# Doing business in Uganda

Grant Thornton

An instinct for growth™

# Content



**"Ours is a firm of ambitious and dynamic professionals passionate about helping dynamic organisations unlock their potential for growth, while working together as a cohesive local and global network of experts.**

**At Grant Thornton, we work collaboratively, act with agility, inspire ourselves and others and take responsibility for our actions while promoting a consistent culture of excellence in everything we do."**

Anil Patel, Managing Partner
Grant Thornton Uganda

# Foreword

Grant Thornton Uganda is pleased to present to you this 2015 edition of the Doing Business Guide in Uganda.

Grant Thornton is one of the leading accounting and consulting firms providing independent audit assurance, tax and specialist advice to new and existing dynamic businesses. We specialise in helping businesses achieve their goals by providing practical, customised solutions and identifying and pursuing business opportunities, domestically and internationally.

Our experienced team of professionals combines invaluable local and international market knowledge with technically advanced systems to help businesses prosper in today's highly competitive business environment.

Grant Thornton has a presence in more than 130 countries, employees over 40,000 professionals who over the years have made a difference in the growth of businesses across the globe and the general wellbeing of communities wherever they are.

In Uganda, Grant Thornton boasts of a strong and experienced team of over 100 accounting, business consulting and tax professionals, with offices in the city Centre- Kampala and a branch in the second largest city – Jinja.

The practice is a headed by a vibrant team of partners, a director and supported by 9 managers who have robust passion, knowledge and understanding of the business and market environment, and particularly strong in accounting and tax.

The team already serves over 400 clients from diverse fields and the numbers are rapidly growing as many new and existing clients are opting to choose Grant Thornton as partners in laying a solid foundation for business growth.

It is against this solid experience in Uganda, that Grant Thornton presents to you Uganda, as an investment destination, the opportunities available for business, the prevailing and projected social economic environment, the market, the regulatory framework and other such information that is useful in facilitating doing business in Uganda.

It does not cover the subject exhaustively but is intended to answer some of the important, broad questions that may arise. When specific problems occur in practice, it will often be necessary to refer to the laws and regulations of Uganda and to obtain appropriate accounting and legal advice. This guide contains only brief notes and includes legislation in force as of June 2015.

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice.

Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 40,000 Grant Thornton people, across over 130 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

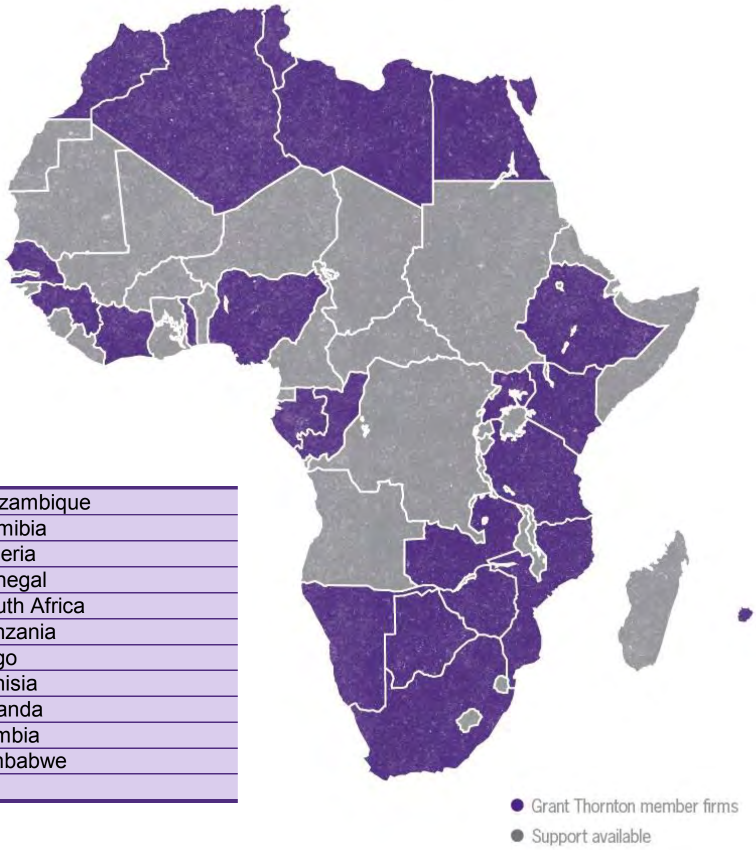
"Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Africa network

With growing consumerism and international trade, Africa is an incredibly attractive proposition for foreign investors.

Irrespective of your line of business, Grant Thornton member firms will help you cut through red tape, introduce you to key players in government and private sector and build your network, wherever you operate in the world.

The Grant Thornton Africa network comprises 24 member firms in 23 countries, ideally positioned to facilitate clients' expansion plans in these countries.




**Africa member firms**

| | |
|---|---|
| Algeria | Mozambique |
| Botswana | Namibia |
| Congo (Brazzaville) | Nigeria |
| Cote d'Ivoire | Senegal |
| Egypt | South Africa |
| Ethiopia | Tanzania |
| Gabon | Togo |
| Guinea | Tunisia |
| Kenya | Uganda |
| Libya | Zambia |
| Mauritius | Zimbabwe |
| Morocco | |

# Our services

Grant Thornton Uganda is well-equipped to provide investors with the pro-active assistance they require to do business in Uganda.

| | | |
|---|---|---|
| **AUDIT & ASSURANCE** | • Financial statement audit<br>• Public sector audit<br>• Grant audit<br>• Project audit | • Stock audit<br>• Certification services<br>• Special purpose audit<br>• Preparation of IFRS compliant financial statements |
| **TAX COMPLIANCE & CONSULTING** | • Tax registration and deregistration<br>• Individual and corporate tax returns<br>• VAT and PAYE compliance<br>• Withholding tax compliance consulting<br>• Tax health check<br>• Tax audit assistance | • Transfer pricing<br>• Tax opinion<br>• Expatriate tax solutions<br>• International tax consulting<br>• Tax planning and structuring<br>• Refunds<br>• Exemption |
| **OUTSOURCING** | • Accountancy and book keeping<br>• Monthly management accounts<br>• BPO | • Payroll processing and global mobility<br>• Wealth management<br>• Fund management |
| **ADVISORY** | • Business Risk Services<br>• Internal audit<br>• Governance and risk management<br>• Risk modeling services<br>• Operational advisory and improvement services<br>• Transaction advisory<br>• M & A advisory | • Capital markets<br>• Project financing<br>• Due diligence<br>• Feasibility studies<br>• Valuations<br>• Dispute resolutions management<br>• Expert dispute resolution & advisory<br>• Fraud & corruption solutions<br>• Asset tracing and verification |
| **SECRETARIAL SERVICES** | • Company incorporation/entity setup<br>• Secretarial compliance and consulting<br>• Liquidations | • Agreements and MOUs<br>• Business licenses<br>• Work permit processing |

# Country profile

## Summary

Uganda, already the preferred home of several leading Global Corporations and International Organisations, offers an exceptional opportunity for your business in the heart of Africa.

The country has established itself as one of the fastest growing economies (+6%) and has been recognised as one of the most liberal countries for foreign investment in Africa.

Uganda is commonly referred to as the "pearl of Africa" because of its natural beauty, good weather, and other natural resource endowments.

The country has experienced rapid economic growth over the last two decades and is still on the rise consequently being driven by many factors including, peace and security, economic liberalisation, policies aimed at promoting the private sector and generally a strong macroeconomic management approach.

| Basic data | |
|---|---|
| **(2014 estimates)** | |
| Official name | **Republic of Uganda** |
| Capital city | **Kampala** |
| Major cities | **Arua, Jinja, Entebbe** |
| Head of state | **His Excellency Yoweri Kaguta Museveni** |
| Local currency | **Ugandan Shilling (UGX)** |
| Time Zone | **GMT 3+** |
| Altitude | **1,100m above sea level** |
| Official language | **English** |
| Population | **34,856,813 people** |
| Area | **236,040 sq. Km** |
| GDP (purchasing power parity) | **US$ 54.6 billion** |
| GDP – per capita (PPP) | **US$ 1,484** |
| Exports | **US$ 3.156 billion** |
| Imports | **US$ 4.858 billion** |

| Public holidays | |
|---|---|
| January 01 | New Year's Day |
| January 26 | Liberation Day |
| Date Variable | Ash Wednesday |
| March 08 | International Women's Day |
| Date Variable | Good Friday |
| Date Variable | Easter Monday |
| May 01 | Labour Day |
| June 03 | Martyr's Day |
| June 09 | National Heroes Day |
| Date Variable | Eid al-Fitr |
| October 09 | Independence Day |
| Date Variable | Eid al-Adha |
| December 25 | Christmas Day |
| December 26 | Boxing Day |

## Geography and population

Topographically, Uganda is a land-locked nation lying astride the Equator in Central Africa between longitudes 29 ½° East and 35° East and between latitudes 4 ½° North and ½° South. Uganda shares borders with Republic of South Sudan to the North, the Republic of Kenya to the East, the Democratic Republic of Congo to the West, and the United Republic of Tanzania and the Republic of Rwanda to the South. Uganda is in the Heart of Great lakes region and is mostly plateau with the western Rift valley on the western edge and a rim of mountains straddling the country.

## Climate

Despite being on the Equator Uganda is more temperate than the surrounding areas due to its altitude. The Climate is pleasant tropical; generally rainy with two dry seasons (December to February, June to August). High mountains along some of its margins, an elevated plateau and plentiful lakes, all exert a real influence.

A related modified equatorial climate defines much of the Victoria shores as well as the southwestern highlands, while northern Uganda includes drier, more seasonal climates culminating in the hot, semi-arid country of the northeast.

Generally, sunshine is abundant throughout the year, with mild temperatures during the day, whilst night time tends to be cooler.

## Culture

The culture of Uganda is made up of a diverse range of ethnic groups. There are primarily 13 ethnic groups with the majority being the 'Bantu-speaking people', who dominate much of East, Central, and Southern Africa.

In Uganda, they include the Baganda, Basoga, Banyankole, Batoro and several other tribes. In the north, the 'Nilotic' tribes such as Lango and Acholi predominate. To the east are the Iteso and Karamojong, whereas the Gisu are part of the Bantu and live mainly on the slopes of Mt. Elgon. The rest of them are of non- African descent, i.e. Asians, Arabs and European.

## Political system

Uganda got its independence from Colonial rule on 9th October 1962. The country then suffered political turmoil, characterised by civil wars and military coups until 1986, when the current Government took over power. There has been relative peace and development since then. The Head of State in Uganda is the President, who is elected by a popular vote to a five-year term. The current President is his Excellency Yoweri Kaguta Museveni. He is very popular and is credited for having led the revolution that brought peace to the country.

The parliament is also elected by a popular vote for a basis of five year terms. The cabinet is appointed by the president from among the elected legislators. The Prime minister, currently Ruhakana Rugunda, assists the president in the supervision of the cabinet.

The Cabinet of Uganda, according to the Constitution of Uganda, "shall consist of the President, the Vice President and such number of Ministers as may appear to the President to be reasonably necessary for the efficient running of the State".

## Legal system

The legal system is based upon common law and statute. However, many common law principles have been codified by statute. The Ugandan judiciary operates as an independent branch of government and is hierarchical which consists of Magistrate's Courts, High Courts, Courts of appeal, and the Supreme Court. Judges for the High Court are appointed by the president; Judges for the Court of Appeal are appointed by the president and approved by the legislature.

Uganda's legal system since 1995 has been based on English common law and African customary law (customary law is in effect only when it does not conflict with statutory law).

## Language

Uganda is a Multilingual Country, with at least 41 languages in usage. Although English is the Official Language of Uganda, Luganda and Swahili are the most common languages. Swahili is relatively widespread as a trade language and Luganda widespread especially in central Uganda, is the vernacular language. Some of the minority languages include the Middle-Eastern and Asian languages spoken by descendants of foreign settlers (i.e. Hindi, Arabic etc.).

## Religion

Freedom of religion is guaranteed by the Uganda Constitution. Uganda is a religiously diverse nation with Christianity and Islam being the most widely professed religions. Christians of all denominations make up 80% of Uganda's population, Muslims about 10% and the Hindu, Sikh and others are minorities. Few of them also follow traditional religions and beliefs.

## Economy

Uganda's economic development focus since 1990 has been to promote a private sector led economy. Strong macroeconomic management and general political stability have helped this fast-growing country with a population of about 35 million improve its business environment over the past decade.

Recently Uganda came up with Vision 2040, with the aim "Prioritise areas that can turn Uganda into a middle-income country by 2040". As a result, Uganda's private sector has expanded significantly in recent years, and Uganda's GDP, trade, and foreign direct investment, while slowed by the effects of the global financial crisis, have remained strong.

The Ugandan Government's economic strategy is to modernise the economy by relying on markets and the efforts of private entrepreneurs as the basis for efficient and productive economic activity. In the meantime, the government provides the necessary legal, policy and physical infrastructure for private investment to flourish.

This strategy, endorsed by the World Bank, other donors and the private sector, is already showing results. Uganda currently ranks as the fastest growing economy in Sub-Saharan Africa.

Uganda has fully liberalised its capital account and inflation has remained at single digits over the last several years. Most economic activities are fully liberalised and open to foreign investment. There are no restrictions on 100% ownership of investments by foreign investors and no barriers to remittance of dividends.

The Ugandan shilling is fully convertible and the foreign market is wholly liberalised. Uganda is one of the very few countries in Africa that has no foreign exchange control.

Uganda's economic growth through the Financial Year 2014/15 is 5.3%.

## Transportation and communication

Uganda has a well-developed Transportation system with road transport being the most dominant with about 66,000 kilometres (41,250 mi.) of roads and approximately 3,500 kilometres (2,188 mi.) paved and 16,500 (10313 mi.) unpaved. Most radiate from Kampala connecting to other cities. There has been a rapid development of the roads especially in the recent years with an aim to boost the economic growth & development.

Uganda also has about 1,350 kilometres (800 mi.) of rail lines. A railroad originating at Mombasa on the Indian Ocean connects with Tororo, where it branches westward to Jinja, Kampala, and Kasese and northward to Mbale, Soroti, Lira, Gulu, and Pakwach in Uganda.

In 2014, with the help of Republic of China, a new Railway "Standard Gauge Railway" was launched by the President of Uganda and the Presidents of neighbouring Rwanda and South Sudan. This Standard gauge railway will start from Mombasa through Nairobi in Kenya to Kampala in Uganda and eventually to Rwanda and to South Sudan.

An international airport in Entebbe, "EBB - Entebbe International Airport" on the shores of Lake Victoria also plays an important role in air transport. It is the main hub for air transport in Uganda and it connects the country to many cities across the world. Entebbe Airport has passenger scheduled services on commercial airlines like Kenya Airways, KLM, SN Brussels, Emirates, Etihad Airways and others.

Uganda also has about 11 other domestic airports that service travel within its borders; Arua, Gulu, Jinja, Kabalega Falls, Kasese, Masindi, Mbarara, Moyo, Pakuba, Soroti and Tororo.

The Uganda Communications Commission (UCC) regulates communications, primarily "delivered through an enabled private sector." Over the recent years the use of phones and internet has rapidly increased due to the presence and entry of major international telecoms like, MTN, Airtel, Africell, Vodafone and others.

## Tourism

Uganda, historically named the Pearl of Africa by explorer John Speke, is rich with fantastic natural scenery and an impressive mosaic of tribes and cultures. It is well endowed with several mountains, which are regarded as huge extinct volcanoes straddling in different parts of the country. They are major tourist attractions, most of them are mainly for hiking activities. Some of these include; Mt. Elgon which is about 4,321 meters in altitude found in eastern Uganda.

While the snow-capped Rwenzori Mountains (5,110 meters), also known as the "Mountains of the Moon" are located in western Uganda, the Moroto and Muhavura Mountains are located in the north eastern and south western parts of the country respectively.

Uganda has been called a land of lakes because almost a third of the country is covered by water. Lake Victoria, the largest in Africa, dominates the southern border of the country while Lakes Edward and Albert lie to the west. Other lakes include; Lake Bunyonyi and Lake Kyoga among others.

Africa being famous for Wildlife, Uganda has about 10 big National Game parks of which two are regarded as UNESCO National World Heritage sites; Bwindi Impenetrable National Park and Rwenzori Mountains National Park, 13 Game Reserves, several traditional sites, Natural tropical Forests like Mabira Forest and many other sites.

The Longest River in the world which flows in Africa is said to have its source in Uganda which is about 6853 km (4258 miles) long. It has the most beautiful falls, rapids, scenarios a few of which include Sippi Falls, Ripon Falls and the majestic Murchison Falls.

### Business hours / time zone

Normal business hours are 8.00 am to 5.00 pm Monday to Friday. Many retailers are also open on weekends and one or more evenings. Trading is permitted on all days, with no exceptions, and it is up to the business owner to open shop.

### Cost of living

The cost of living in Uganda is fairly reasonable, with the cost of accommodation depending on the location in Uganda. Elite areas like Kololo, Naguru among others, cost more to live in.

Utilities such as water, electricity and security are available full time at relatively reasonable cost. Food and beverages are generally abundant in Uganda with fewer requirements to cook at home as the restaurants and cafés are generally economical.

The approximate monthly cost for rent can be as follows:

- Two – three bedrooms Flat – US$500 to US$1,000
- Two – three bedrooms House – US$1,000 to US$1,800
- Offices – US$10 to US$15 per square meter
- Warehouses – US$4 to US$6 per square meter

### East African Community

The East African Community (EAC) is the regional intergovernmental organisation comprising of Republics of Burundi, Kenya, Rwanda, the United Republic of Tanzania, and the Republic of Uganda, with its headquarters in Arusha, Tanzania.

The Treaty for Establishment of the East African Community was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three Partner States – Kenya, Tanzania and Uganda. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18 June 2007 and became full Members of the Community with effect from 1 July 2007.

The Vision of EAC is a prosperous, competitive, secure, stable one politically Uniting East Africa; Its Mission targeting to widen and deepen Economic, Political, Social and Culture integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments.

Improving investment climate in the EAC is therefore an essential factor for successful integration, the foundation for expanding business activity, boosting competitiveness, spurring growth and supporting human development.

# Business and regulatory environment

### Summary

There are great business opportunities in Uganda in all the sectors: the service, manufacturing, energy, building and construction, tourism, agriculture, infrastructure and transport, information and communications technology (ICT), health and many others.

A foreign company can do business in Uganda either by opening up a branch or by forming a subsidiary. The subsidiary may or may not be wholly owned. There are no ownership restrictions on subsidiaries in Uganda, and they can therefore be wholly owned by the investors.

### Restrictions on foreign ownership

Foreign investors are prohibited from certain types of business activity including production of crops, livestock farming and the leasing of land for these purposes. They may however engage in the business of making available materials or assistance to farmers.

### Government approvals and registration

A foreign company setting up a branch in Uganda must register the branch by submitting the appropriate documents to the Registrar within thirty days.

The requirements for registering a subsidiary are similar to registering a new company in Uganda. It involves application for registration by the Uganda registration services bureau.

Besides company registration, there is also a requirement for tax registration for any person doing business in Uganda. Upon application, the Uganda Revenue Authority issues a Tax Identification Number. This is the identifier in Uganda for business purposes.

Trading or operating licenses are issued by the respective government or professional bodies where necessary, depending on the nature of business being undertaken. Local Government Authorities, for example Kampala Capital City Authority (KCCA), usually issue the trading licenses. The Uganda Investment Authority issues the Investment license.

Investment in Uganda is regulated by the Investment Code Act. A body known as the Uganda Investment Authority (UIA) has been established to promote and facilitate investments in the country.

### Assistance and guidance to investors

The Authority (UIA) is the lead agency in providing assistance and information to investors. There are also business associations, business consultancy firms, solicitors, and realtors who can offer assistance to the prospective Investor.

Grant Thornton Uganda is one of such entities and plays a leading role in Investment advisory services. We go a step ahead to help dynamic investors in providing advice about any great opportunities and incentives that may be available for any Business Activities, bearing in mind the tax framework and the provisions of any applicable double taxation treaty or investment protection treaty with the country of origin.

### Investment licenses

In accordance with the Investment Act, a foreign investor must obtain an investment licence. Foreign investor means a company in which at least 50% of the shares are held by non-citizens of Uganda.

A local investor is not required to obtain an investment licence; however, the license affords the investor certain privileges throughout the process of establishing a business. New foreign investors are required to approach the Uganda Investment Authority (UIA) to obtain an investment license and at the same time receive assistance in setting up their investment.

In order to qualify for an investment license, there must be an investment of $50,000 for local investors (the license is optional), or $100,000 for foreign Investors (the license is obligatory).

Some sectors of investment require secondary licenses or permits prior to the issuance of an investment license. These include fisheries, mining, tourism, forestry, air transport, banking, and media and broadcasting. The UIA can assist the investor to obtain these licenses from the relevant line ministries or agencies.

### Market

Depending on the nature of Investment, the country provides a huge market for the products/services given its rapidly growing population and the fairly sound purchasing power.

Additionally, Uganda is a member of the Common Market for Eastern and Southern Africa (COMESA) and of the East African Community which also includes Kenya, Tanzania, Rwanda and Burundi. Additionally Uganda is a member of the ACP-EU partnership agreement between a number of African, Caribbean and Pacific states and the European Union.

### Natural resources

Uganda has substantial natural resources, including copper, gold, and newly discovered oil. Infrastructure projects in the transport and energy sectors have increased domestic demand and stimulated growth.

Uganda's predominant mineral occurrences are: gold, tungsten, tin, beryl and tantalite in the south; tungsten, clay and granite between latitude zero and two degrees north; and gold, mica, copper, limestone and iron in the north. Although being wealthy with minerals, Uganda has not been able to exploit the resources to the extreme, giving a great chance for the potential and existing investors.

### Oil & Gas

Commercial viability of reserves is confirmed and reserves are estimated at 3.5bn barrels. The government and the oil operators have agreed to build a 30,000bpd refinery and 1400km pipeline to the Indian Ocean coast which depicts great opportunities both in the upstream and downstream activities including exploration, refinery, engineering consultancy and services, construction and civil works and training.

The development also opens gates for possible $10b investments in Uganda's oil and gas industry

Energy: - Comprising of hydro-electric power, new and renewable energy sources. Important areas are the design and construction of hydroelectric power stations, consultancy and engineering, and generators.

### Education

The education sector has undergone rapid transformation from government funding to private investment. With this development, Uganda is becoming a Regional hub for education and knowledge ranks as the best in the region (UNDP Education Index). Important opportunities lie in setting up institutions, construction, educational materials, security printing of certificates and ICT.

### Agriculture

With ample natural resources, such as fertile soil and adequate rainfall, agriculture forms the most important economic sector of Uganda. The agricultural sector employs more than 80% of the workforce. Agricultural products nearly contribute all of Uganda's foreign exchange earnings, with coffee alone (of which Uganda is Africa's leading producer) accounting for about 27% of the country's exports. Exports of apparel, hides, skins, vanilla, vegetables, fruits, cut flowers, and fish are growing, while cotton, tea, and tobacco continue to be mainstays.

### Infrastructure

Due to the urge for Rapid Economic Growth and Development, there is a demanding need for road and power improvements and International financial institutions are interested in these projects. Also with an estimated 300,000 housing units needed per year, commercial and residential construction are growing. Products to consider include; infrastructure design, construction and operation – particularly energy related, environmental consultancy and analysis, architecture, construction equipment, generators and transformers.

### Industry

The industrial sector is currently limited and being transformed to resume production of building and construction materials, such as cement, reinforcing rods, corrugated roofing sheets, and paint. The Government of Uganda is encouraging potential Investors to invest and explore the untouched sectors of the Manufacturing Industries in order to develop Uganda together.

Despite that, there are several multinational Industries in Uganda which include British American Tobacco, Coca cola Industries Limited, Nile Breweries Limited, Shell Limited, Unilever Limited, among others.

Some of the domestically produced consumer goods include plastics, soap, cork, beer, and soft drinks. Major Cement manufacturers like 'Tororo Cement Ltd' and Hima Cement Limited cater for the need of building and construction material consumers across East Africa.

A few of the Big Group Companies in Uganda include the Ruparelia Group, Madhvani Group, Mehta Group, Mukwano Group, the International Medical Group and the Alam Group.

## Immigration

Uganda's immigration system is regulated by the Immigration Act "Uganda Citizenship and Immigration Control Act". This ensures that access to foreigners is granted in order to promote economic growth, while at the same time ensuring their security considerations are fully satisfied.

Currently the Act sets out the categories of Permits available. There are three basic components to the system: Visas, temporary residence permits and permanent residence permits.

## Visas

Visitors from countries excluding the East African Community do require a visa for visits to Uganda. Generally, visitors are not allowed to work in Uganda. However, visas or work permits are available under various categories for people wishing to work in Uganda either on a temporary or permanent basis. Ugandan citizens and permanent residents do not need a work visa to work in Uganda.

Long-term visas are available for migrants bringing valuable skills or qualifications, setting up a business, or making a financial investment in Uganda. There are also opportunities for family reunification by allowing residents and citizens to sponsor family members for residence.

## Insurance

Third party liability insurance must be taken out on all motor vehicles. No other insurance policies are mandatory except workmen's' compensation policy for the employees to be obtained from licensed insurance companies in Uganda.

## Use of land

Local investors and Ugandan citizens can own land while foreign investors are restricted to long term leases, usually from five to 99 years. Land can be obtained from private owners, local councils and other government agencies. Locating available and suitable land is not a simple process, especially In Kampala where it is scarce.

A business consultant, a realtor, or a solicitor can assist the investor in locating property and purchasing or leasing it.

## Uganda Revenue Authority (URA)

The URA is a government revenue collection agency established by the Parliament of Uganda. The URA is responsible for the assessment, collecting and accounting for various forms of tax revenue in Uganda. It is also responsible for the enforcement of the Central government's taxation laws in the country.

All investors, firms and directors in Uganda must register as taxpayers and obtain a Tax Identification Number (TIN).

## Kampala Capital City Authority (KCCA)

KCCA is a legal entity, established by the Ugandan Parliament that is responsible for the operations of the capital city of Kampala in Uganda. An investor must obtain a trading license from KCCA regardless of the type of business being established.

## Fiscal incentives

Uganda's tax incentive package provides for generous capital recovery terms, particularly for investors whose projects entail significant investment in plant and machinery and whose investments are medium or long term. The incentives package includes:

1 A uniform corporate tax rate of 30%.

2 Low rate of import duty on imports of any necessary plant, machinery and equipment not available in Uganda;

3 A duty draw-back facility for exporters;

4 A fully liberalised foreign exchange regime with no restrictions on the movement of capital into and out of the country;

5 A freely convertible and stable currency;

6 25% deduction on start-up costs, and 100% on scientific research, training, and mineral exploration expenditures. These are capital allowances or expenses which are deductible once from the company's income;

7 Deductible annual allowances for equipment, furniture, and vehicles ranging from 20 - 40%;

8 VAT at 18% with deferral and VAT refund facilities;

9 Double taxation agreements with the UK, South Africa, Denmark, India, Italy, Mauritius, Netherlands, Norway and Zambia;

10 Reciprocal investment agreements with the UK, South Africa, Kenya, Tanzania, and Italy;

11 Investment protection and bilateral trade agreements with numerous other countries.

12 A variable rate of income tax for the mining sector.

# Finance

## Summary

The presence of a stable financial system is essential for sustained investment growth in any government. The health of the banking system and presence of capital markets are a major source of private sector funding.

## Banking system

The banking sector is one of the most dynamic sectors of our economy. But the industry needs to evolve in the years ahead so that it can best meet the needs of its customers and the Ugandan economy, according to Dr Louis Kasekende, Deputy Governor of the Bank of Uganda

The Ugandan banking system has remained in a very sound financial state despite all of the challenges it has faced in recent years emanating from the impact of the global financial crisis, the rise in domestic interest rates and the slowdown in economic growth. The basic indicators with which we measure financial soundness are all positive. The total capital of the banking system is a very healthy 22% of its risk weighted assets and the quality of bank capital is very good with core capital comprising 86% of the total regulatory capital of Ugandan banks. The banking system is profitable, with an annual return on assets of around four percent. Non-performing loans were only just over four percent of total loans at the end of 2012; hence the rapid increase in intermediation.

There has been a dramatic increase in the intermediation of funds; the extent to which banks convert the deposits that they mobilise into loans to the corporate and household sectors. At the end of the year 2000, commercial bank credit to the private sector was only six percent of GDP and banks only lent out 54 percent of their deposit base to the private sector. By the end of 2012, 80% of the banks' deposit base had been lent out to the private sector and private sector credit as a share of GDP had risen to 15%.

The performance of the banking industry in recent years is the expansion of the branch network. In the year 2000, there were 129 bank branches in Uganda. At the end of 2012 this had risen to 495, a fourfold increase. In the last five years, Uganda has seen an average of 60 new branches a year opened for business. The expansion of the branch network also reflects greater competitive pressures within the banking market, with banks aiming to attract new customers by expanding into areas where they did not previously have a presence.

## Capital markets

In 1994 Bank of Uganda chaired the Capital Markets Development Committee (CMDC), which was comprised of stakeholders of capital market interests from financial markets, industry and government. The CMDC oversaw the introduction of the Capital Markets Statute 1996 which introduced the Capital Markets Authority (CMA) and made provision for the licensing of the Uganda Securities Exchange. The CMDC works with Government to adopt a strategy of privatizing parastatals by listing them on the Stock Exchange. Currently there are over 15 companies listed on the Uganda Securities Exchange.

The Uganda Securities Exchange (USE) was established in 1997 as a company limited by guarantee, and was licensed in 1998 by the Capital Markets Authority to operate as an approved securities exchange.  The Exchange is governed by a Governing Council whose membership includes licensed broker/dealer firms, investment advisors, a representative of investors and a representative of issuers. This year the marked a major milestone achievement of the exchange in which the trading and depository were automated. This will go a long way in improving the efficiency of the system.

### Other sources of finance

In terms of the State the major financing sources have been public and private borrowing, international loans and grants. The country's debt to GDP ratio currently stands at 35%.

With regard to the private sector, there are limited sources of financing outside the banking systems and capital markets. The semi-formal and informal financial institutions are yet to realise a large enough capital base to meet with the needs of the private sector. This leaves public-private partnerships as a source of financing and the international market for investors such as hedge funds, investment banks and multinational corporations.

There are 25 Tier 1 banks, 3 Tier 2, 3 Tier 3 and over 1000 Tier 4, 2 Development banks and 8 Investment banks in the country.

Current CBR stands at 17%

# Imports and exports


### Summary
All investors have to deal with customs at some point, whether it is clearing personal effects sent over as part of the first arrival privileges or importing and exporting merchandise.


### Customs valuation
Uganda follows the Harmonised System (HS) of categorising goods. Some imported goods are subject to a pre-shipment inspection in the country of origin. The pre-shipment inspection covers verification of the quantity and quality of imported goods to ensure conformity with contractual specifications.

### Free Trade Zones
Uganda has started focusing on developing Special Economic Zones in line with the Free Zones Act 2014. Uganda Free Zone Authority has been established to focus on the free trade development in Uganda. Land has been secured in Kaweweta to set up a SEZ that will focus on agro production and processing.

### Membership in Free Trade Zones
Uganda is a member of the Preferential Trade Area (PTA) for East and Southern African States, the Common Market for East and Southern Africa (COMESA) and the Africa-wide Abuja Agreement. Uganda IS also part of the East African Community (EAC) formed with the neighbouring countries of Kenya, Tanzania, Rwanda and Burundi.

# Business entities

## Summary

Foreign investors may operate in Uganda through whatever entity they choose. The most common entities used by foreign investors are locally incorporated companies or a branch of the foreign entity.

## Business entities

Incorporation in Uganda is regulated by the Companies Act of Uganda. A company retains a legal separate identity apart from the officers, directors, members and shareholders of the company. This protects the members of the Company from owing any legal liabilities other than what they contributed. Although legal proceedings can be initiated against the company, they cannot be initiated against the individuals themselves for the actions of the company.

### Registering a business name

According to the Registration of Business Names Act, every business in Uganda must register its business name. To register, a completed business name registration form must be sent or delivered to the Registrar of Business Names within 14 days of the start of business. Once it is issued, the Business Name Registration Certificate must be openly displayed at the registered place of business.

When an individual, a firm or a corporation ceases to do business, it must send a notice of cessation of business to the Registrar within three months of cessation. Failure to comply with any of these regulations is punishable by a fine.

### Property

A company incorporated under Ugandan law is legally able to own property as a separate entity. This holds two distinct advantages - a company can occupy business premises as a tenant, and members of the company cannot interfere with the company's property. In cases of commercial disputes, a company can take action to enforce its legal rights. At the same time, it may also be sued for breach of its duties.

### Share capital and shareholders

Public companies are permitted by law to offer their shares to the public, but prior to doing so must submit a prospectus to the Capital Markets Authority for their review.

Companies are often formed with a nominal share capital and the minimum share capital requirement in Uganda is UGX One million (about USD 400). Most investors set up companies limited by shares, where the members' liability is limited, whereas companies limited by guarantee are usually formed by non-profit entities.

### Management and officers

A company is recognised as public or private. Public companies face more stringent legal requirements than private companies. Public companies must have a minimum of seven members, including two directors, are required to lodge audited financial statements with the Registrar of Companies on an annual basis, and must hold a statutory general meeting annually.

Private companies may be incorporated with as few as two members, but no more than 50, including two directors, are not required to lodge audited financial statements with the Registrar, are not required to hold a statutory general meeting annually, and they may not offer their shares to the public.

### Dissolution

A solvent company may be removed from the company register by a process known as a "member's voluntary liquidation". This requires the shareholders to appoint a liquidator, generally a suitably qualified accountant or consultants, who takes control of the company, discharges its liabilities and distributes the surplus to shareholders.

A strike-off mechanism is available whereby the directors or shareholders may simply request the Registrar of Companies to remove the company from the company register. However, such a mechanism should only be employed after obtaining appropriate professional advice due to the issues that arise, including residual exposure to creditors.

A company is not allowed to trade while it is insolvent (liabilities exceed assets). The directors of an insolvent company should seek advice from an insolvency practitioner or a lawyer regarding their options.

### Insolvency

A company is not allowed to trade while it is insolvent (liabilities exceed assets). The directors of an insolvent company should seek advice from an insolvency practitioner or a lawyer regarding their options. These include:

- Receivership
- Creditors compromise, being a legally binding agreement entered into by all of the company's creditors
- Voluntary administration
- Liquidation.

## Sole proprietorships

### Establishing a sole proprietorship

A sole proprietorship is not a separate legal entity which means that the individual who owns the business is personally liable for all debts of the business. There are no formalities involved in setting up a business as a sole proprietorship, apart from registering the business name and obtaining necessary registrations with tax authorities.

## Foreign companies

### Establishing a foreign company branch

A company incorporated in a foreign country is authorised to operate in Uganda if it obtains a Certificate of Registration. A certified copy of the document that defines the company's constitution (in English) must be submitted to the Registrar.

## Partnerships

There are two types of partnerships in Uganda - General Partnerships (GP) and Limited Liability partnerships (LLP). Partnerships are governed by the Partnership Act and are defined as agreements between persons for the purpose of doing business.

### General partnerships

General Partnerships are the ordinary partnerships where all the partners take part in the management and can bind the partnership. Their contributions, share in profits and losses of the partnership are regulated by the partnership deed and all partners are personally liable for the debts and obligations of the partnership in accordance with the sharing ratios in the partnership deed.

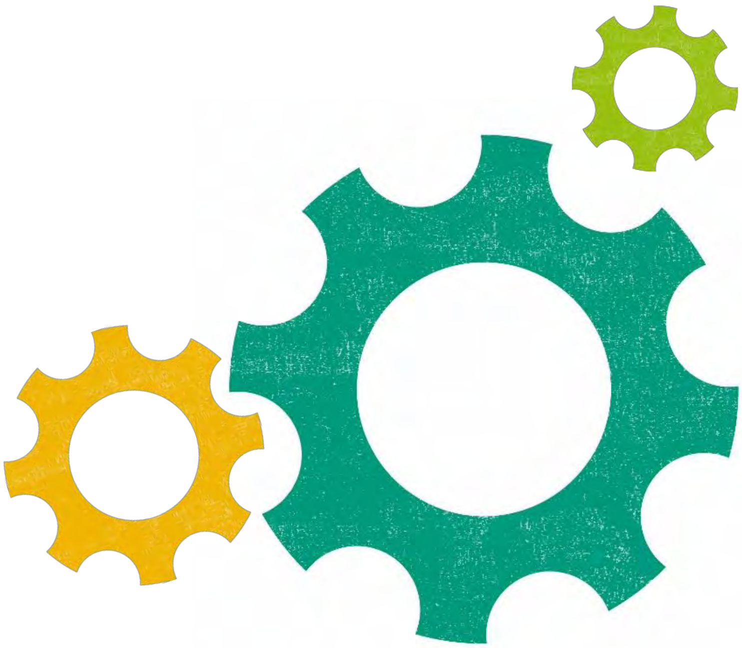
A general partnership can be sued either in its firm name or through the individual partners, but even when sued in the firm name the partners must appear in their individual capacity, and execution can only be against the individual partners, not against the firm.

All property rights and interests in the property brought into the partnership stock, purchased on account of the firm or acquired in the course of the partnership business are presumed to be partnership property unless proved otherwise.

Although a general partnership is not a legal entity, it can own real property through a trust, a contractual license, or a lease. A partnership can also hold a land title in its name as a Trustee.

### Limited liability partnerships

A limited liability partnership consists of not more than 20 persons with at least one of them as a general partner who is liable for all debts and obligations of the Partnership. There should be at least one limited liability partner who is liable to contribute a stated amount of capital and is not liable for the debts or obligations of the partnership beyond the amount contributed. It is also possible to have a company as a limited liability partner.



# Labour

## Summary

Uganda has traditionally had a workforce skilled in construction and production but there has been a long-standing shift towards employment in the services sector. Uganda does not have enforcements regarding minimum wage legislation Uganda has strict regulations regarding the Safety of the Workers and Child Labour.

## Wages

The average monthly earnings for fulltime salary and wage earners, is around UGX 575,000 ($230). The usual working hours are from 8:30am to 5:00pm from Monday to Saturday but not statutory.

## Social welfare costs

There are mandatory contributions made by employers (10%) or employees (5%) to the National Social Security Fund (NSSF) every month based on the gross salary of the Employee. It is the premier Social Security Provider for Uganda's workers. They provide social security protection to workers in the formal and informal sectors.

## Pensions

All Ugandan employees, the self-employed, traders and farmers are automatically part of the national plan for old-age pension and disability benefit. The insured have to pay 5% of their monthly wages in social security contribution and their employee adds another 10%. Voluntary contributions to the pension plans are available. Once a Ugandan employee has reached the age of 55 and no longer has any sort of insured employment, he or she will receive an old age pension.

## Fringe benefits

Non-cash benefits are subject to Corporation Tax, which is borne by the employer and not the employee. Examples of benefits subject to tax include motor vehicles provided by the employer that are available for private use, the provision of private healthcare, loans at concessional rates of interest, and free, subsidised or discounted goods and services.

## Holiday pay

An employee is entitled to 22 days paid leave after completing 1 year of continuous service. Workers are entitled to at least 1 day of rest per week. Workers are entitled to paid Festive holidays. The compensation during these days is covered by both the Public Holidays Act and the Constitution of Uganda.

## Sick pay

Under the Employment Act, an employee is entitled to paid sick leave after a period of two consecutive months of service. The minimum period of entitlement is 7 days with full pay and 7days with half pay for every 12 months, subject to production of a certificate of incapacity to work duly signed by qualified medical practitioner.

### Unions

The Labour Relation Act defines a trade union as ‘an association of employees whose principal purpose is to regulate relations between employees and employer, including any employer’s organisation. The act provides that only persons above the age of 18 can join a trade union.

However, it allows for a person aged 16 to be a member under special circumstances.

# Financial reporting and audit


### Summary

In Uganda, accounting and reporting requirements of business entities are governed by the regulations issued by the Institute of Certified Public Accountants of Uganda (ICPAU), Capital Market Authority, the Companies Act, 2012 and the Income Tax Act.

For financial reporting purposes, provisions of the Companies Act, 2012 apply to all companies. Further Accounting Standards adopted by ICPAU apply to all corporate and non-corporate entities. Even the Income Tax Act, defines book-keeping and reporting requirements for tax purposes.


### Records to be maintained

As per the provisions of the Companies Act, 2012, every company incorporated in Uganda is required to maintain proper books of accounts in English.

### Financial Year

There is no definite requirements for a specific month as the financial year under the Companies Act. The financial year of the Government is July-June. A company is required to hold an Annual General Meeting (AGM) within six months of the end of financial year.

Year of Income as per the Income Tax Act is June 30. With the introduction of e-tax systems, all local and foreign companies registered after 2008, are expected to prepare and submit their tax returns with June 30, as the year of income. However, if taxpayers are subsidiaries or branches of foreign company and the year of income of parent or head office is other than June 30, with written application, commissioner may approve different year of income.

### Preparation of financial statements

Financial statements are normally prepared once in a year as per the financial year-end of the business.

### Contents of financial statements

Financial statements of a local or foreign company are prepared in the form and manner prescribed under the Companies Act and it usually contains statement of financial position, statement of profit or loss, other comprehensive income, statement of changes in equity, statement of cash flows, accounting policies and notes to the financial statements.

### Accounting standards

Accountants Act mandates ICPAU to regulate and maintain the standards of accountancy in Uganda. The Council of ICPAU adopted International Financial Reporting Standards (IFRS) and International Financial Reporting Standards for SMEs issued by the International Accounting Standards Board (IASB) as the national standards of Uganda.

All local and foreign companies, whose securities trade in public market or publically accountable entities are required to use IFRS. All others are required to use either Full IFRS or IFRS for SMEs.

### Audit requirements

Every company incorporated in Uganda, irrespective of its size, must have its financial statements audited by practicing member of ICPAU.

### Auditing standards

The International Standards of Auditing issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB) are expected to be followed by auditors.

### Filing requirements

The filing requirements vary based on private, public and foreign companies.

Private companies are not required to submit their audited financial statements to the Registrar of Companies.

Public Companies are required to submit the financial statements along with its annual returns to the Registrar of Companies. It is also expected to submit the same to Capital Market Authority.

Foreign companies are also required to submit their financial statements to the Registrar every calendar year in English Language. However, this provisions do not apply, if foreign company:

(a) Is Incorporated in any part of the Commonwealth
(b) Is a private company and does not have any public interest
(c) A certificate is delivered to the registrar every year of meeting the conditions of exemption.

# Tax

### Summary

Summary of taxes and mandatory contributions that a medium size company must pay or withhold in a given year:

### Tax rates

| Contributions | No. of Payments | Statutory rate | Tax Base | Mandatory or optional |
|---|---|---|---|---|
| Corporate Income Tax | 3 | 30% | Taxable Profits | Mandatory |
| Employee Social Security Cont. | 12 | 10% | Gross Salaries | Mandatory |
| Pay As You Earn | 12 | Various Rates | Gross Salaries | Mandatory |
| VAT | 12 | 18% | Value Added | Mandatory |
| Withholding Tax | Depends | 6%, 10%, 15% | Gross Amount | Optional |
| Tax on Interest | 1 | 15% | Interest Income | Optional |
| Property Tax | 1 | 7 – 10% | Property Rental Value | Mandatory |
| Trading License | 1 | Various Rates | Nature of Trade | Mandatory |
| Stamp Duty on Contracts | 1 | Various Rates | Per Contract | Optional |
| Capital Gains Tax | 1 | 30% | Amount | Mandatory |

### Companies

A company is a resident company for a year of income if it:-

a Is incorporated or formed under the laws of Uganda;

b Has its management and control exercised in Uganda at any time during the year of income;

c Undertakes the majority of its operations in Uganda during the year of income.

### Liability to tax

The payment of taxes is regulated by the Income Tax Act (CAP 340). Mining companies are taxed at a variable rate from 25-45% and at the year-end; all Companies have to submit an Income Tax Return concerning the tax liability to Uganda Revenue Authority.

### Taxable income

Income includes profits, interest gains, dividends and non-monetary benefits, Advantages or Facilities obtained through gainful means. Expenditure incurred in the production of income generally is deductible for tax purposes.

Dividend income is included in the gross income and is taxed at the corporate tax rate but exempt where a resident company controls 25% or more of the voting power of a resident payer company. Foreign source dividends are taxable.

Losses; trading losses, including capital losses may be carried forward indefinitely and offset against future trading income.

For additional information, Grant Thornton would be most privileged to provide the information as our competent professionals possess the technical knowledge to assist the clients in unlocking their potential for growth.

### Individuals

A resident individual is subject to tax on worldwide income. However, foreign source employment income is exempt from tax in Uganda where the individual has paid foreign tax on the income. A foreign tax credit is available for other types of income in the same way as it is for companies. A non-resident is subject to tax on Ugandan- source income

Uganda's top individual income tax rate has increased from 30 percent to 40 percent. The top corporate tax rate is 30 percent. Other taxes include a value-added tax and a property tax. Overall tax revenues equal 13.1 percent of the domestic economy. Government expenditures are equivalent to 19.1 percent of domestic production, and public debt equals 36 percent of GDP

#### Residence criteria

An individual present in Uganda for at least 183 Days in any 12 month period is resident for the tax years beginning and ending in that period. In addition, a person with a permanent home in Uganda, or who has been present  for an average period of at least  122 days during three consecutive years, is deemed to be tax resident.

#### Taxable income

Income includes Profit gains, Dividends, Interest and Non-monetary benefits, Advantages or Facilities obtained through gainful means. The withholding tax on the dividends is treated as a final tax for Individuals.

### Value Added Tax

VAT is regulated by the VAT Act (CHAP 349). All suppliers of Vatable goods and services with an annual turnover of at least UGX 150,000,000/= (approx. US$50,000) must register for VAT, charge and pay VAT on all goods and services sold by them.

Monthly VAT returns must be filed by the 15th day of the following month together with the any outstanding amount.

VAT on Imported Services is not an allowable input tax credit.

Only registered suppliers may charge VAT on goods or services sold, and may claim input tax on goods and services acquired.

### Tax treaties

In most of the countries, Income Tax is to be imposed both on the world wide income derived by resident of the country and on the income derived by non-residents which arise in the country.  Due to this income derived by a resident of one country from a source in another country is subjected to tax in both countries.

Double Taxation agreement is an agreement between two countries where income of particular nature will either be taxable in only one of the countries or may be taxed in both the countries with one of them allowing a credit for the tax imposed by the other.

Uganda has tax treaties with Belgium, China, Denmark, Egypt, India, Italy, Mauritius, Netherlands, Norway, Seychelles, South Africa, United Kingdom, Zambia and East African Community.

### Thin capitalisation

Thin capitalisation rule restricting a foreign debt to foreign equity has been moderately liberalised as foreign debt to foreign equity ratio to 1.5:1. i.e. interest on foreign debt of foreign controller, in excess of the debt to equity ratio of 1.5:1 is disallowed.

However, thin capitalisation rule will not be applicable if the debt obtained is at arm's length in terms of the criteria used by independent financial institution.

### Transfer pricing

Guidelines for transfer pricing will be applicable to:

- transactions between associated enterprises within a multinational company, where one enterprise is located in and is subject to tax in Uganda and other is located outside Uganda;
- transaction between a permanent establishment and its head office or other related branches, in which case the permanent establishment shall be treated as a distinct and separate enterprise from its head office and related branches.

The transaction subject to adjustment of prices under these rules includes:

- the Sale and purchase of goods
  - the sale, purchase or lease of tangible assets
  - the sale, purchase or lease of intangible assets
  - the provision of services
- the lending or borrowing of money and
- any other transaction which may affect the profit and loss of the enterprise involved

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