

Uganda Budget Highlight 2011

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Income Tax:

Application for royalty

Definition of Royalty to be amended to include payment made as consideration for internet broadcasting.

Transfer pricing Regulations

Transfer pricing regulations will be gazette and will be applicable from 1st July 2011. This is to ensure that prices charged between associated entities for the transfer of goods, services, and intangible property are in line with the arm's length principle.

VAT

Imported Services

VAT will apply to imported services where the recipient of the services is a taxable person. Earlier, VAT on imported services was applied to both VAT registered as well as un-registered entities.

Supply of Solar Energy:

To promote clean and alternative energy, Hon. Minister has proposed to make supply of solar energy VAT exempt. This policy is to encourage supply of solar power to consumers in rural areas by commercial solar producers.

Supply of Ambulances:

VAT on sale of ambulances to facilitate the transportation of patients to hospitals and other health facilities have been removed.

Stamp Duty

Stamp duty on securities – for small loans

The stamp duty applicable on securities given in procuring small loans has been removed. This is in order to lessen the burden of borrowing by small income earners whose threshold shall not exceed Uganda Shillings 2 million.

Excise Tariff Act

Sugar

Hon. Minister has proposed to reduce the excise duty on Sugar by 50%. It has been considered that the sugar is a key welfare of many homes in Uganda.

Kerosene:

To provide relief to households from the burden of increased kerosene prices, the excise duty on kerosene has been removed.

Levy on Hides and Skins

Hon, Minister has proposed to levy on the export of raw hides and skins. The levy was intended to support and encourage value addition in Uganda.

Investment Trade Regulations

Investment traders were entitled to claim for VAT refund even during the construction period of their business and were exempted from withholding tax. This facility has been removed.

Reform of Tax laws

Government plans to reform the tax laws to ensure consistence with current economic reality, best practice, regional integration and provide a taxpayer friendly regime.

Accordingly, the government has drafted a Tax procedure code which will be introduced in to parliament next financial year. Government is also in advanced stages of reviewing the excise law, stamp duty law, Lotteries and Gaming and Pool betting Laws.

Remission of Duty on Uganda's inputs and Raw Materials:

The Ministers for finance decided to grant the extension of duty remission to Uganda's list of raw materials and industrial inputs for another one year.

Road Trucks and Semi-Trailers

The ministers for finance extended remission of import duty for a period of one year for road tractors for semi-trailers and trucks of carrying capacity of over 20 tones.

Inputs for assemblers of Refrigerators and Freezers:

In order to encourage Value addition and assembling by local entrepreneurs, import taxes on components parts and inputs for assembly of refrigerators and freezers were remitted from 25% to 10%.

Hose used in Agriculture

To augment local production and encourage food security, import duty on hoes was remitted from 10% to 0%.

Food Supplements:

In order to reduce nutritional deficiencies through use of food supplements, the ministers reduced the import duty on food supplements from 25% to 10%.

Premixes

To support the agriculture sector through reduction of the price of feeds, the ministers decided to remove import duty on premixes used in the manufacture of animal and poultry feeds.

Motor –cycle Ambulances

To encourage use of appropriate and affordable technology in rural areas, the ministers agreed to waive taxes on motor-cycle ambulances.

Double Tax Treaty

The Double taxation agreement among the East African community (EAC) partner's states was concluded. The Double Taxation Agreement will promote cross-border investments among East African Community (EAC) partner states.