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Global Mobility Services:
Taxation of International Assignees - Uganda

Taxation issues & related matters for employers & employees 2018/19

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Country: Uganda

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Global Mobility Country Guides

Introduction: International assignees working in Uganda

PwC is the world's leading provider of professional services. The People and Organisation group works together with its clients to find solutions for the challenges they encounter when transferring people from one country to another.

This brochure is intended to inform foreign nationals and their employers about tax, social security and immigration issues in Uganda.

This guide is not exhaustive and cannot be regarded as a substitute for professional advice addressing individual circumstances. Nevertheless, answers will be found to most of the questions raised by an expatriate or his/her employer. More detailed advice should be sought before any specific decisions are made about these issues.

More information can be obtained from our Uganda office specializing in People and Organisation, Global Mobility (see Appendices).

Step 1:
Understanding basic principles

The scope of taxation in Uganda

1. Income tax is a tax levied on income and is charged for each year of income. Income of a resident person includes income derived from all geographical sources. Income of a non-resident person includes only income derived from sources in Uganda.

2. Other taxes for which individuals may become liable are National Social Security Fund (NSSF), Local service Tax (LST) and Value Added Tax (VAT).

National Social Security Fund (NSSF)

3. Non-resident persons working in Uganda as employees for more than 3 years are required to make standard contributions to the National Social Security Fund. Employers are required to contribute 10% of the cash emoluments and an additional 5% is contributed by the employees.

4. Where expatriate employees continue contributing to a social security plan in their home country, they are not obliged to contribute to the NSSF. Such employees should apply to NSSF and obtain a specific exemption from contribution. The employer is still required to make contributions for expatriate employees (10%).

5. Where the employee will not be making contributions during at least four financial years (i.e. to 30 June), the employer is still required to make the normal 10% contribution but the employee can elect not to pay the 5% contribution. In such case the 10% contribution is not refundable when the employee permanently departs Uganda.

6. NSSF returns should be filed and the corresponding contributions remitted 15 days following the month to which the payments relate.

Local Service Tax (LST)

7. There is a local tax levied on the earnings of employees under the Local Governments Act, referred to as Local Services Tax ("LST"). LST is deducted from the employee's gross salary when calculating the amount subject to PAYE.

8. LST is payable in the first four months of the Government's financial year (i.e. July to October). The tax is based on the gross salary earnings of employees, per the rates set out in Appendix B. The employer is required to deduct the LST from the salaries of its employees and remit this to the appropriate district, municipality or town council (based on the place where the employee normally resides) by the 15th of the following month.

The tax year

9. The Uganda tax year runs from 1st July to 30th June.

Determination of Residence

10. Section 9 of the ITA provides that an individual is considered to be resident in Uganda for income tax purposes if they:

    a. have a permanent home in Uganda

    b. are present in Uganda:

for a period of, or periods amounting in aggregate to, 183 days or more in any twelve-month period that commences or ends during the year of income;

- o during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year; or

c. are an employee or official of the Government of Uganda posted abroad during the year of income.

Capital gains tax

11. The Uganda ITA does not specifically provide for capital gains and capital gains tax outright. However, the Income Tax Act has a provision that prescribes how gains and losses arising from a disposal of business assets should be treated for purposes of taxation.

The applicable rate is 30%.

Non residents are taxed on income derived from sources in Uganda, to the extent to which the income is derived from the disposal of an interest in immoveable property located in Uganda, or the disposal of share in a company whose property consists principally of immovable property. The test of ‘principally’ has been applied to be at least 50% of the assets being immovable property.

There is a proposed amendment to include income derived from the direct or indirect change in ownership by at least 50% of

the income. This proposal is unclear as it does not restrict

the change in ownership to interests in a Ugandan entity.

If approved, the amendment will be effective 1 July 2018.

The other circumstances in which a non resident would be deemed to be deriving income from Uganda and hence taxable on any gain made in Uganda include income attributable to any activity which occurs in Uganda as well as income from the disposal of moveable property (other than goods) under an agreement made in Uganda.

Dividends

12. Withholding tax at the rate of 15% is applicable on every resident and non-resident person who receives a payment of a dividend in Uganda or from sources in Uganda. This WHT rate is reduced under some Double Taxation Agreements to which Uganda is a party.

Step 2:
Understanding the Uganda tax system

Employment income

Any amount paid to the individual during the course of the employment or as per the terms of the contract will be deemed as income from employment.

These include, but are not limited to, the following:

a. any wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, or the amount of any travelling, entertainment, utilities, cost of living, housing, medical or other allowance;

b. the value of any benefit granted;

c. the amount of any discharge or reimbursement by an employer of expenditure incurred by an employee, other than expenditure incurred by an employee on behalf of the employer which serves the proper business purposes of the employer;

d. any amount derived as compensation for the termination of any contract of employment, whether or not provision is made in the contract for the payment of such compensation, or any amount derived which is in commutation of amounts due under any contract of employment;

e. any amount paid by a tax-exempt employer as a premium for insurance on the life of the employee and which insurance is for the benefit of the employee or any of his or her dependants;

f. any amount derived as consideration for the employee's agreement to any conditions of employment or to any changes in his or her conditions of employment;

g. the amount by which the value of shares issued to an employee under an employee share acquisition scheme at the date of issue exceeds the consideration, if any, given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares;

h. the amount of any gain derived by an employee on disposal of a right or option to acquire shares under an employee share acquisition scheme

Employment income will include any benefit that is:

a. provided by an employer, by an associate of the employer, or by a third party under an arrangement with the employer or an associate of the employer;

b. provided to an employee or to an associate of an employee; or

c. provided in respect of past, present, or prospective employment.

There are various rules prescribed in the ITA to compute the taxable value of specific benefits provided by the employer to an employee. These are set out in Appendix A.

It should also be noted that the following are not taxable in the hands of the employees:

a. Passage provided to a non-citizen recruited outside Uganda to travel to or from Uganda in respect of the employee's appointment or termination of employment;

b. Reimbursement or discharge of the employee's medical expenses;

c. Any premium for insurance on the life of the employee or any of his or her dependants;

d. Any allowance, reimbursement or discharge in respect of accommodation, travel, meals and refreshments while undertaking travel in the course of performing duties of employment;

e. Any contribution or similar payment made by the employer to a retirement fund for the benefit of the employee or any of his or her dependents;

f. Provision of security guards (however the value of installing and maintenance of security equipment such as alarms is a taxable benefit);

g. Provision of housing which is within the same compound of the employer;

h. The value of a right or option to acquire shares under an employee share acquisition scheme.

Tax for residents vs non residents

As detailed in Appendix A, the first UShs 2,820,000 of annual earnings for residents is taxed at 0%. Non-resident individuals do not benefit from this exemption.

Non-resident persons will be liable to tax on income sourced in Uganda. Under Section 79(c) of the ITA, income is derived from sources in Uganda to the extent to which it is derived from any employment exercised or services rendered in Uganda. The income is taxable at the non-resident individual tax rates (again as shown in Appendix A), which result in a slightly higher effective tax rate.

Step 3:
What to do before you arrive in Uganda

Immigration formalities in Uganda

Uganda has strict work permit requirements. Once a work permit application has been submitted it can take up to one month for the application to be considered by The Directorate of Citizenship and Immigration Control.

Work permits are given for a minimum of 6 months and a maximum of 36 months and are renewable upon expiry. Work permit fees vary depending on the length of stay granted. However, Kenyan, Burundian, Tanzanian and Rwandan nationals are exempt from paying work permit fees.

All other foreign nationals wishing to work in Uganda should apply for a work permit from their country of residence and must await the outcome of the application in their country of residence prior to coming to Uganda.

Once a foreign individual's work permit has been approved he or she can enter Uganda as a visitor. All visitors are required to have passports that are valid for three months after the period of intended stay. A visitor is required to obtain a visa from the gazetted ports of entry to Uganda. A Single Entry Visa can be obtained at a cost of USD 100 per individual. However, there are some countries that are exempt from paying Visa fees. The length of stay granted under a Single Entry Visa usually varies from 14- 60 days and it is at the discretion of the immigration officer.

Once in Uganda, a foreign individual must present his or her passport, proof of approval and proof of payment of work permit fees to the Directorate of Citizenship and Immigration Control in order for his or her passport to be stamped with the work permit.

A foreign national in possession of a valid work permit can then commence applications for the dependent passes for his or her accompanying family members.

"An individual should notify the Directorate of Citizenship and Immigration Control 48 hours ahead of his or her planned departure from Uganda and present himself or herself to the authorities together with a Company representative in order to have his or her work permit cancelled."

Step 4:
What to do when you arrive in Uganda

Registration as a taxpayer

In Uganda, registration of individuals for Taxpayer Identification Number (TIN) with the URA that was previously optional has now been made compulsory for employees. The TIN will also be required if the individual intends to import personal belongings into Uganda.

PAY AS YOU EARN (PAYE)

Every Employer has an obligation to deduct or withhold tax from remuneration exceeding UShs 2,820,000 per annum paid to the employees and remit the same to URA within 15 days after the end of month in which that payment was made

This tax is normally is referred to as the Pay As You Earn or PAYE system.

Tax returns

The employer is required to submit a monthly PAYE return by the same date (again this is done on the URA e-filing system). Penalties apply for late or non-compliance.

Employees only earning employment income from a single employer do not have to submit annual income tax returns.

Payment of taxes

Where the final tax liability in the notice of assessment exceeds the tax deducted at source, the balance of the tax is due and payable within 45 days from the date of assessment.

Penalties for non-compliance

If the outstanding amount is not settled by that date, interest at 2% per month or part thereof will be charged by URA on the outstanding amount.

Step 5:
What to do when you leave Uganda

Reporting Departure

13. It is advisable to discuss the date of departure with a tax adviser, as the timing can alter the individual's tax liability and affect refund of NSSF contributions made.

14. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after departure. Any payments or bonuses received after departure in respect of Uganda employment may be liable to tax in Uganda under certain conditions. Planning for such payments, if any, should be undertaken with care.

Appendix A:
Personal income tax rates for 2018/19

Tax rates applicable to non-resident individuals for tax year ending June 30,2018 are as follows (in Uganda Shillings):

Taxable income over	Not over	Tax on Column 1	Percentage on excess
0	4,020,000	–	10%
4,020,001	4,920,000	402,000	20%
4,920,001	120,000,000	582,000	30%
120,000,001	And above	35,106,000	10%

Tax rates applicable to resident individuals for tax year ending June 30, 2018 are as follows (in Uganda Shillings):

Taxable income over	Not over	Tax on Column 1	Percentage on excess
0	2,820,000	–	NIL
2,820,001	4,020,000	–	10%
4,020,001	4,920,000	120,000	20%
4,920,001	120,000,000	300,000	30%
120,000,001	And above	34,824,000	10%

Appendix B:
Rates of Local Services Tax

Bands	Monthly gross pay	Rate of LST per annum
1	Less than or equal to 100,000	Nil
2	Exceeding 100,000 but less than 200,000	5,000
3	Exceeding 200,000 but less than 300,000	10,000
4	Exceeding 300,000 but less than 400,000	20 000
5	Exceeding 400,000 but less than 500000	30,000
6	Exceeding 500,000 but less than 600,000	40,000
7	Exceeding 600,000 but less than 700,000	60,000
8	Exceeding 700,000 but less than 800,000	70,000
9	Exceeding 800,000 but less than 900,000	80,000
10	Exceeding 900,000 but less than 1,000,000	90,000
11	Exceeding 1,000,000	100,000

Appendix C:
Double-taxation agreements

Denmark	Mauritius	South Africa
India	Netherlands	United Kingdom
Italy	Norway	Zambia

Appendix D:
Uganda contacts

Contacts

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