



THE REPUBLIC OF UGANDA

**THE INCOME TAX (AMENDMENT)  
(NO. 2) ACT, 2021**

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*Act No. 24 of 2021*

ACTS SUPPLEMENT

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**Act 24**                      *Income Tax (Amendment) (No. 2) Act*                      **2021**

**THE INCOME TAX (AMENDMENT) (NO. 2) ACT, 2021**

**An Act to amend the Income Tax Act, Cap. 340 to cap the allowable deduction per year to cost recovery limit for Contract Area 1, Contract Area 3A and Licence Area 2 and to introduce a windfall tax for Contract Area 1, Contract Area 3A and Licence Area 2.**

DATE OF ASSENT: 20th December, 2021

*Date of Commencement:* 24th December, 2021

BE IT ENACTED by Parliament as follows:

**1. Amendment of section 89GA of the Income Tax Act**

The Income Tax Act, in this Act referred to as the principal Act is amended in section 89GA—

- (a) by inserting immediately after subsection (1) the following subsection—

“(1a) 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.”;

- (b) by inserting immediately after subsection (2) the following subsections —

“(2a) For the purposes of subsection (1a), 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 (1a) 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.

- (2b) For the avoidance of doubt, subsections (1a) and (2a) apply only to Contract Area 1, Contract Area 3A and Licence Area 2.”

## 2. Insertion of section 89GDA in principal Act

The principal Act is amended by inserting immediately after section 89GD the following —

### “89GDA. 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—

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.”