Tax (Amendment) Acts 2023 impacting the financial services industry

June 2023

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Key highlights of the Tax (Amendment) Acts, 2023 for the financial services industry

Amendment	Status
Collective Investment Schemes: A unit trust has been excluded from the definition of a company. This is meant to resolve the issue of taxation of unitholders where the Uganda Revenue Authority ("URA") has recently argued that distributions made by a unit trust to its unitholders comprise a "dividend" in the hands of the recipient. This change suggests that the URA position cannot be upheld going forward.	Expected in the Income Tax (Amendment) Act, 2023
Initial Allowance: The 50% initial allowance on eligible property investments available to taxpayers in a radius of 50km outside Kampala has been repealed.	
***Interest limitation on deductibility*:** Interest incurred by micro-finance deposit taking institutions and tier 4 micro-finance institutions will be fully deducted for tax purposes.	
10% WHT introduced on commissions paid to banking agents: This is meant to equalise tax treatment among similar service providers such as mobile money agents. It's not yet clear whether this will be a final tax.	Included in the 2023/ 2024 budget speech
Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account information ("MCAAA"): With effect from 1 January 2024, a reporting financial institution such as a bank, insurance company, asset manager etc must conduct a due diligence on non-resident account holders and annually submit a return to the URA providing information on its existing and new customer reportable accounts held by non-resident persons. Similar to the Foreign Account Tax Compliance Act in the US, Uganda will be implementing the MCAAA under what is commonly known as the Common Reporting Standard ("CRS").	Expected in, The Convention on Mutual Administrative Assistance in Tax Matters (Implementation) Act, 2023

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<table>
<tr><th>Amendment</th><th>Status</th></tr>
<tr><td>Auctioned goods: Auctioneers now required to charge VAT on auctioned goods. This means they will be assumed to be making the supply.</td><td rowspan="3">Expected in the VAT (Amendment) Act, 2023</td></tr>
<tr><td>Input VAT on entertainment: Input VAT incurred on gyms, sporting associations or on recreational activities will be not claimable.</td></tr>
<tr><td>General claiming of Input VAT: Input VAT claimed is to be ring-fenced to the related business that generates the taxable supply. This means any input VAT that may not be directly attributable to such related business may not be allowed an input credit by the URA.</td></tr>
<tr><td>Clarification on order of payment: Payment against a tax liability will be applied first to the outstanding principal tax until it is fully paid up. This seeks to resolve the varying interpretations that the URA applies regarding the order of payments against tax versus penalties and interest outstanding on ledgers.</td><td rowspan="2">Expected in the Tax Procedures Code (Amendment) Act, 2023</td></tr>
<tr><td>Interest and penalties: Introduction of a waiver of interest and penalties on outstanding as at 30 June 2023 if relevant principal tax is paid before 31 December 2023.</td></tr>
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Key highlights of the Tax (Amendment) Acts, 2023 for the financial services industry

Amendment	Status
Information requests: All information required under audit must be submitted before the objection or alternative dispute resolution process. However, the restriction will not apply to a request for information that is more than three years old or which goes beyond the past three financial years.	Expected in the Tax Procedures Code (Amendment) Act, 2023
Islamic financial banking and takaful business (insurance): Various amendments have been made to the Income Tax Act, the VAT Act, Stamp duty Act and Excise Duty Act	Tabled before Parliament for debate
NB: For more information see our budget bulletin for a detailed analysis	

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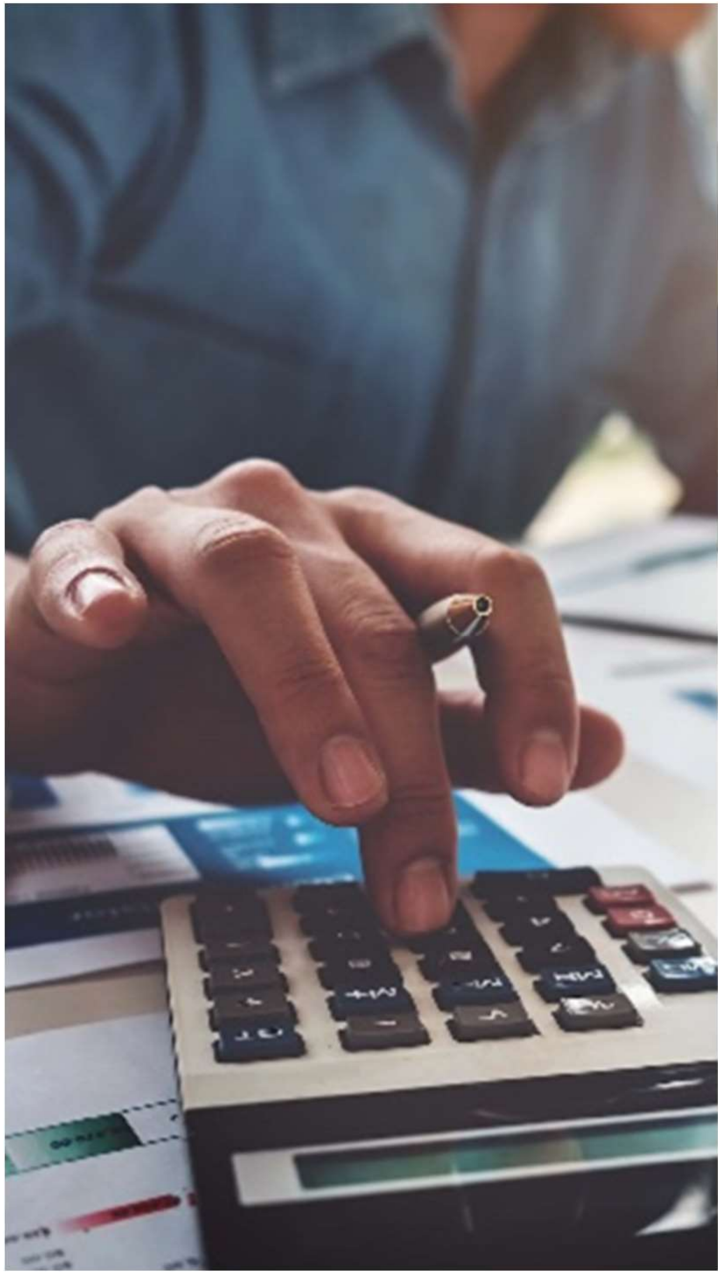

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