

# UGANDA

## KATENDE, SSEMPEBWA & COMPANY ADVOCATES



### FIRM INFORMATION

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### COUNTRY INFORMATION

The total area of Uganda is about 241 000 square kilometres of which about 44 000 are covered by fresh water bodies. Its population is approximately 37.58 million. The official language is English. Swahili and Luganda are also spoken.

The capital city and seat of Government is Kampala. Other major towns include Entebbe and Jinja, the second industrial town of Uganda and the source of the river Nile.

### POLITICAL SYSTEM

A multiparty democracy since 2006.

### LATEST GDP FIGURES

USD 21.49 billion.

### INFLATION RATE

1.3%.

### INVESTMENT CLIMATE

Uganda strongly encourages private investment, both foreign and domestic. The Government has pursued a steady policy of improving the investment climate by reducing bureaucracy, streamlining the legal framework, fighting corruption and stabilising the economy. The last point in particular has become a trademark for Uganda. Few Sub-Saharan economies have come close to Uganda's success in stabilising their economies and stimulating growth. Although the country remains poor, foreign investors are unlikely to find a more dynamic economic environment in Africa. Although small, the Ugandan market is growing.

The Government of Uganda's strategy with respect to macroeconomic policy is to modernise the economy by relying on markets and the efforts of private entrepreneurs, while the Government provides the necessary legal, policy and physical infrastructure for private investments to flourish. This strategy has been endorsed by donors and is already showing positive results. The central objective is to provide sustainable, rapid and broad-based growth by guaranteeing security, the rule of

law and structural reform.

Uganda's fiscal 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/long term.

In addition, Uganda offers a zero rate of import duty on plant and machinery as well as a uniform corporate tax of 30%. Provisions allow for assessed losses arising out of company operations (including the loss from the investment allowance) to be carried forward. Such losses are allowed as a deduction in determining the tax payer's chargeable income in the following year of income. Uganda also has a fully liberalised foreign exchange regime with no restrictions on the movement of capital in and out of the country.

With the discovery of oil there are many opportunities in industries related to oil in the upstream, midstream and downstream markets.

### FORMS OF BUSINESS

- Private or public limited liability company
- Foreign company (i.e. a branch of a foreign company)
- Partnership
- Trusts
- Sole trader

### FORMATION OF A COMPANY

Companies, both local and foreign must be registered. A local company is one which is incorporated and registered in Uganda or a company whose major shareholding is held by Ugandans and the majority of its business is conducted in Uganda. Foreign companies and branch offices are required to register as foreign companies.

### REQUIREMENTS FOR INCORPORATION OF A LOCAL COMPANY

A local company is one that is incorporated and registered in Uganda. The information required for the incorporation of a local company is as follows:

- The proposed name of the Company's business and the proposed principal place of business. For new companies that do not have a registered office, the offices of their Advocates can act as the initial offices of the company
- The full names, address, age, nationality, position and other occupations of all members. The statutory minimum number of members required for a limited liability company is one
- The primary or principal objectives of the company. This is a requirement because legally a company cannot engage in any business that is outside the scope of its Memorandum of Association. This requirement is however going to change with the commencement of the new Companies Act
- The share capital of the company and the capital contribution of each member to the company. The official stamp duty is set at 0.5% of the nominal share capital. Normally we recommend that the initial share capital is only One Million Uganda Shillings (Ushs) (about USD 600) as this significantly reduces the cost of incorporation by minimising stamp duty. The share capital can be increased as and when the requirement arises
- The name of at least two directors of the company. Other directors can be appointed in due course by company resolutions

### REGISTRATION OF A FOREIGN COMPANY

Foreign companies establishing a place of business in Uganda are required to register as foreign companies in terms of the Uganda Companies Act. The information required for registering a foreign company is as follows:

- Several certified copies of a company's Memorandum and Articles of Association
- A complete list of all the directors and the secretary of the company, their names, postal addresses, nationalities and business occupations
- A statement of all subsisting charges created by the company
- A list of the shareholders of the company
- A letter from the Registrar of Companies in the company's home country confirming that the company is registered in the home country
- The name and postal address of someone resident in Uganda authorised to accept on behalf of the company service of court process and any notices required to be

- served on the company
- The full address of the principal/registered office of the company
- Official registration and processing fees.

### VISA REQUIREMENTS

Under Ugandan immigration regulations, the requirement to obtain a visa to visit Uganda varies according to the visitor's country of origin. Ugandan visa policy is based on the principle of reciprocity i.e all countries that require visas for Ugandans are also subject to visa requirements in Uganda.

Visitors from the following countries do not require visas: East African citizens and nationals of COMESA member countries, Angola, Comoros, Eritrea, Kenya, Malawi, Mauritius, Madagascar, Rwanda, Seychelles, Swaziland, Tanzania, Zambia, Zimbabwe, Antigua, Vanuatu, Cyprus, Tonga, St. Vincent and The Grenadines, Solomon Islands, Singapore, Sierra Leon, Malta, Lesotho, Jamaica, Grenada, Gambia, Fiji, Belize, Barbados, Bahamas, Italy (only diplomatic passports).

Visitors from other countries must obtain visas from Uganda's diplomatic and consular missions abroad. Visas can also be obtained on arrival at Entebbe Airport or any other entry point in cases where foreign nationals cannot access a Uganda diplomatic and consular mission abroad, provided one satisfies the entry requirements. It is however advisable to get a visa before embarking on a trip to Uganda to avoid unnecessary paperwork at point of entry.

#### The following visa fees are charged:

Single entry	US\$50
Transit Visa	US\$50
Multiple Entry (6-12 months)	US\$100
Multiple entry (24 months)	US\$150
Multiple entry (36 months)	US\$200
Student Visa	US\$100
East African Tourist Visa (3 months multiple entry for Kenya, Rwanda and Uganda)	US\$100.

## CATEGORIES OF TAXES IN UGANDA

Both direct and indirect taxes apply in Uganda. Direct taxes are levied on individual and corporate income. Indirect taxes are levied on certain transactions such as the sale and purchase of land, goods and services.

### TAXATION OF INDIVIDUALS

Income tax is calculated on the individual's net assessable income after making allowance for deductible expenses. The sources of assessable income for individuals include employment, business and property. The annual income threshold is Ushs 2 820 000 (approx. US\$1 000) below which no income tax is chargeable for an individual). Different tax rates apply depending on whether the individual is a resident or non-resident of Uganda for tax purposes.

#### Income Tax Annual Rates for Residents (Ushs per annum)

- Ushs 0 – 2 820 000 – Nil
- Exceeding 2 820 000 but not exceeding 4 020 000 - 10% of the amount by which chargeable income exceeds Ushs 2 820 000
- Exceeding 4 020 000 but not exceeding 4 920 000 - Ushs 120 000 plus 20% of the amount by which chargeable income exceeds Ushs 4 020 000
- Over 4 920 000 - Ushs 300 000 plus 30% of the amount by which chargeable income exceeds Ushs 4 920 000. Where the chargeable income of an individual exceeds Ushs 120 000 000 an additional 10% is charged on the amount by which chargeable income exceeds Ushs 120 000 000.

#### Income Tax Annual Rates for Non-Residents (Ushs per annum)

- Ushs 0–4020 000 - 10%
- Exceeding Ushs 4 020 000 but not exceeding Ushs 4 920 000 - Ushs 402 000 plus 20% of the amount by which chargeable Income exceeds Ushs 4 020 000
- Over Ushs 4 920 000 - Ushs 582 000 plus 30% of the amount by which chargeable income exceeds Ushs 4 920 000. Where the chargeable income of an individual exceeds Ushs 120 000 000, an additional 10% is charged on the amount by which chargeable income exceeds Ushs 120 000 000.
- Pay as You Earn (PAYE) Tax and Taxation of Employment Benefits

PAYE is not a separate tax. It is an instalment income tax system under which employers are required to deduct tax instalments from their employees' salary or other employment income. The instalments so deducted are remitted to the Uganda Revenue Authority (URA) and based on the PAYE tax return lodged by the employer. The employee offsets the total amount deducted from the individual employee against the employees' tax liability at the end of the tax year. Every employer must therefore register for PAYE as well as be familiar with the rules relating to filing of PAYE returns and the computation of PAYE.

### TAXATION OF COMPANIES AND OTHER BUSINESS ENTITIES

A corporate tax is levied on companies, partnerships and sole proprietorships. Any income arising out of any trade, profession,

vocation or adventure in the nature of trade is taxable under special rules applicable to business entities unless otherwise specified as being exempt under the tax code.

The income of all companies accruing or derived from Uganda is taxable. A company is liable to pay tax separately from its shareholders. The sources of a company's income on which tax can be levied include profits and gains from any business carried on for whatever period of time. Other sources include dividends from shares in other companies and interest from the use of the company's property.

#### The income tax rates are:

- Resident and Non Resident Companies - 30%
- Branch tax - 30%
- Branch profit Remittance tax - 15%
- Capital Gains tax - 30%
- Mining Companies - 25-45%

### TAXATION OF PARTNERSHIPS

Income tax assessments for a partnership can be made either in respect of the individual partners or in the partnership's name. The profits of a partnership, including a firm carrying on a trade or profession, are taxable at a rate of 30%.

### TAXATION OF SOLE PROPRIETORSHIPS

A sole proprietor is taxed in the same way as an individual.

### TAXATION OF TRUSTS

The income tax rate applicable to trusts is 30% of the chargeable trust income for the relevant year of income. A trust is exempt from income tax where income of the trust is paid directly to the beneficiary without passing through the hands of the trustee or where a trustee relies on the argument that a share or part of the assessable income accrues or arises for the benefit of the beneficiary.

### VALUE ADDED TAX (VAT)

VAT is a consumer expenditure tax. It is payable by individuals, corporate entities and other businesses and enterprises alike. The business sales turnover threshold for VAT is Ushs 50 000 000 (approx. US\$18 000) per year or Ushs 12 500 000 (approx. US\$4 500) per three consecutive months. Individuals and firms whose business sales turnover is below the thresholds are not required to register for VAT. Individuals and firms with business sales turnover of above the thresholds must register for VAT. It does not matter whether the business is profitable or not. All VAT registered persons are entitled to an input tax credit i.e. a refund of the VAT spent on all the inputs (raw materials) used to generate income by the business.

### STAMP DUTY

Stamp duty is a direct tax levied on specified documents and transactions under the Stamps Act. These include legal documents and transfers and specified agreements.

## TAXATION OF RENTAL INCOME

Rental income of an individual is segregated from other income and is taxed at a rate of 20% of gross rental income in excess of Ushs 2 820 000 per year.

## WITHHOLDING TAX

Dividends and interest are subject to a withholding tax of 15% for both residents and non-residents. However interest paid abroad by a resident in respect of debentures issued by a foreign company for the purposes of raising loan capital to carry out business in Uganda is exempt. A 6% withholding tax is imposed on any payment to a person in Uganda from the Government of Uganda, a Government institution, a local authority, any company controlled by the Government of Uganda or any person designated in a notice issued by the Minister of Finance of an amount in aggregate exceeding one million Ushs for the supply of goods or materials of any kind or any service. The Minister of Finance has powers to exempt companies from paying withholding tax.

In addition non-residents are subject to 15% withholding taxes on royalties, management fees, entertainers and sports personnel income, natural resource payments and equipment leases on income earned from Uganda.

## KEY INDUSTRY SECTORS

The following investment opportunities are available:

- Uganda has a burgeoning oil sector. Uganda has approximately 3.5 billion barrels of oil and 350 billion cubic feet of gas in the Albertine Grabben region in the western part of the country. There are many opportunities in ancillary industries
- Agriculture is one of the leading sectors. Uganda is one of the leading producers of coffee and bananas and a major producer of cereals, tea, vegetables and fruits
- Uganda's energy consumption is still greater than its production resulting in many areas having insufficient power
- Uganda has many high mineral potential areas which are inadequately explored. Minerals such as limestone for cement, gold, tin, tungsten are available for mining
- Fish farming is one of Uganda's leading foreign exchange earners. Opportunities include the processing of canned fish, aquaculture and fish leather processing
- Building and construction industry. Given the rate at which the Ugandan population is increasing, there is a need for affordable housing. Opportunities include the provision of low cost housing in urban and semi-urban areas, housing and mortgage finance and construction equipment and building materials
- Foods and beverages. Opportunities are available mainly in the utilisation of local agricultural raw materials to manufacture agro-processed products with export potential. Additional opportunities exist for support industries to the sector for example in packaging, value added processing and cold storage at export points
- There are opportunities in the information and communication technology sector. Uganda has a supportive regulatory framework for developing ICT infrastructure
- Opportunities in the tourism sector include tour operations,

water sports and related activities, accommodation, conferences and incentives travel, national park concessions, privatisation and joint ventures with existing players

- There is great potential in the following financial services areas: merchant banking, development banking, commercial banking, discount houses, insurance services, leasing, mortgage financing, building societies, micro-financing services and specialised training institutions

## INTELLECTUAL PROPERTY

Protection of patents, certain trademarks, design and copyrights is provided for by Statute.

## TRADEMARK APPLICATION REQUIREMENTS

A signed power of attorney  
Ten prints of the trademark  
The list of goods to be covered by the application.  
Full name(s), trading style, legal status, description and street address of the applicant.

## PATENT APPLICATION REQUIREMENTS

A signed power of attorney  
A signed application form  
Specification, claims, abstract and drawings, if any  
A deed of assignment, if the inventor is not the applicant  
The priority document, if priority is to be claimed.

## INTERNATIONAL TREATIES

Uganda subscribes to the Paris Convention for the protection of Industrial Property, the Convention Establishing the World Intellectual Property Organisation (WIPO) and the African Regional Industrial Protection Organisation (ARIPO).

## LEGAL SYSTEM

The Uganda legal system is based on English common law with a written Constitution which guarantees basic human rights. The Supreme Court of Appeal is the highest court. The High Court of Uganda has unlimited original jurisdiction to hear and determine any proceedings under any law.

## INTERNATIONAL ORGANISATIONS AND AGREEMENTS

Membership of international organisations includes the Common Market for Eastern and Southern Africa (COMESA), the Preferential Trade Area, the East African Community and the Commission for East African Co-operation (which comprises Kenya, Uganda and Tanzania).

Uganda has, in addition to double taxation agreements, signed bilateral trade and investment promotion agreements with the United Kingdom, Italy, Kenya, Tanzania, South Africa, Egypt, India, China, Germany and the Netherlands.

**TELECOMMUNICATIONS**

There are currently ten mobile operators in the country including Uganda Telecom Limited (UTL), Mobile Telephone Network Uganda (MTN Uganda), Orange Telecom and Airtel Uganda. Fax and email access is widely available throughout Kampala and other major towns.

**LABOUR RELATIONS**

There are several labour laws including the Employment Act and the Workers' Compensation Act. The local labour force is plentiful and trade unions are not yet strong although collective bargaining agreements are in force with some companies.