the cost base determined under subsection (7).
- (9) Where the asset referred to in subsection (8) is immovable property, the cost base of the property as at 31st March, 1998, is equal to the market value of the property as determined by the Chief Government Valuer.
- (10) Section 27(4)(b) shall apply to depreciable assets acquired by a taxpayer before 1st July, 1997, and held by the taxpayer at that date on the basis that the cost base of the asset is the cost of the asset less any depreciation deductions allowed under the repealed legislation in respect of that cost.
- (11) For the purposes of section 28(6), the “residue of expenditure” of an industrial building at 30th June, 1997, shall be the residue of expenditure as determined under the Income Tax Decree, 1974, at that date.
- (12) The amount of a deduction allowed to a taxpayer under section 36 for the year of income commencing on 1st July, 1997, shall be determined under section 14(4) of the Income Tax Decree, 1974.
- (13) The amount of a deduction allowed under sections 30 and 31 in respect of start-up costs incurred or intangible assets acquired before this Act came into force shall be calculated on the assumption that those sections had always applied.
- (14) For the purpose of applying subsections (5) to (12) to a taxpayer permitted to use a substituted year of income for the first year of income under this Act—
 - (a) the reference in those subsections to 31st March, 1998, is treated as a reference to the day immediately preceding the commencement of the first year of income of the taxpayer under this Act; and
 - (b) the reference in those subsections to 1st April, 1998, is treated as a reference to the first day of the first year of income of the taxpayer under this Act.
- (15) A taxpayer entitled to use a substituted year of income under the Income Tax Decree, 1974, is permitted to continue to use that period as the taxpayer’s substituted year of income under this Act until the Commissioner General decides otherwise by notice in writing to the taxpayer.
- (16) Where a taxpayer subject to tax under this Act but who was not subject to tax under the Income Tax Decree, 1974, is entitled to use a substituted year of income, the taxpayer is treated for the purposes of section 37(6) as having a transitional year of income for the period 1st July, 1997, to the end of the day immediately preceding the start of the first substituted year of income after that date.
- (17) Finance leases, as defined in section 58, entered into before 1st July, 1997 shall be dealt with in terms of the Income Tax Decree, 1974.
- (18) A reference in section 61 to a previously deducted expenditure, loss or bad debt includes a reference to an expenditure, loss or bad debt deducted under the repealed legislation.
- (19) Notwithstanding the repeal of section 25 of the Investment Code, 1991, the holder of a certificate of incentives which is valid at the commencement of this Act may make an election in writing to the Commissioner General by 31st December, 1997, for the exemption from tax on corporate profits and the exemption from withholding tax paid on dividends and interest paid to resident persons as provided under section 25 of the Investment Code, 1991 to continue until the exemption expires in accordance with that section, as if that section had not been repealed.

- (20) Where an exemption referred to in subsection (19) expires, the following provisions apply to the holder of the certificate of incentives—
- (a) subsections (5) to (8) apply to the person on the basis that the reference in those subsections to 31st March, 1998 is treated as a reference to the day on which the exemption expired;
 - (b) the amount of the deduction allowed under sections 27, 28, 29 and 30 in respect of depreciable assets, industrial buildings, or intangible assets acquired, or start-up costs incurred, before the exemption expired shall be calculated on the assumption that those sections had always applied; and
 - (c) the amount of any assessed loss to be deducted in the first year of income after the exemption has expired is calculated on the basis that this Act and its predecessor has always applied to the person.
- (21) Notwithstanding the repeal of section 25 of the Investment Code, 1991, and without prejudice to other relevant provisions of this section, an investor who, immediately before the commencement of this Act, holds a valid investment licence under the Investment Code, 1991, and who but for this Act would be eligible for the grant of a certificate of incentives and whose application had been approved for a certificate of incentives, shall be issued with the certificate in accordance with the Investment Code, 1991, as if section 25 of the Code had not been repealed.
- (22) Subject to subsection (23), where the income of a person is wholly or partly exempt from tax under —
- (a) a notice in the *Gazette* under section 12(2) of the Income Tax Decree, 1974; or
 - (b) a provision in any agreement,
- the notice or provision shall have no effect under this Act unless the Minister concurred in writing by 31st December, 1997, with the exemption provided for in the notice or provision.
- (23) Subsection (22) does not apply where the exemption is provided for in an agreement between the Government of Uganda and a foreign government or the United Nations or a specialised agency of the United Nations.

Schedule 1 (Sections 2, 152(1))

Currency point

A currency point is equivalent to twenty thousand shillings.

Schedule 2 (Sections 2, 152(2))

Listed institutions

Austrian Development Agency (ADA)

African Development Bank

African Development Fund

African Export - Import Bank

African Trade Insurance Agency

Aga Khan Foundation

Belgian Technical Cooperation (BTC)

Danish International Development Agency (DANIDA)

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
East African Development Bank
Eastern and Southern African Trade and Development Bank
European Development Fund
European Investment Bank
European Union
Food and Agriculture Organisation
Foreign, Commonwealth and Development Office (FCDO)
French Development Agency (AFD)
Global Fund for AIDS, Malaria and Tuberculosis
Icelandic International Development Agency (ICEADA)
International Bank for Reconstruction and Development
International Centre for Research in Agroforestry (ICRAF)
International Civil Aviation Organisation
International Development Association
International Development Law Organisation (IDLO)
International Finance Corporation
International Labour Organisation
International Monetary Fund
International Potato Centre
International Telecommunications Union
International Union for Conservation of Nature
Islamic Development Bank
Japan International Cooperation Agency (JICA)
Korea International Cooperation Agency (KOICA)
Kreditanstalt für Wiederaufbau (KfW)
Norwegian Agency for Development Cooperation (NORAD)
Swedish International Development Agency (SIDA)
United Nations related agencies and specialised agencies
ZEP-RE (PTA Reinsurance Company)

Schedule 3 (Sections 4(5), 122(1), 141(1), 152(2))**Small business taxpayers tax rates****Part I**

1. The amount of tax payable for purposes of section 4(5) is—

| Gross turnover | Tax rates without records | Tax rates with records |
|---|----------------------------------|--|
| Where the gross turnover of the taxpayer does not exceed ten million shillings per annum | Nil | Nil |
| Where the gross turnover of the taxpayer exceeds ten million shillings but does not exceed thirty million shillings per annum | Eighty thousand shillings | 0.4% of the annual turnover in excess of ten million shillings |
| Where the gross turnover of the taxpayer exceeds thirty million shillings but does not exceed fifty million shillings per annum | Two hundred thousand shillings | Eight thousand shillings plus 0.5% of the annual turnover in excess of thirty million shillings |
| Where the gross turnover of the taxpayer exceeds fifty million shillings but does not exceed eighty million shillings per annum | Four hundred thousand shillings | One hundred eighty thousand plus 0.6% of the annual turnover in excess of fifty million shillings |
| Where the gross turnover of the taxpayer exceeds eighty million shillings but does not exceed one hundred fifty million shillings per annum | Nine hundred thousand shillings | Three hundred sixty thousand shillings plus 0.7% of the annual turnover in excess of eighty million shillings. |

2. The tax payable by a tax payer under section 4(5) is reduced by—

- (a) any credit allowed under section 146(3) for withholding tax paid in respect of the amounts included in the gross turnover of the tax payer; or
- (b) any credit allowed under section 121(8) for provisional tax paid in respect of amounts included in the gross turnover of the tax payer.

Part II

The rate of advanced tax under section 141 is—

- (a) fifty thousand per ton per year, for goods vehicles; and

- (b) twenty thousand shillings per seat per year, for passenger service vehicles.

Schedule 4

Rates of tax

Part I – Rates of income tax for individuals

[Sections 6(1), 8, 119(b), 152(2)]

1. The income tax rates applicable to resident individuals are—

| Chargeable income | Rate of tax |
|---|--|
| Not exceeding Ushs. 2,820,000 | Nil |
| Exceeding Ushs. 2,820,000 but not exceeding Ushs. 4,020,000 | 10% of the amount by which chargeable income exceeds Ushs. 2,820,000. |
| Exceeding Ushs. 4,020,000 but not exceeding Ushs. 4,920,000 | Ushs. 120,000 plus 20% of the amount by which chargeable income exceeds Ushs. 4,020,000. |
| Exceeding Ushs. 4,920,000 | <p>(a) Ushs. 300,000 plus 30% of the amount by which chargeable income exceeds shs. 4,920,000; and</p> <p>(b) where the chargeable income of an individual exceeds Ushs. 120,000,000 an additional 10% charged on the amount by which chargeable income exceeds Ushs. 120,000,000.</p> |

2. The income tax rates applicable to non-resident individuals are—

| Chargeable income | Rate of tax |
|---|--|
| Not exceeding Ushs. 4,020,000 | 10% |
| Exceeding Ushs. 4,020,000 but not exceeding Ushs. 4,920,000 | Ushs. 402,000 plus 20% of the amount by which chargeable income exceeds Ushs. 4,020,000. |

| Chargeable income | Rate of tax |
|---------------------------|---|
| Exceeding Ushs. 4,920,000 | <p>(a) Ushs. 582,000 plus 30% of the amount by which chargeable income exceeds Ushs. 4,920,000; and</p> <p>(b) where the chargeable income of an individual exceeds Ushs. 120,000,000 an additional 10% charged on the amount by which chargeable income exceeds Ushs. 120,000,000.</p> |

Part II – Rate of rental tax applicable to an individual

[Sections 6(2), 7(2)]

| Gross rental income | Rate of tax |
|---|-------------|
| Not exceeding Ushs. 2,820,000 per annum (235,000 per month) | Nil |
| Exceeding Ushs. 2,820,000 | 12% |

Part III – Rate of income tax for companies

[Section 7]

- The income tax rate applicable to companies, other than mining companies, for the purposes of section 7 is 30%.
- Subject to paragraphs 3 and 4, the income tax rate applicable to mining companies is calculated according to the following formula—

$$70 - 1500/X$$

where—

X is the number of the percentage points represented by the ratio of the chargeable income of the mining company for the year of income to the gross revenue of the company for that year.

- If the rate of tax calculated under paragraph 2 exceeds 45%, then the rate of tax shall be 45%.
- If the rate of tax calculated under paragraph 2 is less than 25%, then the rate of tax shall be 25%.
- In this Part—
 - “gross revenue”, in relation to a mining company for a year of income, means—
 - the amount shown in the recognised accounts of the company as the gross proceeds derived in carrying on of mining operations during the year of income, including the gross proceeds arising from the disposal of trading stock, without deduction for expenditures or losses incurred in deriving that amount; and
 - the amount, if any, shown in the recognised accounts of the taxpayer as the amount by which the sum of the gains derived by the taxpayer during the year of income from the disposal of

business assets used or held ready for use in mining operations, other than trading stock, exceeds the sum of losses incurred by the taxpayer during the year in respect of the disposal of such assets; and

- (b) “mining company” means a company carrying on any mining operations in Uganda.

Part IV – Rate of income tax for trustees and retirement funds

[Section 8]

The income tax rate applicable to trustees and retirement funds for the purposes of section 8 is 30%.

Part V – Rate of income tax for non-resident persons

[Sections 81(2), 82(2), 83(2), 84(2), 86(1)]

1. The income tax rate applicable to a non-resident person under section 81, 82, 83 or 84 excluding interest on Government securities is 15%.
2. The withholding tax rate for interest payments on Government securities to a non-resident person under section 82—
 - (a) is 20 percent for Government securities whose period of maturity does not exceed ten years; and
 - (b) ten percent for Government securities whose period of maturity is at least ten years.
3. The income tax rate applicable to a non-resident deriving income under section 86 is 5%.

Part VI – Rate of tax applicable to ship operators, air transport operators and road transport operators

[Section 85(2)]

The rate of tax applicable to ship operators, air transport operators and road transport operators under section 85(2) is 2%.

Part VII – Rates of tax for licensees and contractors

[Sections 90(3), 95(3), 103(1), (2)]

1. The income tax rate applicable to a licensee under section 90 is 30%.
2. The income tax rate applicable to a licensee under section 95 is 30%.
3. The rate of non-resident contractor tax under section 103 is 10%.

Part VIII – Rate of income tax for resident contractors

[Section 104(1)]

The income tax rate payable on a participation dividend paid by a resident contractor to a non-resident company is 15%.

Part IX – Withholding tax rate for interest and dividends for resident persons

[Sections 127(1), 128(1)]

1. The withholding tax rate applicable for interest and dividend payments to a resident person under sections 127 and 128 excluding interest on government securities is 15%.

2. The withholding tax rate applicable for dividend payments from companies listed on the stock exchange to individuals under section [128](#) is 10%.
3. The withholding tax rate for interest payments on Government securities to a resident person under section [127](#) is—
 - (a) twenty percent for Government securities whose period of maturity does not exceed ten years; and
 - (b) ten percent for Government securities whose period of maturity is at least ten years.

Part X – Withholding tax rate for goods and services transactions

[Sections [129\(1\)](#), [130](#), [136\(1\)](#)]

1. The withholding tax rate applicable for goods and services transactions and for imported goods under sections [129](#) and [136](#) is 6%.
2. The withholding tax rate for purposes of section [130](#) is 10% of the gross payment.
3. The withholding tax rate for purposes of section [130\(2\)](#) is 6% of the gross payment.

Part XI – Withholding tax rate for winnings from betting

[Section [132\(1\)](#)]

The withholding tax rate applicable to winnings from betting is 15%.

Part XII – Withholding tax on payments of re-insurance or re-takaful premiums

[Section [132\(1\)](#)]

The withholding tax rate for the purposes of section [132](#) is 10%.

Part XIII – Rate of withholding tax on payments of commission paid by telecommunications service providers on airtime distribution and mobile money

[Section [133](#)]

The rate of withholding tax on payment of commission paid by telecommunications service providers on airtime distribution and mobile money services is 10% of the gross amount of the payment.

Part XIV – Rate of withholding tax on insurance and advertising agents

[Sections [134](#), [135](#)]

The tax rate applicable to withholding tax for purposes of sections [134](#) and [135](#) is 10% of the gross amount of the payment.

Schedule 5 (Section 16(1))

Chargeable income arising from short-term insurance or general takaful business

1. The chargeable income of a resident person for a year of income arising from the carrying on of a short-term insurance or general takaful business is determined according to the following formula—

A - B

where—

A is the total income derived by the resident person for the year of income in carrying on a short-term insurance or general takaful business as determined under paragraph 2; and

B is the total deduction allowed for the year of income in the production of income referred to in A as determined under paragraph 3.

2. The total income derived by a resident person for a year of income in carrying on a short-term insurance or general takaful business is the sum of—
 - (a) the amount of the gross premiums, including premiums on reinsurance, derived by the person during the year of income in carrying on such a business in respect of the insurance of any risk, other than premiums returned to the insured;
 - (b) the amount of any other income derived by the person during the year of income in carrying on such a business, including any commission or expense allowance derived from reinsurers, any income derived from investments held in connection with such a business and any gains derived on disposal of assets of the business; and
 - (c) the amount of any reserve deducted in the previous year of income under paragraph 3(d).
3. The total deduction allowed for a year of income in the production of income from the carrying on of a short-term insurance or general takaful business is the sum of—
 - (a) the amount of the claims admitted during the year of income in the carrying on of such a business, less any amount recovered or recoverable under any contract of reinsurance, guarantee, security or indemnity;
 - (b) the amount of agency expenses incurred during the year of income in the carrying on of such a business;
 - (c) the amount of expenditures and losses incurred by the person during the year of income in carrying on that business which are allowable as a deduction under this Act, other than expenditures or losses referred to in paragraphs (a) and (b); and
 - (d) the amount of a reserve for unexpired risks referable to such a business at the percentage adopted by the company at the end of the year of income.
4. Where, for any year of total income, the total deduction allowed to a person under paragraph 3 exceeds the income derived by the person as determined under paragraph 2, the excess may not be deducted against any other income of the person for the year of income, but shall be carried forward and deducted in determining the chargeable income of the person arising from the carrying on of a short-term insurance or general takaful business in the next year of income.
5. The chargeable income of a non-resident person for a year of income arising from the carrying on of a short-term insurance or general takaful business in Uganda is determined according to the following formula—

A - B

where—

A is the total income derived by the person for the year of income in carrying on a short-term insurance or general takaful business as determined under paragraph 6; and

B is the total deduction allowed for the year of income in the production of income referred to in A as determined under paragraph 7.

6. The total income derived by a non-resident person for a year of income in carrying on a short-term insurance or general takaful business in Uganda is the sum of—
 - (a) the amount of the gross premiums, including premiums on reinsurance, derived by the person during the year of income in carrying on such a business in respect of the insurance of any risk in Uganda, other than premiums returned to the insured;

- (b) the amount of any other income derived by the person during the year of income in carrying on such a business in Uganda, including—
 - (i) any commission or expense allowance derived from reinsurance of risks accepted in Uganda;
 - (ii) any income derived from investment of the reserves referable to such business carried on in Uganda; and
 - (iii) any gains derived on disposal of assets of the business; and
 - (c) the amount of any reserve deducted in the previous year of income under paragraph 7(d).
7. The total deduction allowed for a year of income in the production of income from the carrying on of a short-term insurance or general takaful business in Uganda by a non-resident person is the sum of—
- (a) the amount of the claims admitted during the year of income in the carrying on of such a business, less any amount recovered or recoverable under any contract of reinsurance, guarantee, security or indemnity;
 - (b) the amount of agency expenses incurred during the year of income in the carrying on of such a business;
 - (c) the amount of expenditures and losses incurred by the person during the year of income in carrying on that business which are allowable as a deduction under this Act, other than expenditures or losses referred to in paragraphs (a) and (b); and
 - (d) the amount of a reserve for unexpired risks in Uganda referable to such a business at the percentage adopted by the company at the end of the year of income.
8. Where, for any year of total income, the total deduction allowed to a person under paragraph 7 exceeds the income derived by the person as determined under paragraph 6, the excess may not be deducted against any other income of the person for the year of income, but shall be carried forward and deducted in determining the chargeable income of the person arising from the carrying on of a short-term insurance or general takaful business in Uganda in the next year of income.
9. Reference to premium under this Schedule shall have the same meaning as a contribution in the case of takaful business.

Schedule 6 (Section 19(3))

Valuation of benefits

1. The valuation of benefits for the purposes of section 19(3) of this Act shall be determined in accordance with this Schedule.
2. For the purposes of this Schedule, a benefit provided by an employer to an employee means a benefit that—
 - (a) is provided by an employer, or by a third party under an arrangement with the employer or an associate of the employer;
 - (b) is provided to an employee or to an associate of an employee; and
 - (c) is provided in respect of past, present or prospective employment.
3. Where a benefit provided by an employer to an employee consists of the use or availability for use, of a motor vehicle wholly or partly for the private purposes of the employee, the value of the benefit is calculated according to the following formula—

$$(20\% \times A \times B/C) - D$$
 where—

A is the market value of the motor vehicle at the time when it was first provided for the private use of the employee depreciated on a reducing balance basis at a rate of 35% per annum for the subsequent years;

B is the number of days in the year of income during which the motor vehicle was used or available for use for private purposes by the employee for all or a part of the day;

C is the number of days in the year of income; and

D is any payment made by the employee for the benefit

4. Where a benefit provided by an employer to an employee consists of the provision of a housekeeper, chauffeur, gardener or other domestic assistant, the value of the benefit is the total employment income paid to the domestic assistant in respect of services rendered to the employee, reduced by any payment made by the employee for the benefit.
5. Where a benefit provided by an employer to an employee consists of the provision of any meal, refreshment or entertainment, the value of the benefit is the cost to the employer of providing the meal, refreshment or entertainment, reduced by any consideration paid by the employee for the meal, refreshment or entertainment.
6. Where a benefit provided by an employer to an employee consists of the provision of utilities in respect of the employee's place of residence, the value of the benefit is the cost to the employer of providing the utilities reduced by any consideration paid by the employee for the utilities.
7. Where a benefit provided by an employer to an employee consists of a loan or loans in total exceeding one million shillings at a rate of interest below the statutory rate, the value of the benefit is the difference between the interest paid during the year of income, if any, and the interest which would have been paid if the loan had been made at the statutory rate for the year of income.
8. Where a benefit provided by an employer to an employee consists of the waiver by an employer of an obligation of the employee to pay or repay an amount owing to the employer or to any other person, the value of the benefit is the amount waived.
9. Where a benefit provided by an employer to an employee consists of the transfer or use of property or the provision of services, the value of the benefit is the market value of the property or services at the time the benefit is provided, reduced by any payment made by the employee for the benefit.
10. Where a benefit provided by an employer to an employee consists of the provision of accommodation or housing, other than where section 19(1)(a) or (c) applies, the value of the benefit is the lesser of—
 - (a) the market rent of the accommodation or housing reduced by any payment made by the employee for the benefit; or
 - (b) 15% of the employment income, including the amount referred to in paragraph (a), paid by the employer to the employee for the year of income in which the accommodation or housing was provided.
11. The value of any benefit provided by an employer to an employee which is not covered by the above clauses is the market value of the benefits, at the time the benefit is reduced by any payment made by the employee for the benefit.
12. Paragraph 11 does not apply to any benefit expressly covered by section 19(1)(a), (c), (d), (e), (f), (g) and (h).
13. In this Schedule, “statutory rate”, in relation to a year of income, means the Bank of Uganda discount rate at the commencement of the year of income.

Schedule 7 (Sections 27(2), (11), (12), 29(1))**Depreciation rates and vehicle depreciation ceiling****Part I – Declining balance depreciation rates for depreciable assets**

| Class | Assets included | Depreciation rate |
|--------------|--|--------------------------|
| 1 | Computers and data handling equipment | 40% |
| 2 | Plant and machinery used in farming, manufacturing and mining. | 30% |
| 3 | Automobiles; buses, minibuses, goods vehicles, construction and earth moving equipment, specialised trucks, tractors, trailers and trailer mounted containers, rail cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; specialised public utility plant, equipment and machinery; office furniture, fixtures and equipment; any depreciable asset not included in another class. | 20% |

Part II – Vehicles depreciation ceiling

The amount for the purposes of section [27\(11\)](#) is shs. 60,000,000.

Part III – Straight-line depreciation rate for industrial buildings

The depreciation rate for the purposes of section [29](#) is 5%.