

## Inventory of Tax Incentives in Uganda

<b>Income Tax</b>	
1	10 year entitlement for tax holiday for persons who exports 80% or more of finished consumer and capital goods (subject to verification).
2	Corporation / income tax exemption for new businesses involved agro processing effective 1st July 2012. To be renewed annual and should have invested in new plant and machinery and none of their associate is involved or was involved in a similar activity.
3	Start-up costs at the rate: 25% granted on. Granted on actual expenditure incurred over the first four years in four equal installments.
4	<p>Depreciation Allowances(Declining balance depreciation rates for depreciable assets.)</p> <p><i>Class Assets included (Depreciation rate)</i></p> <p>(I) Computers and data handling equipment (40%);</p> <p>(II) Automobiles; buses and minibuses with a seating capacity of less than 30 passengers; goods vehicles with a load capacity of less than 7 tonnes; construction and earth moving equipment (35%);</p> <p>(II) Buses with a seating capacity of 30 or more</p>

	<p>passengers; goods vehicles designed to carry or pull loads of 7 tonnes or more; specialised trucks; tractors; trailers and trailer-mounted containers; plant and machinery used in farming, manufacturing or mining operations (30%);</p> <p>(IV) Railroad cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; specialized public utility plant, equipment and machinery; office furniture, fixtures and equipment; any depreciable asset not included in another class (20%);</p> <p><b>Special deductions</b></p>
5	<p>Scientific Research Capital Expenditure at the rate of 100%. Granted on expenses incurred during business scientific research</p>
6	<p>Expenditure incurred on farm works should be included under class IV of the Depreciation schedule and granted depreciation allowance;</p>
7	<p>Training Expenditure at the rate of 100%. Granted on costs of training or tertiary education of a citizen or permanent resident of Uganda employed in the business by the employer (the period of training should not exceeding 5 years in total and the person being trained should not be an associate of the taxpayer);</p>
8	<p>Mineral Exploration Expenditure at the rate of 100%. Deduction granted on any expenditure of capital nature incurred in searching, discovering and winning access to deposits in Uganda;</p>
9	<p>A deduction of 2% of income tax payable under Sec 22(1) (e) by private employers who proves to URA</p>

	that 5% of their employees on full time basis are persons with disabilities;
10	A deduction for bad debt in agriculture is allowed 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 farming, forestry, fish farming, bee keeping, animal and poultry husbandry or similar operations;
	Exempted Income
11	Any education grant which the Commissioner is satisfied has been made bona fide to enable or assist the recipient to study at a recognized educational or research institution
12	The value of any property acquired by gift, bequest, devise, or inheritance that is not included in business, employment, or property income
13	Any capital gain that is not included in business income other than gains on the sale of shares in a private limited liability company; Excludes Commercial property sold by individuals
14	Employment income derived by an individual to the extent provided for in a technical assistance agreement where the individual is a non-resident or a resident solely for the purpose of performing duties under the agreement
15	The proceeds of a life insurance policy paid by a person carrying on a life insurance business; or
16	Income of a collective investment scheme to the extent of which the income is distributed to participants in the

	collective investment scheme.
17	The income of an Investor Compensation Fund established under Section 81 of the Capital Markets Act.
18	The income of a person derived from the operation of aircraft in domestic and international traffic or the leasing of aircraft
19	Interest earned by a person on deposit auction funds issued by the Bank of Uganda for the purposes of liquidity management
20	Exemption from tax on international payments - Interest on debentures Sec 83(5)
21	<p>Interest paid by a resident company in respect of debentures is exempt from tax under the IT Act where the following conditions are satisfied:</p> <ul style="list-style-type: none"> <li>i. The debentures were issued by the company outside Uganda for the purpose of raising a loan outside Uganda;</li> <li>ii. The debentures were widely issued for the purpose of raising funds for the use by the company in the business carried out in Uganda;</li> <li>iii. Or the interest is paid to a bank or a financial institution of a public character; and</li> </ul> <p>d) The interest is paid outside Uganda</p>
22	Withholding taxes (where it is a final tax)

23	International payments of dividends, royalties, rent, interest and management fees is 15% (Rates for EAC residents are yet to be ratified by all partners)
24	Local payments 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; or
25	payment of dividends to resident shareholders (15%) and 10% on dividends paid to individuals from companies listed on stock exchange
26	Minor capital equipment write off(Expenses on repairs and Minor Capital Equipment are written off in the year in which they are incurred - as long as the cost base is less than 50 currency points and the assets capable of functioning in their own right and not an item which forms part of a set)
27	Expenditure on repair of property occupied or used for the business
<b>VAT Incentives</b>	
28	Supply of goods or services where the good or services are exported from Uganda as part of the supply;
29	The supply of international transport of goods or

	passengers and tickets for their transport
30	The supply of drugs and medicines;
31	The supply of educational materials( “educational materials” means materials suitable for use only in public libraries and educational establishments specified in paragraph 2 of the Second Schedule to the IT Act);
32	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.);
33	The supply of machinery, tools and implements suitable for use only in agriculture
34	The supply of water excluding mineral water and aerated waters containing sweetening matter or flavoured
35	The supply and installation of Mobile Toilets, Ekoloo Toilets and components made from polythene with effect from 1st July 2004
36	The supply of sanitary towels and tampons and inputs for their manufacture
37	The supply of leased aircraft, aircraft engines, spare engines, spare parts for aircraft and aircraft maintenance equipment
38	The supply of unprocessed foodstuffs, including agricultural products and livestock;
39	The supply of postage stamps
40	The supply of financial services

41	The supply of insurance services: Life, medical, micro and re-insurance;
42	The supply of unimproved land
43	The supply by way of sale, leasing or letting of immovable property other than a sale, lease or letting of commercial premises; b) A sale, lease or letting for parking or storing cars or other vehicles; c) A sale, lease or letting of hotel or holiday accommodation; d) A sale, lease or letting for periods not exceeding three months; or e) A sale, lease or letting of service apartments
44	The supply of education services
45	The supply of veterinary, medical, dental and nursing services
46	The supply of social welfare services
47	The supply of goods as part of the transfer of a business as going concern by one taxable person to another person
48	The supply of burial and cremation services
49	The supply of precious metals and other valuables to the Bank of Uganda for the State Treasury
50	The supply of passenger transportation services (other than Tour and Travel operators);
51	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 power generation to the national grid
52	The supply of Dental, Medical and Veterinary equipment

	and ambulances
53	The supply of machinery used for the processing of agricultural or dairy products
54	the supply of photosensitive semiconductor devices, including photovoltaic devices, whether or not assembled in modules or made into panels; light; emitting diodes; solar water heaters, solar refrigerators and solar cookers
55	Supply of power generated by solar
56	The supply of lifejackets, lifesaving gear, headgear and speed governors
57	The supply of Mobile toilets and Ekoloo toilets made from polythene (deleted 2005);
58	The supply of mosquito nets, insecticides and acaricides;
59	The supply of contraceptive sheaths and examination gloves;
60	The supply of diapers.
61	Duty and Tax free import of certain Plant & Machinery
62	EAC Duty Remission Scheme - inputs used in manufacture of some products including: 90% remission on sugar for industrial use and Full remission on inputs for the manufacture of exercise books and other essential goods
63	Manufacturing under bond. Duty draw back
64	100% import tax holiday on imported sugar (one off)