

A. INCOME TAX RATE FOR MINING COMPANIES.

It's calculated according to the following formula;

$$(70 - (1500/X)) / 100$$

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

For example;

Gross proceeds from the mining operations is	Shs 120,000,000
Cost of sales to the Mining operations	Shs(18,000,000)
Operating expenses	<u>Shs (12,000,000)</u>
Profit from the mining operations	<u>Shs 90,000,000</u>

Value for 'X' for calculation the tax liability on income from mining operations is;

$$X \text{ is } \frac{90,000,000}{120,000,000} \times 100 = 75$$

Value of the rate to be used is calculated as;

$$(70 - (1500/75))/100 = 20\%$$

Income Tax Act Cap 340 Part 11 states that;

1. If the rate of tax calculated exceeds 45% , then the rate of tax shall be 45%
2. If the rate of tax calculated is less than 25%, then the rate of tax shall be 25%

Now our rate according to profit from the mining operation is 20%, then the rate to be applied is 25%

B. LIST OF START UP COSTS

A person who has incurred expenditure in starting up a business to produce income included in the gross income shall be allowed a deduction of an amount equal to twenty five per cent of the amount of the expenditure in the year of income in which the expenditure is incurred and in the following three year of income in which the business is carried on by a person. Must be non recurring preliminary opening costs.

The following are examples;

1. Scientific research expenditure
2. Training expenditure for employees of the company not exceeding the aggregate of five years, of a citizen or permanent resident of Uganda
3. Fee of accountant
4. Registration of business.
5. Promotion and advertising activities

C. TAX INCENTIVES FOR MINING COMPANIES

1. Importation

-Plant and machinery exempted from import duty,
 -VAT is deferred for some period of one year and an extension can be sought. To qualify for VAT deferment you must be registered for VAT and the amount sought must be at least US 22,500 at the point of importation.

Customs will monitor the use of the plant and machinery so as to effect completion of deferment.

-Withholding tax is exempted on plant and machinery.

-Machinery and spare parts used in mining imported by licensed mining companies are exempted from taxes.

2. Domestic taxes exempted

Annual allowable deductions like; depreciation for assets, carried forward losses and start up costs(expenditure incurred in starting up a business to produce income included in the gross income and must be non recurring preliminary opening costs like);

-Scientific research expenditure at 25% for 4 years.

-Training expenditure for employees of the company not exceeding the aggregate of 4 years, of a citizen or permanent resident of Uganda at 25%

- Fee of accountant

- Registration of business.

- Promotion and advertising activities

Allowable deductions;

-5% on industrial building deduction.

- Accelerated depreciation allowance(capital investment allowance) for a person who places depreciable assets **in** service; computers and data handling equipments at 40%, automobiles(plant and machinery)at 30%, office furniture and fixtures and any depreciable asset at 20%

-Carried forward losses are allowable deduction in the following year of income.

D. Other taxes chargeable

- Individual income tax varies to income earned (residents)

CHARGABLE INCOME	RATE OF TAX
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Not exceeding	Nil
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Ushs.2,820,000

(235,000 pm) Exceeding Ushs.2,820,000 (235,000 pm) but not exceeding Ushs.4,020,000 (335,000 pm)	10% of the amount by which Chargeable income exceeds Ushs.2,820,000 (235,000 pm).
Exceeding Ushs. 4,020,000 (335,000 pm) but not exceeding Ushs.4,920,000 (410,000 pm)	UShs.120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Ushs.4,020,000 (335,000 pm).
Exceeding Ushs.4,920,000 (410,000 pm)	(a) UShs.300,000 (25,000 pm) plus 30% of the amount by which chargeable income exceeds Ushs.4,920,000 (410,000 pm); and (b) Where the chargeable income of an individual exceeds Ushs.120,000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds Ushs.120,000,000 (10,000,000 pm).

-Individual income for non residents

CHARGEABLE INCOME

RATE OF TAX

Not exceeding Ushs. 4,020,000 (335,000 pm)	10%
Exceeding Ushs. 4,020,000 (335,000 pm) but not exceeding Ushs. 4,920,000 (410,000 pm)	Ushs.402,000 (33,500 pm) plus 20% of the amount by which chargeable income exceeds Ushs.4,020,000 (335,000 pm).
Exceeding Ushs. 4,920,000 (410,000 pm)	(a) Ushs.582,000 (48,500 pm) plus 30% of the amount by which chargeable income exceeds Ushs. 4,920,000 (410,000 pm); and (b) Where the chargeable income of an individual exceeds Ushs.120,000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds Ushs.120,000,000 (10,000,000 pm).

Royalties; The rate applicable depends on agreements on Under the tax treaty and double taxation agreements made.