

A Guide on Tax Incentives/Exemptions available to Investors in Uganda

Income Tax exemptions	
Who qualifies	Conditions for granting exemption
Collective Investment scheme	<ul style="list-style-type: none"> Must be licensed to operate as a Collective Investment Scheme. Extent to which the income is distributed to participants in the collective Investment scheme. Participants in the scheme must not have day to day control over the management of the property in question Participants contributions and ultimate income/profits must be pooled Property must be managed as a whole by the operator of the scheme or on his behalf.
Aircraft operators	For domestic and international traffic or leasing of the aircraft
Exporters of finished consumer and capital goods	Apply to the Commissioner of Domestic Taxes to be issued with a certificate of entitlement valid for 10 years tax holiday but must export at least 80% of his/her production of goods.
Agro - Processors	Apply to the commissioner for a certificate of exemption : <ul style="list-style-type: none"> Applicant or associate of applicant has not previously carried on agro processing of a similar or related agricultural product in Uganda and Applicant must invest in plant and machinery not previously been used in Uganda by any person to process agricultural products for final consumption. Process agricultural products grown or produced in Uganda. Person regularly files return and fulfils all his tax obligations under the income tax act. met Certificate of exemption issued is valid for one year and may be renewed

<p>Withholding Tax Exemptions</p>	<p>annually.</p> <p>a) A supply or importation of petroleum or petroleum products, including furnace oil, other than cosmetics and fabrics or yarn manufactured out of petroleum products;</p> <p>b) A supply or importation of plant and machinery;</p> <p>c) A supply or importation of human or animal drugs;</p> <p>d) A supply or importation of scholastic materials for use only in educational institutions;</p> <p>e) Importations by organizations within the definition of “exempt organization” in section 2(bb)(i)(B);</p> <p>f) A supplier or importer –</p> <ul style="list-style-type: none"> • Who is exempt from tax under this Act; or • Who the Commissioner is satisfied has regularly complied with the obligations imposed on the supplier or importer under this Act; (Apply to the Commissioner Domestic Taxes for this exemption) or <p>g) The supply or importation of raw materials</p>
<p>VAT Exempt supplies</p>	<ul style="list-style-type: none"> • The supply of social welfare services; • The supply of financial services • The supply of education services • The supply of burial and cremation services; • The supply of betting, lotteries and games of chance • The supply of passenger transportation services (other than Tour and Travel operators) • The supply of dental ,medical and veterinary goods and for the purposes of this paragraph “goods” <p>means: Dental, medical and veterinary equipment, ambulances, contraceptives of all forms, maternity kits (mama kits), medical examination gloves, medicated cotton wool, mosquito nets, acaricides, insecticides and mosquito repellent devices, and diapers</p> <ul style="list-style-type: none"> • The supply of photosensitive semiconductor devices, including photo-voltaic

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devices, whether or not assembled in modules or made into panels; light emitting diodes; solar water heaters, solar refrigerators and solar cookers

- The supply of power generated by solar
- The supply of life jackets, lifesaving gear, head gear and speed governors
- The supply of machinery, tools and implements suitable for use only in agriculture **and for purposes of this "machinery, tools and implements" means** - (i) knapsack sprayers; (ii) ox ploughs ; (iii) drinkers and feeders for chicken; (iv) agricultural tractors (including walking tractors); (v) disk harrows; (vi) cultivators; (vii) ploughs; (viii) weeders; (ix) seeders; (x) planters; (xi) sub-soilers; (xii) seed drills; (xiii) threshers; (xiv) bale wrappers; (xv) milking machinery; (xvi) milk coolers; (xvii) maize mills; (xviii) wheat flour mills; (xix) homogenizers; (xx) dairy machinery; (xxi) grain cleaners and sorters; (xxii) feed grinders hatcheries; and (xxiii) implements used for artificial insemination in animals"
- The supply of postage stamps
- The supply of unimproved land
- The supply of Life, medical, micro and re-insurance insurance services;
- The supply of unprocessed foodstuffs, unprocessed agricultural products except wheat grain and livestock;
- The supply of veterinary, medical, dental and nursing services
- The supply of precious metals and other valuables to the Bank of Uganda for the State Treasury
- The supply by way of sale, leasing or letting of immovable property, other than;
 - (i) a sale, lease or letting of commercial premises;
 - (ii) a sale, lease or letting for parking or storing cars or other vehicles;
 - (iii) a sale, lease or letting of hotel or holiday accommodation;
 - (iv) a sale, lease or letting for periods not exceeding three months; or
 - (v) a sale, lease or letting of service apartments
- The supply of petroleum fuels subject to excise duty, (motor spirit, kerosene and gas oil), spirit type jet fuel, kerosene type jet fuel and residual oils for use

	in thermal generation to the national grid.
VAT Zero rated supplies (These are supplies where VAT is charged at zero rate. i.e. 0%)	<ul style="list-style-type: none"> • A supply of goods or services where the goods or services are exported from Uganda as part of the supply; • The supply of international transport of goods or passengers and tickets for their transport • The supply of drugs and medicines • The supply of seeds, fertilizers, pesticides, and hoes; (“pesticides” means insecticides, rodenticides • Fungicides and herbicides but does not include pesticides packaged for personal or domestic use.) • The supply of sanitary towels and tampons and inputs for their manufacture. • The supply of educational materials • The supply of leased aircraft, aircraft engines, spare engines, spare parts for aircraft and aircraft maintenance Equipment. • Cereals grown and milled in Uganda.

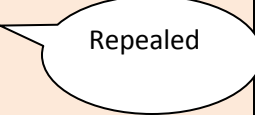
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Exemption of Tax on International Payments

Who qualifies	Conditions for granting exemption
A resident company paying interest on debentures outside Uganda.	<ul style="list-style-type: none"> • Debentures were issued by the company outside Uganda for the purpose of raising a loan outside Uganda. • Debentures were widely issued for the purpose of raising funds for use by the company in a business carried on in Uganda

Deductions Allowed

Type of incentive	Who qualifies	Conditions for granting deduction
Tax deduction for	Private employers that	2% of income tax payable is allowed as a deduction

employers of Persons with Disabilities	employ persons with disabilities	for income tax purposes if 5% of their employees on full time basis are persons with disabilities.
Scientific Research Expenditure	A person who incurs expenditure for scientific research	100% scientific research expenditure allowed as a deduction for income tax purposes
Mineral Exploration	A person who incurs expenditure for searching, discovering and winning access to the deposit of minerals. 	100%. Deduction granted on any expenditure of capital nature incurred in searching, discovering and winning access to deposits in Uganda;
Training Expenditure	Employers who train permanent residents employed	100% training expenditure on training or tertiary education allowed as a deduction for income tax purposes.
Industrial Building Allowance	A person who has incurred capital expenditure on the construction of an industrial building and the building is used by the person in the production of income	5% of the cost of construction of the industrial building.
Depreciation allowances (Capital Investment)	A person who places depreciable assets (listed)	Declared annually by investor in the return on reducing balance method

Allowances)	in service	<ul style="list-style-type: none"> • 40% for computers and data handling equipment • 35% for automobiles; buses and mini-buses (<30passengers); goods vehicles(<7 tones); construction & earth moving equipment • 30% for buses (>30 passengers); good vehicles (> 7 tones); specialized trucks; tractors; plant & machinery used in farming, manufacturing or mining operations; trailers & trailer-mounted containers. • 20% for rail cars,, locomotives & equipment; vessels, barges, tugs & similar water transportation equipment; aircraft; specialized public utility plant, equipment & machinery; office furniture, fixtures & equipment; any depreciable asset not included elsewhere and farm works.
Carry Forward Losses	An investor who for any year of income, the total amount of his income/farming income is exceeded by the total amount of deductions allowed	The amount of excess “assessed loss” or “assessed farming loss” is carried forward and allowed as a deduction in the following year of income.
Double Taxation Agreements		
Who qualifies	DTAs in force and those pending	
Investors from countries with active DTA with Uganda.	United kingdom, Zambia, Denmark, Norway, South Africa, India, Italy, Netherlands and Mauritius. DTAs offer preferential rates of withholding tax on dividends, interest, royalties and management fees. With exception of the United Kingdom	

	(UK), DTA where the rate of withholding tax is 15%, the withholding tax rates applicable to dividends, interests, royalties and management fees is 10%. DTAs awaiting conclusion and or ratification: Egypt, China, Belgium, UAE, Seychelles, and The East African Community	
Export Based Incentives		
Who qualifies	Type of incentive	Conditions for granting exemption
	<ul style="list-style-type: none"> Duty Draw Back 	<ul style="list-style-type: none"> prove they have exported their products Customs refunds all or part of any import duty paid on materials inputs imported to produce for export or used in a manner or for a purpose prescribed as a condition for granting duty draw back. Duty may be refunded on raw materials imported and used on the goods locally produced for export.
	<ul style="list-style-type: none"> Manufacturing Under Bond 	<ul style="list-style-type: none"> Manufacturer must have licensed under sec. 160 of the EACCM by applying for a customs license to hold and use imported raw materials intended for manufacture for export in secured places without payment of taxes. It makes available working capital, which would have been tied up through paying duties immediately after importation. The annual license fee for a bonded factory is \$1,500 per calendar year or on pro rata basis if issued within a calendar year.
	Duty Remission Schemes	<ul style="list-style-type: none"> 90% remission on sugar for industrial use imported by Manufacturers. 100% remission on <ul style="list-style-type: none"> - Inputs for the manufacture of exercise books and other essential goods -Stranded wire used in manufacture of tyres

		<ul style="list-style-type: none"> - Treads for cold retreading used in the retreading of tyres - Packaging Materials for use in the manufacture of goods for export - Raw materials for use in manufacture of aluminum cans for the dairy industry
	<ul style="list-style-type: none"> • Export Processing in the free zone. 	<ul style="list-style-type: none"> • Uganda Free Zone Authority set up for promoting exports in the free zone area (Kenya, Rwanda, Tanzania, Burundi and Uganda) increasing commodity processing from trading raw materials to finished goods and exporting outside East Africa as their primary activity. • Manufacturing is strictly for export purposes.

Import Based Incentives

EAC General Exemption Regime (imported into the country free of duty and all taxes)

Beneficiary	Goods/Items	Condition
Aircraft Operators and an approved ground Handlers or caterer.	Aircrafts, parts and accessories, specialized equipment, apron buses.	<p>Aircraft spare parts imported on the recommendation of the authority responsible for civil aviation in the Partner State and in such quantities as the Commissioner may specify.</p> <p>Aviation specialized goods and equipment;</p> <p>a) Aircraft, aircraft engines, parts and accessories thereof, air navigational instruments; lighting, radio and radar apparatus and equipment of specialized nature for the repair, maintenance and servicing of an air- craft on the ground; ground signs, stairways for boarding aircraft, imported solely for use in connection with aircraft; catering stores, such as luncheon</p>

		<p>boxes, cardboard trays, paper plates, paper napkins, imported for use by any airline.</p> <p>b) Any of the following goods, which are imported for use by an approved ground handler or caterer:</p> <ul style="list-style-type: none">i) Equipment of a specialized nature for repairs; maintenance and servicing of an aircraft.(ii) specialized aircraft loading and unloading equipment; and(iii) stairways for boarding and loading aircraftsiv) Apron buses which are essentially used in Airports. <p>c) Aircraft spare parts imported by aircraft operators or persons engaged in the business of aircraft maintenance:</p> <p>Provided that such spare parts shall be imported on the recommendation of the authority responsible for civil aviation in the Partner State and in such quantities as the Commissioner may specify.</p>
	<p><i>Ships and Other Vessels</i></p>	<p>Passenger and cargo vessels of all kinds of twenty - five net register tonnage or more, cable ships, floating factories, whale catching vessels, trawlers and other commercial fishing vessels (other than sport fishing vessels), weather ships, hopper barges; lighters, pontoons (being flat decked vessels used for the transportation of persons or goods) and ferry boats; parts and accessories, but</p>

		not including batteries and sparking plugs.
Manufacturers	Plant and machinery	Import duty is nil by tariff and VAT is deferred. Facility is granted to VAT registered persons Where by payment of VAT at importation on specified imports is postponed to a future date in accordance with the VAT Deferment Regulations 2013. The cost of plant and machinery should be at least \$ 22,500 and above.
	Industrial spare parts	Industrial spare parts imported as replacement parts used exclusively on industrial machinery classified in Chapters 84 and 85 of the EAC CET imported by registered manufacturers and are not for resale or any other commercial purpose other than for replacement of worn out and obsolete parts of industrial machines subject to such conditions as the Commissioner may impose.
	<i>Containers and Pallets</i>	<p>a) Containers, including boxes, tins, bottles, jars, and other packages in which any goods not liable to ad valorem duty are packed and imported, being ordinary trade packages for the goods contained therein;</p> <p>(b) Pallets and pre-packing slings;</p> <p>(c) Containers specially designed and equipped for carriage by one or more modes of transport.</p> <p>(d) Imported containers, which the Commissioner on the recommendation of the Director of Veterinary Services is satisfied, and</p>

		<p>specialy designed for storing semen for artificial insemination;</p> <p>(e) Packing material of any kind designed for packaging goods for export.</p>
Hotel, Tourism and Tour operations.	Hotel Equipment	<p>“Any of the following goods engraved or printed or marked with the hotel logo imported by a licensed hotel for its use:</p> <ul style="list-style-type: none"> (a) Washing machines; (b) Kitchen Ware; (c) Cookers; (d) Fridges and freezers (e) Air Conditioning Systems; (f) Cutlery; (g) Televisions; (h) Carpets; (i) Furniture; (j) Linen and Curtains; (k) Gymnasium equipment.
	<i>Motor vehicles for Transport of Tourists:</i>	<p>Specially designed and built motor vehicles for transportation of tourists imported by licensed tour operators upon recommendation by a competent authority responsible for tourism promotion in a Partner State provided the vehicles meet the following conditions:-</p> <ul style="list-style-type: none"> (a) they are four wheel drive with open roof facility for game viewing and have a seating

		<p>capacity not exceeding 12 passengers;</p> <p>(b) they have provisions for camping, rescue and first aid equipment, baggage compartment and communication fittings;</p> <p>(c) they are of a colour that blends with the environment where they operate and have clear and conspicuous label or marking of “Tourist vehicle”;</p> <p>(d) any other conditions the Commissioner may impose</p> <p>Provided that duties shall be payable upon disposal for other use or change of use.</p>
Other imported Specialized motor vehicles	<ul style="list-style-type: none"> • Dairy industry (refrigerated trucks, insulated tankers and heat insulated milk tanks) • Refuse and garbage collection industry 	<p>(a) Refrigerated trucks</p> <p>(b) Insulated tankers</p> <p>(c) Heat insulated milk tanks for dairy industry</p> <p>(d) Motor vehicles specially designed for refuse/ garbage collection and disposal imported or purchased by local authorities or persons contracted by local authorities to collect refuse/ garbage</p>
Hospitals, clinics and diagnostic laboratories	<p>Items imported for use in licensed hospitals”</p> <p>(a) shadow less lamps for use in operating theatres</p> <p>(b) blood freezers</p> <p>(c) kitchenware and equipment</p>	<p>Any of the following goods engraved or printed or marked with the hospital logo imported for use in licenced hospitals, as recommended by the Director of Medical Services subject to such conditions and limitations as the Commissioner may impose:</p>

	<p>(d) laundry equipment (e) mattresses and linen (f) bedside screens (g) air conditioners (h) uniforms for use by hospital staff (i) water heating equipments (j) trolleys and stretchers furniture</p>	
	<p>Diagnostic reagents and equipment, examination gloves, Diapers, Urine bags and hygienic bags for medical use.</p>	<p>Diagnostic reagents and equipment recommended by the Director of Medical Services or the Director of Veterinary Services for use in hospitals, clinics and diagnostic laboratories subject to such limitations as the Commissioner in a Partner State may impose.</p>
	<p><i>Examination Gloves</i></p>	<p>Examination gloves for laboratory and medical use</p>
	<p>Packaging Material for Medicaments</p>	<p>Packaging materials and raw materials for manufacture of Medicaments.</p>
	<p><i>Diagnostic Reagents and Equipment and Diapers, Urine bags and hygienic bags</i></p>	<p>Diagnostic reagents and equipment recommended by the Director of Medical Services or the Director of Veterinary Services for use in hospitals, clinics and diagnostic laboratories subject to such limitations as the Commissioner in a Partner State may impose. Diapers, Urine bags and hygienic bags for medical use, in such quantities as the Commissioner may allow.</p>

	Inputs for use in the manufacture of medical diagnostic kits	Inputs for use in the manufacture of medical diagnostic kits imported by manufacturers of medical diagnostic kits as approved by a competent authority in the a Partner State
Importer	Tsetse fly traps	No condition
	Water Treatment Effluent Plant and Plastic bag biogas digesters	No condition
Energy sector	Compact Fluorescent Bulbs and Specialized Solar equipment and accessories	a) Compact Fluorescent Bulbs (Energy Saving Bulbs) with Power connecting cap at one end. b) Lamps and bulbs made from Light Emitting Diodes (LED) technology for domestic and industrial use. c) Specialized Solar powered equipment and accessories including deep cycle batteries which use and/ or store solar power.
	Electrical Energy saving bulbs for lighting also known as Compact Fluorescent Bulbs”	(a) Compact Fluorescent Bulbs (Energy Saving Bulbs) with power connecting cap at one end. (b) Lamps and bulbs made from Light Emitting Diodes (LED) technology for domestic and industrial use.
	Specialized Solar and Wind Energy Equipment	Specialized equipment for development and generation of Solar and Wind Energy, including accessories, spare parts and deep cycle batteries which use and/ or store solar power
MINING AND PETROLEUM OPRATIONS.		a) Equipment and inputs, but not including motor vehicles, imported by a licensed company for direct and exclusive use in oil, gas or geothermal exploration and development upon recommendation

by a competent Authority of a Partner State.

b) Spare parts for machinery used in mining imported by licensed mining companies.

c) Carried forward losses from mining operations in the license area is an allowable deduction.

d) If the cost of acquiring a depreciable asset is treated as mining exploration expenditure the asset is treated as belonging to a separate pool of depreciable assets; and the depreciation rate applicable to the pool is 100%.

f) 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.

g) An amount accumulated in a rehabilitation fund, or an amount withdrawn from a habilitation fund to meet expenditure incurred under an approved rehabilitation plan, shall be exempt income.

h) Recovery of Costs incurred in for of cost oil, these should be approved costs according to work programmed are allowable deductions.

i) No import duties payable by licensees (Oil and Gas companies) for goods and equipment for exclusive use in oil and Gas

j) Licensees (Oil and Gas) are entitled to VAT registration even if they do not have any taxable supplies for the purposed of input VAT on supplies made, which is deemed paid and imported services.

		<p>k) No payment of VAT on imported services by Oil and Gas Companies.</p> <p>l) No payment of input tax on supplies made to licensees (Oil and Gas), the VAT is deemed paid</p> <p>m) For income tax purposes, Development assets are depreciated using straight line method over a period of Six Years) while exploration</p> <p>n) WHT to non-resident subcontractors effective July 2015 reduced from 15% to 10% as a final tax</p>
Agriculture sector	<i>Seeds for Sowing</i>	All seeds spores and cut plants, imported specially treated, inputs used in processing and preservation of seeds for sowing which the relevant authority in the Partner State responsible for Agriculture has approved as fit for sowing
	<i>Preparations for cleaning dairy apparatus</i>	Surface-active preparations and washing preparations whether or not containing soap, specially prepared for cleaning dairy apparatus.
	<i>Chemically defined compounds used as fertilizers</i>	Upon recommendation of the authority responsible for Agriculture in the Partner State.
	Horticulture, Agriculture or Floriculture and Aquaculture Inputs	a) Imported inputs by persons engaged in horticulture, aquaculture, agriculture or floriculture which the Commissioner is satisfied are for use in the horticulture, aquaculture, agriculture or floriculture sector.

		<p>(b) Poultry parent stock imported by persons engaged in poultry farming as authorized by the Director of Veterinary Services and subject to such conditions and limitations the Commissioner may impose.</p> <p>(c) 'All equipments and gear used in bee keeping as authorized by the Director of Veterinary Services and subject to such conditions and limitations that the Commissioner may impose'.</p>
	Inputs for use in the manufacture of agricultural equipment	"Inputs imported by a manufacturer for use in the manufacture of agricultural equipment"
	Plant and machinery	Facility is granted to VAT registered persons whereby payment of VAT at importation on specified imports is postponed to a future date in accordance with the VAT Deferment Regulations 2013.
Education sector		Educational Articles and Materials as specified in the Florence Agreement.
Security	Security Equipment	Security Equipment including hand held metal detectors, walk through metal detectors, CCTV cameras, Bomb detectors and under carriage mirrors.
Importers of goods originating from COMESA region Importers of goods Originating from the EAC.	Preferential Treatment of imported goods from COMESA Region Preferential Treatment of goods from the EAC	Import Duty rates of 0%, 4% and 6% for capital goods and raw materials; semi finished goods and finished goods respectively. Import duty of 0%

<p>OTHER ADMINISTRATIVE FACILITIES</p> <p>a) Customized Fast Track VAT Refund</p> <p>b) Withholding tax exemption</p>	<ul style="list-style-type: none"> • Compliant large taxpayers • Compliant taxpayers 	<ul style="list-style-type: none"> • Whereas the VAT Act (Cap 349) provides for a refund to be made within 30 days of receipt of the return, under this procedure, URA undertakes to process every refund on the customized fast track within 10 days of receipt. In order to qualify for a customized fast track process, claimants are subjected to preliminary evaluation on a case-by-case basis. The facility managed by the Domestic Taxes Department. • Must satisfy the commissioner that you are up to date with all your tax obligations for at least the last three years. The resultant effect is that you have more disposal capital on yourself.
<p>Transport sector</p>	<p>Commercial vehicles of 20 tonnage and above</p>	<p>Import duty is nil</p>