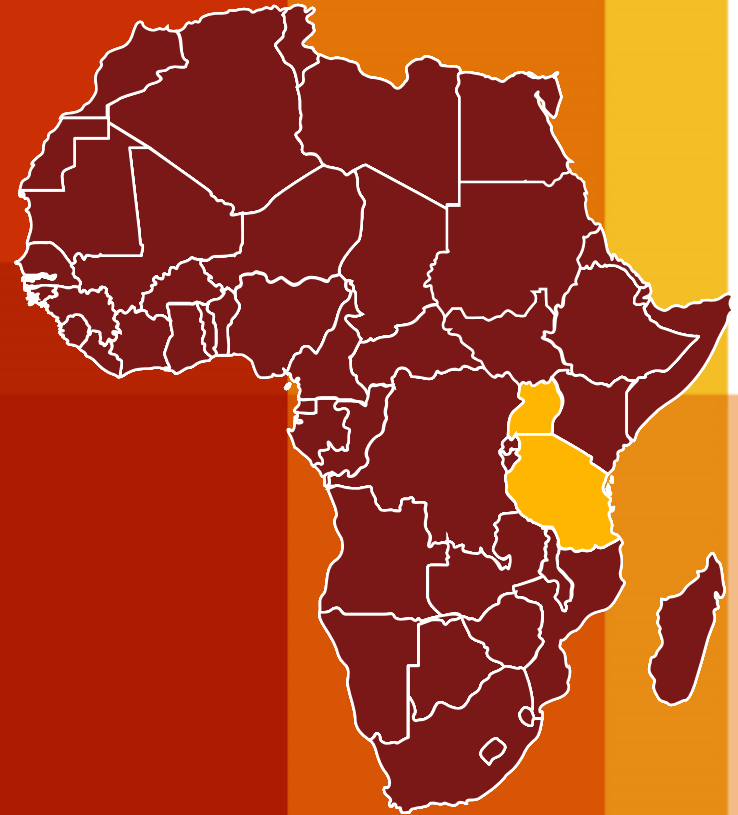


Doing business in Africa

Focus on Tanzania and Uganda



Why this seminar?

1

Seminars so far

Angola (2x)

Botswana

Cameroon

Ethiopia (2x)

Ghana

Kenya

Mauritius

Mozambique (2x)

Namibia

Nigeria

Rwanda

Republic of Congo

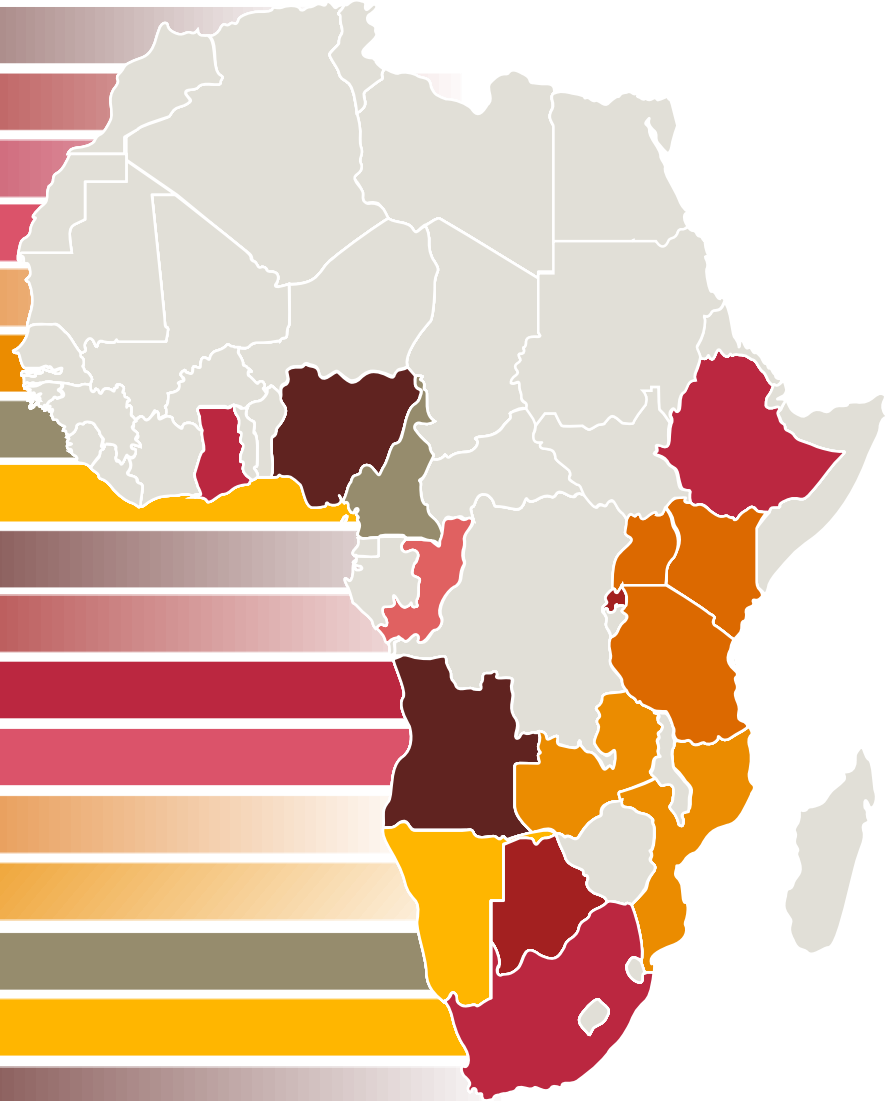
Seychelles

South Africa

Uganda

Tanzania (2x)

Zambia (2x)



PwC Africa Desk

2

The PwC presence in Africa

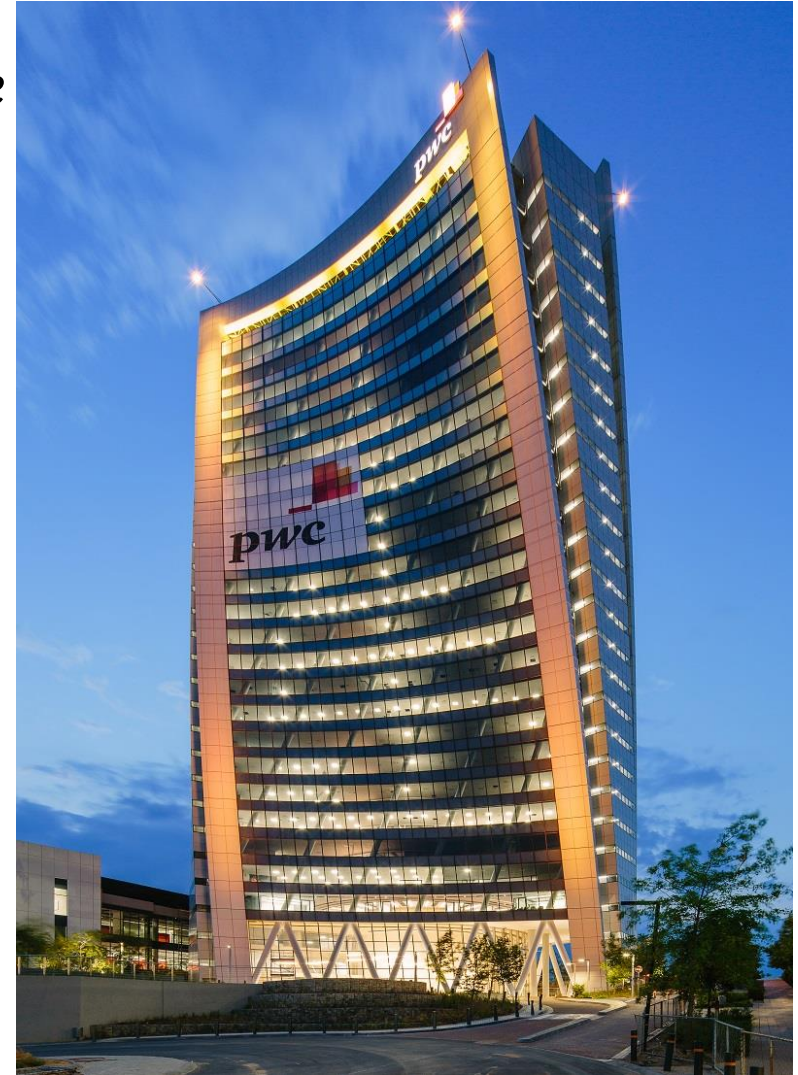


In Africa...

- Member firms in 33 countries with over 8,500 professional staff.
- We have the largest footprint of professional services on the African continent.
- All our African firms are locally-owned.
- Provide a range of professional business advisory services to the public and private sectors throughout the continent.
- Committed to the development and prosperity of the African people and economies.

The PwC Africa Desk – Africa Coordination Centre

- The ACC acts as a one-stop shop for clients engaging in cross-border transactions across Africa, ensuring the smooth delivery of tax services.
- The Centre is staffed by analysts with multi-country experience, who speak 4+ languages fluently, including English, French, German, and Malay.



Thought leadership

AfriTax newsletter



Doing Business in Tanzania

3



Doing Business in Tanzania

- 3.1. General Information
- 3.2. How to do business in Tanzania
- 3.3. Tax framework
- 3.4. Five things every investor should note
- 3.5. PwC Tanzania contacts
- 3.6. Q/A mini-session

3.1. General Information

- Country context
- Living and working in Tanzania
- Politics
- Economy
- Risk factors

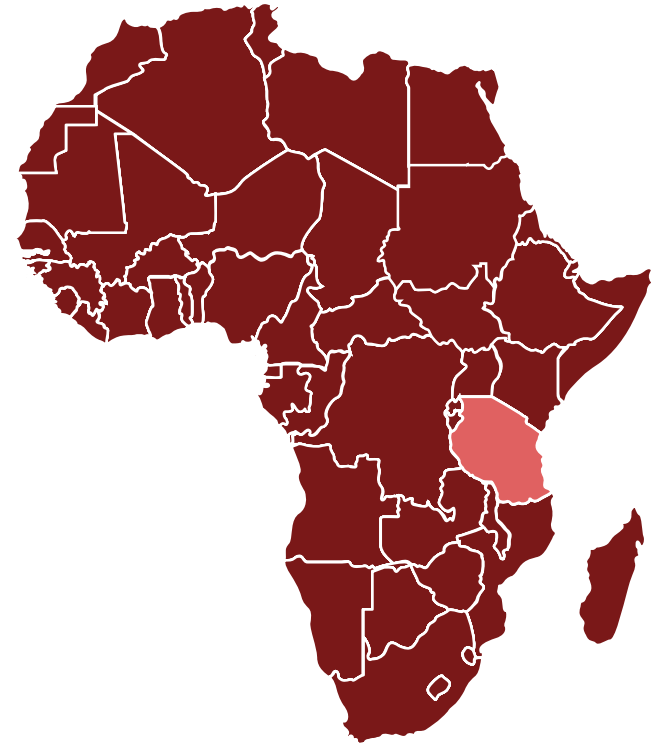


Country context

General

Where is Tanzania?

- ❑ Tanzania - officially the United Republic of Tanzania – is bordered by:
 - ❑ Kenya and Uganda to the north;
 - ❑ Rwanda, Burundi, and DRC to the west;
 - ❑ Zambia, Malawi, and Mozambique to the south;
 - ❑ the Indian Ocean to the east.
- ❑ It is a gateway to the Africa Great Lakes region
- ❑ Population: >56 mprojected to be 138m by 2050!



Country context

General

History

- ❑ Tanganyika was a German and British colony
- ❑ 1961 - Independence
- ❑ 1962 - Julius Nyerere became president
- ❑ 1964 - Union with Zanzibar, and change of country name to Tanzania
- ❑ 1992 - Constitution amended to allow multiple political parties
- ❑ 1995 - First multi-party elections



Country context

- Official languages: English and Swahili
- More than 120 tribes
- Climate:
 - Coastal areas - hot and humid
 - North western highlands - cool and temperate.
 - Central plateau - tends to be dry and arid
 - Long rains last from March to June.
- Cities - capital is Dodoma; largest city is Dar es Salaam
- Transport - 8 ports, three international airports



Living and working in Tanzania



Living and working in Tanzania

Overview



Visa-required countries to Tanzania



Political environment



Political environment

2015#WhatWouldMagufuliDo

❑ CCM is the longest reigning ruling party in Africa

❑ Dr. John Pombe Magufuli is the current President of Tanzania (5th President) - since election in 2015 has introduced radical changes to the political, economic and regulatory environment.

World ▶ Europe US Americas Asia Australia Middle East Africa Inequality Cities Global development

Tanzania
Guardian Africa network

What would Tanzania's cost-cutting president do? Twitter responds

Users tweeting #WhatWouldMagufuliDo are offering wry ways to emulate John Magufuli's clampdown on wasteful spending. [Global Voices reports](#)

Ndesanjo Macha for Global Voices, part of the Guardian Africa Network

Tue 1 Dec 2015 07:00 GMT

f t e
This article is over 2 years old

852 17



▲ A Tanzanian supporter holds a poster featuring the newly elected president John Magufuli. Photograph: Emmanuel Herman/Reuters

Tanzania's newly elected president, nicknamed "the bulldozer", has become a Twitter sensation across Africa after introducing radical government cost-cutting measures.

cas Asia Australia Middle East Africa Inequality Cities Global development

Tanzania's president targets corruption with surprise visits and sackings

John Magufuli's dramatic anti-graft measures have been welcomed by citizens, but he will need a more systematic approach to root out corrupt practices



▲ A woman walks past an election billboard after John Magufuli (pictured) was named president-elect. Photograph: Daniel Hayduk/AFP/Getty Images

Tanzania's newly elected president came to power on a promise to root out

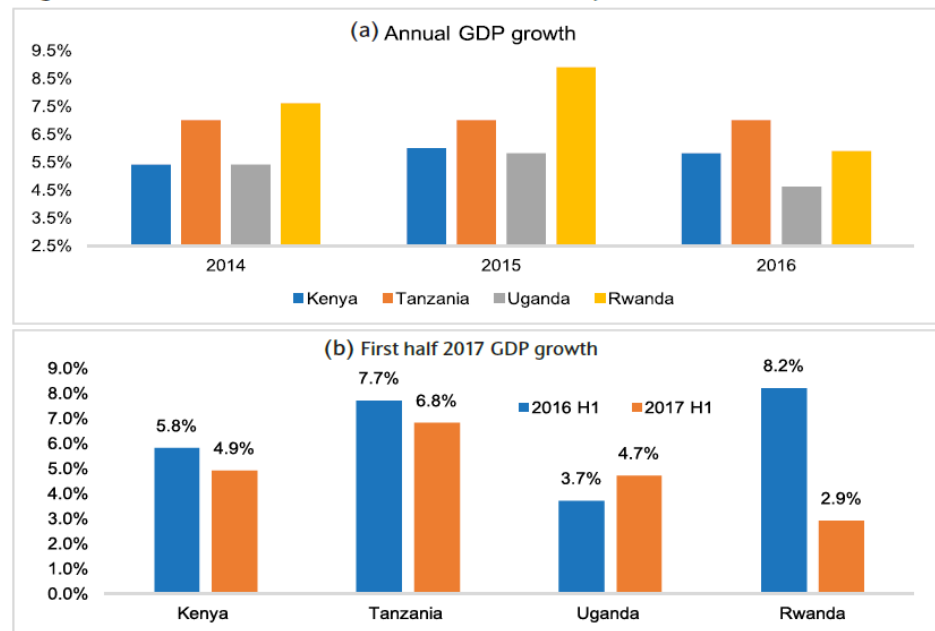
Economy



Highlights of key recent economic developments

- GDP growth:
 - 6% to 7% for more than a decade
 - Growth rate now weakening!
- Inflation – around 5%
- Shilling – relatively stable since mid 2015

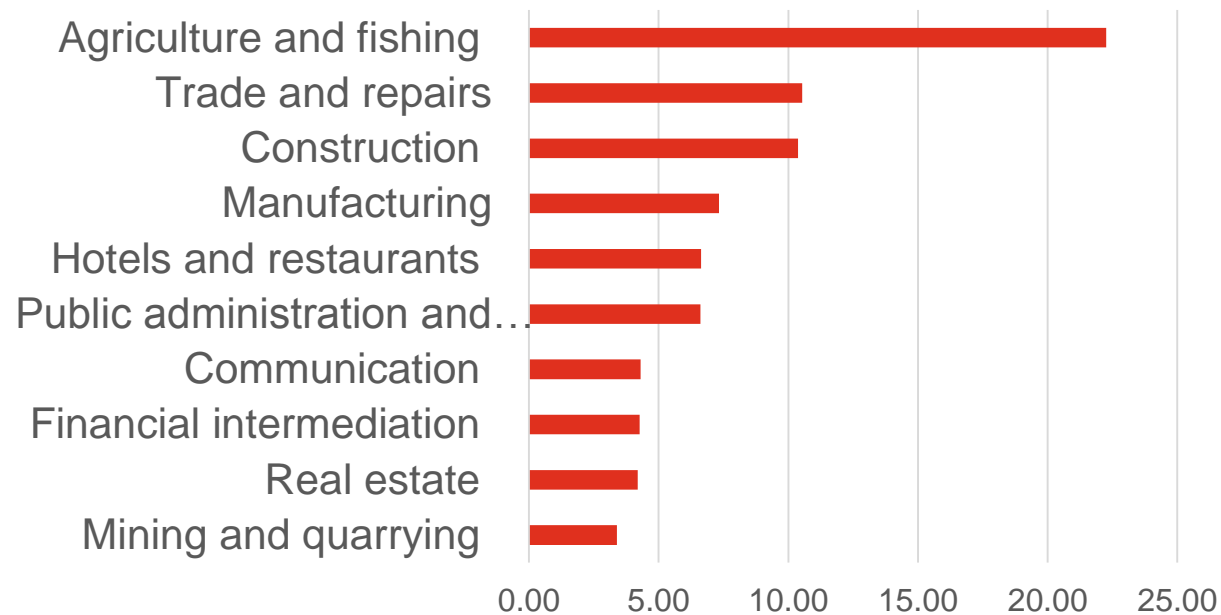
Figure 2: Tanzania's Growth Continues to Outpace EAC Peers



Source: World Bank and Tanzania National Bureau of Statistics

Economic activity

% share of GDP (2015)



Source: World Bank – Tanzania Economic Update – 8th edition

Economic activity

National Five Year Development Plan (2016/2017 to 2020/2021)

- *“Nurturing Industrialization for Economic Transformation and Human Development”*
- Tanzania Development Vision 2025: semi-industrialized middle income country
- Industrialization imperative supported by
 - Comparative advantages: natural resource endowments, young growing population, rapid urbanization, country-wide ICT backbone infrastructure
 - Geographic location
 - Demographics
 - State role in empowering private sector to lead industrialization process
- Focus on inclusive growth
- Commitment to conducive business environment

Economy

Agriculture

- ❑ Agricultural activities involve 65% of Tanzanians and in 2016 represented 29.1% of GDP.
- ❑ Agro-processing is a key focus area for the industrialisation drive.
- ❑ Commodities in high demand include: maize, tobacco, cashew nuts, sugar, tea, pyrethrum, coffee and sisal.
- ❑ Incentives include Customs and VAT exemptions / reliefs on capital goods, farm implements, fertilizers and pesticides.
- ❑ Government initiatives include:
 - ❑ Planned TZS 150.2bn finance for agricultural development projects
 - ❑ Establishment of agriculture bank – Tanzania Agriculture Development Bank (TADB) - to give soft loans to farmers.

Investment opportunities

- Financing opportunities
- Investment - Significant tax incentives for agro-industrial companies



Economy

Manufacturing

FYDP - key targets by 2020 (manufacturing subsector):

- Real growth rate 10.5%
- GDP share 12.5%
- Share in total exports 5.4%

Key interventions:

- Enabling environment – including: SEZs, EPZs; creation of logistics centre; industrial parks, strengthening R&D institutions
- Promoting MSMEs and local content
- Developing productive capacities in identified industries (petro and chemicals, pharmaceutical, building and construction, agro and agro-processing (textile, clothing, leather, sugar, edible oil, food and beverages), coal, iron and steel)

Investment opportunities

- Matching the 2025 vision
- Incentives to investors



Economy

Mining

- ❑ Mining sector, dominated by gold sector, has seen a growth of 8.5% growth in 2017 with a value of USD \$960m compared to 2016 US\$880m
- ❑ Significant recent tax and regulatory change will impact growth of sector:
 - ❑ Fiscal changes include higher royalties, free carry, 1% clearing fee
 - ❑ Regulatory changes include local content, mandatory listing, mineral ore export ban
- ❑ Closure / reduced operations of some major mines (Bulyanhulu and Buzwagi) expected to affect growth projections in the short term
- ❑ Longer term – mining sector likely to become diverse (prospects include helium, graphite, niobium)

Investment opportunities in non traditional mining sectors



Economy

Oil and Gas

- ❑ Significant recent regulatory change including Petroleum Act 2015 and local content requirements
- ❑ Downstream:
 - ❑ Uganda - Tanzania oil pipeline: a major current focus area
- ❑ Upstream:
 - ❑ Offshore: Significant gas discoveries in the deep water offshore blocks (57 trillion cubic feet)
 - ❑ Onshore / near offshore: two small producing gas fields (Songo Songo and Mnazi Bay)
- ❑ Final Investment Decision on LNG project likely to be a number of years away; immediate focus is negotiations in relation to Host Government Agreement and regulatory framework

Investment opportunities

- **Uganda – Tanzania pipeline**
- **LNG?**



Economy

Technology, Media and Telecommunication

- ❑ Second largest market in East Africa
- ❑ Penetration rate of 80%
- ❑ FinTech is booming (from mobile money services to others)
- ❑ Mobile Number Portability (MNP) introduced in March 2017 aims at boosting competition and improving the cellular packages offered by telecommunication companies.
- ❑ Emerging of digitals business i.e Uber and Taxify
- ❑ Regulatory challenges:
 - Mandatory listing
 - Very high turnover taxes on telecoms sector

Investment opportunities

Investing in FinTech and other digital business



Economy

Banking

- ❑ 54 operating banks
- ❑ Increase in non performing loans
- ❑ Tighter liquidity – reduction in credit growth to the private sector
- ❑ Increased use of mobile money transactions compared to banking
- ❑ Regulatory challenges include:
 - ❑ Indirect tax costs (VAT and excise) on bank charges
 - ❑ Difficulty in claiming relief for bad debts

Investment opportunities

- Micro finance
- VC/PE



Economy

Transport and Infrastructure

- ❑ World Bank funded projects include:
 - US\$ 130m funding (announced in Feb 2017) for the Tanzania Strategic Cities Project (TSCP), to benefit 8 cities (Tanga, Arusha, Kigoma, Dodoma, Mwanza, Mbeya, Mtwara)
 - US\$ 345 million funding for Dar es Salaam port
- ❑ Potential new port and industrial zone at Bagamoyo
- ❑ Standard Gauge Railway – currently under construction
- ❑ Ongoing investment in road construction projects, flyovers
- ❑ Other developments - BRT (phase 2), Air Tanzania

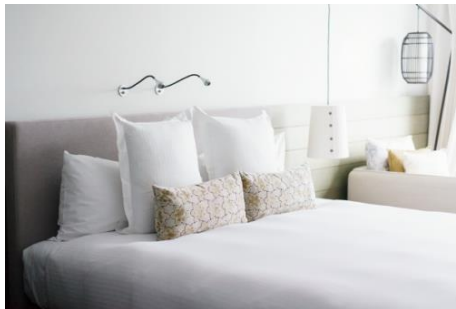
Investment opportunities

- Construction
- Planning
- Transfer of government from Dar-es-Salaam to Dodoma

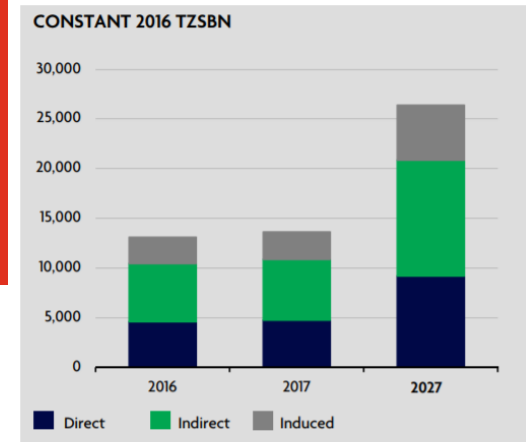
Economy

Tourism

- ❑ In 2017 the revenues from the tourism industry are projected to be at US\$ 2.69bn which would be an 8.6% increase from the revenues in 2016 at US\$ 2.48bn, and contributed 13.3% of GDP in 2016
- ❑ Development of JNKIA, TAZARA, VOI, C2C road will increase tourists access
- ❑ Government focused on the development of the Southern tourist circuit but business hotels are struggling
- ❑ Commencement of hotel concession fees collection



Investment opportunities



¹ All values are in constant 2016 prices & exchange rates

Risk Factors



Climate of distrust of private sector and foreign business ...



World Bank – TZ Economic Update – Nov 2017

“Concerns Regarding the Business Environment Persist”

“Recent Government actions have had a mixed impact on the business climate and on investor confidence.”

Private sector has cited several specific areas of concern, including:

- Overzealousness in tax collection
- Delays in: VAT and other tax refunds; payments to contractors & other suppliers
- Proliferation of regulatory authorities, licenses, taxes and charges

“The Government has recognized these concerns and begun to take actions to address them, thus aiming to improve the overall business environment and investment climate.”

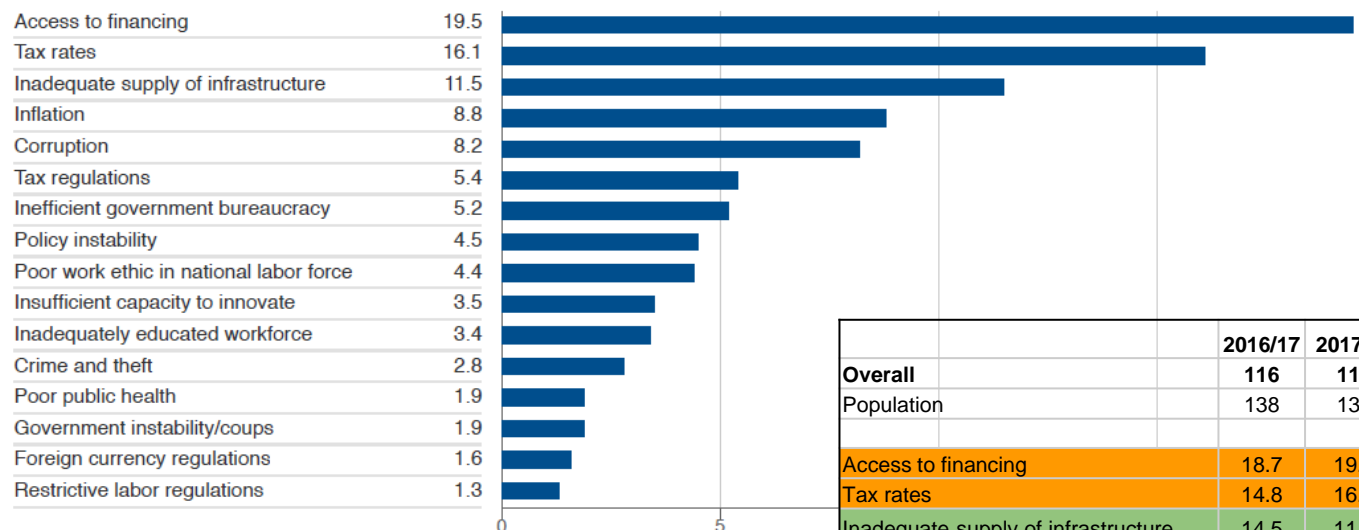
IMF – January 2018

- ❑ Relatively strong macroeconomic performance, but uneven implementation of structural reforms.
- ❑ Recent economic performance has been mixed:
 - Although GDP data point to continued strong growth, other high frequency data indicate a weakening of economic activity.
 - Tax revenue collections are lower than expected and credit growth has stagnated reflecting in part banks' rising nonperforming loans (NPLs).
 - Inflation remains moderate, and international reserves have increased substantially.
- ❑ There are downside risks to economic growth in the short term stemming from slow budget implementation, a challenging business environment, and private sector concerns about authorities' enforcement of rules.

WEF 2017/2018 Global Competitiveness Index

Most problematic factors for doing business

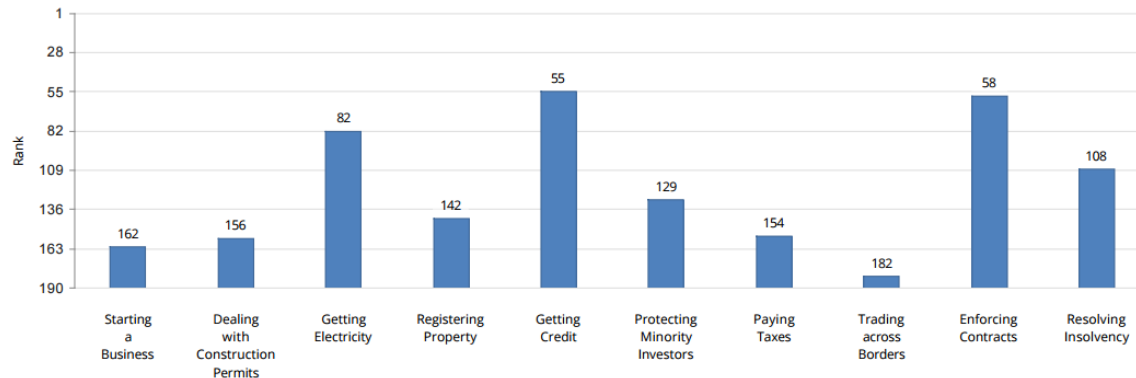
Source: World Economic Forum, Executive Opinion Survey 2017



	2016/17	2017/18	Change
Overall	116	113	
Population	138	137	
Access to financing	18.7	19.5	0.8
Tax rates	14.8	16.1	1.3
Inadequate supply of infrastructure	14.5	11.5	-3
Inflation	5.4	8.8	3.4
Corruption	11.8	8.2	-3.6
Tax regulations	5.9	5.4	-0.5
Inefficient government bureaucracy	6.5	5.2	-1.3
Policy instability	1.4	4.5	3.1
Poor work ethic in national labour force	3.1	4.4	1.3
Insufficient capacity to innovate	3.9	3.5	-0.4

WB Doing Business 2018: 137/190; (2017: 132/190)

Rankings on Doing Business topics - Tanzania



Areas of particular challenge include:

- Trading across borders
- Starting a business
- Dealing with construction permits
- Paying Taxes

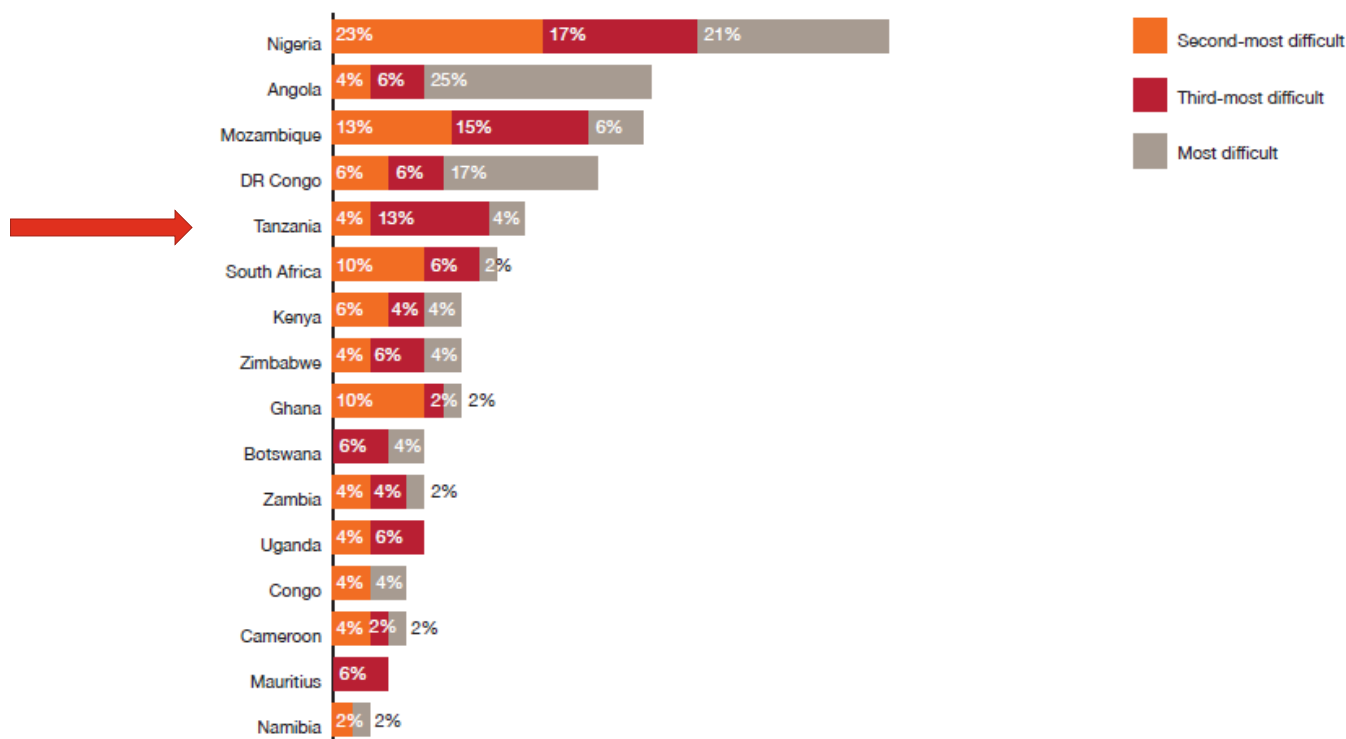
Doing business in Africa – Tanzania 2018

PwC Africa Tax Survey – October 2016:

Most difficult business and regulatory challenges

Fig. 4 Countries that present the most difficult business and regulatory challenges

Q: Please rank the three African countries that present the most difficult business and regulatory challenges for your company.

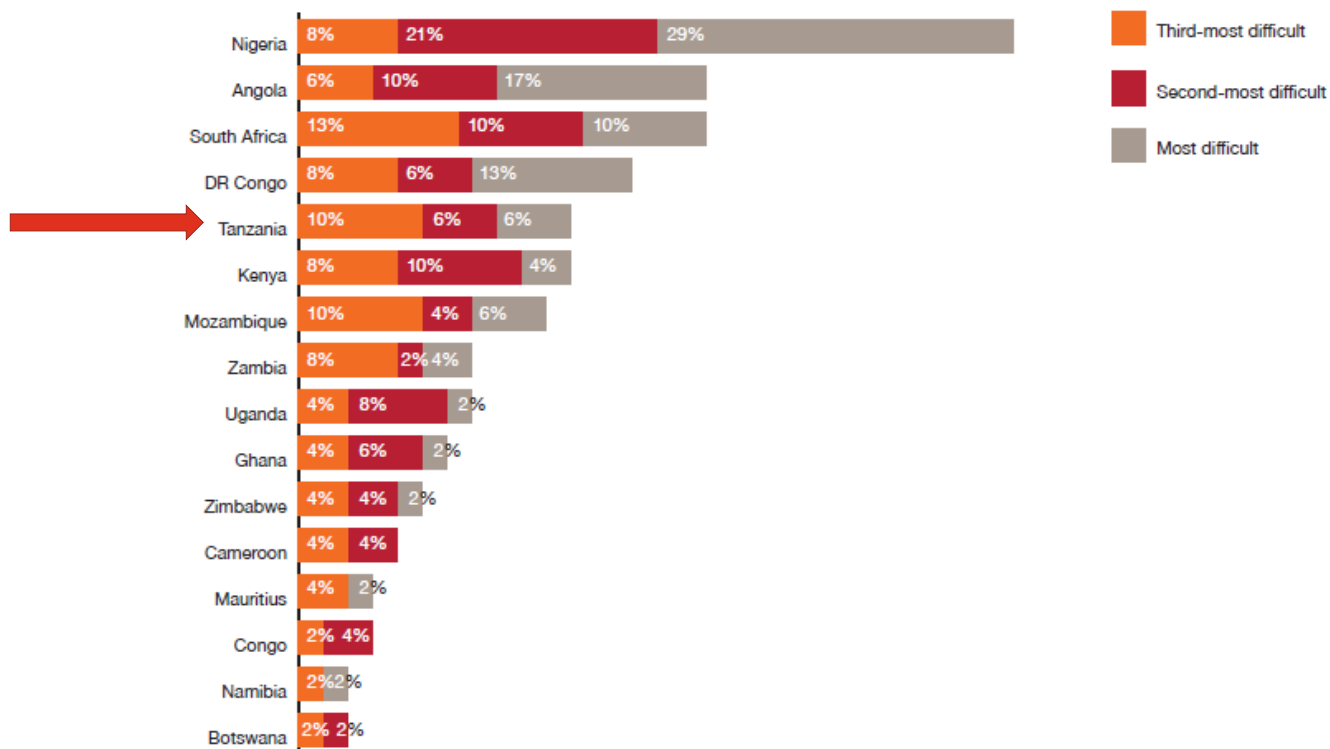


PwC Africa Tax Survey – October 2016:

Countries posing the greatest tax challenges

Fig. 2 Countries posing the greatest tax challenges

Q: Please rank the three African countries that present the most difficult tax challenges for your company.



3.2. How to do business in Tanzania

- Business vehicles
- Labour and immigration issues

How to do Business in Tanzania

Setting up a business vehicle

Filing of legal documents
with BRELA



Tax registration



Business licence



VAT registration



Specific trade/professional
registration

Business Vehicles

Set-up process and timeframe

- Registration with Companies Registrar (1 day)
- Taxpayer Identification Number (TIN) registration with TRA (1 day)
- Specific trade/profession registrations (timing varies)
- Tanzania Investment Centre (TIC) Registration (timing varies – may take up to 1 month)
- Business licence (1 week)
- Residence/work permits (2-3 months)
- VAT registration with TRA (1-2 weeks)
- NSSF registration (1 day)



How to do Business in Tanzania

Business Vehicles – company or branch?

	<i>Company</i>	<i>Branch</i>
1. Legal personality	Yes	That of parent
2. Tax personality	Yes	Yes
3. Liability	Limited to shareholding	Head office
4. No. of Shareholders	2 to 50	Head office
5. Board of Directors	Mandatory	N/A
6. Accounting records	Yes	Yes (for tax purposes)
7. Incorporation costs	Same	Same
8. Stakeholder's perception	Long-term presence	Short-term presence

Labour and immigration issues



Labour and Immigration issues

Immigration

- ✓ The **recruitment of foreign employees** by companies in Tanzania **is treated as exceptional**

Immigration documents:

- ✓ Business Visa valid for **up 3 months**
- ✓ Work Permit valid for **up to 2 years**
- ✓ Residence Permit valid for **up to 2 years**



Labour and Immigration issues

Investor considerations

- Abundant supply of unskilled labour and shortage of skilled labour in some industries
- Work permit for expatriate employees must respect quota requirement
- Training of Tanzanian employees mandatory and succession planning documentation required
- Pension payment in a local fund is mandatory



3.3. *Tax Framework*

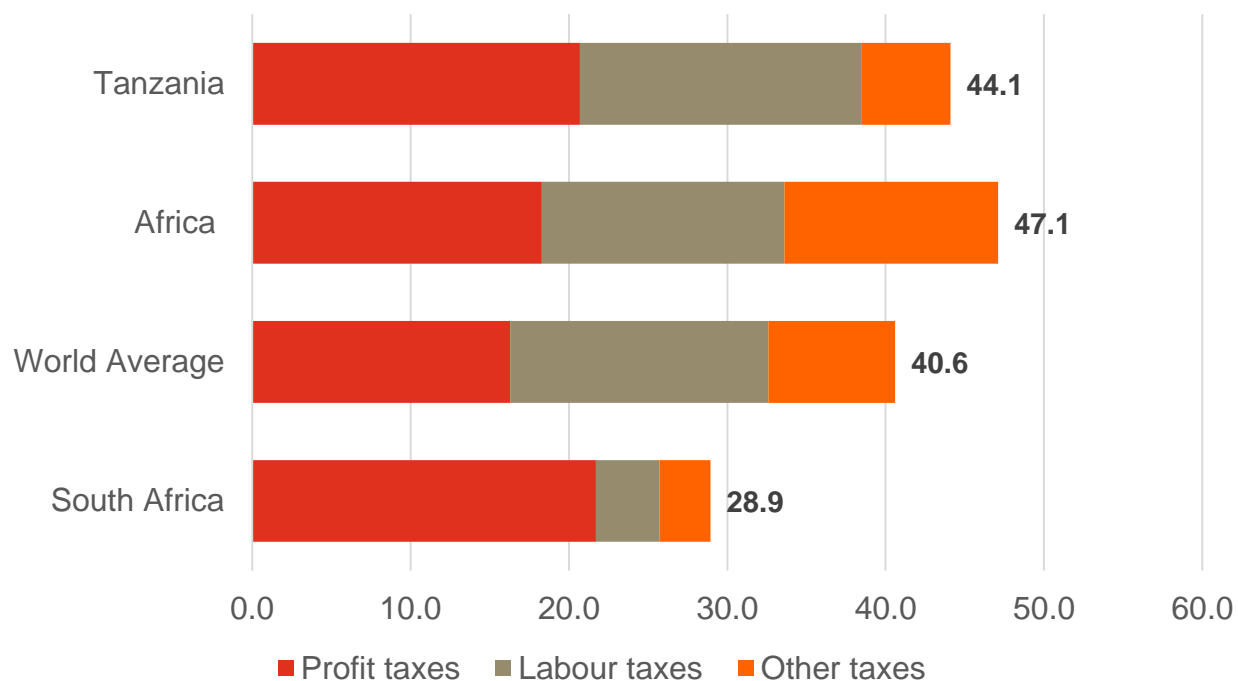
- General information
- Tax overview
- Tax structuring
- Key tax issues

General information



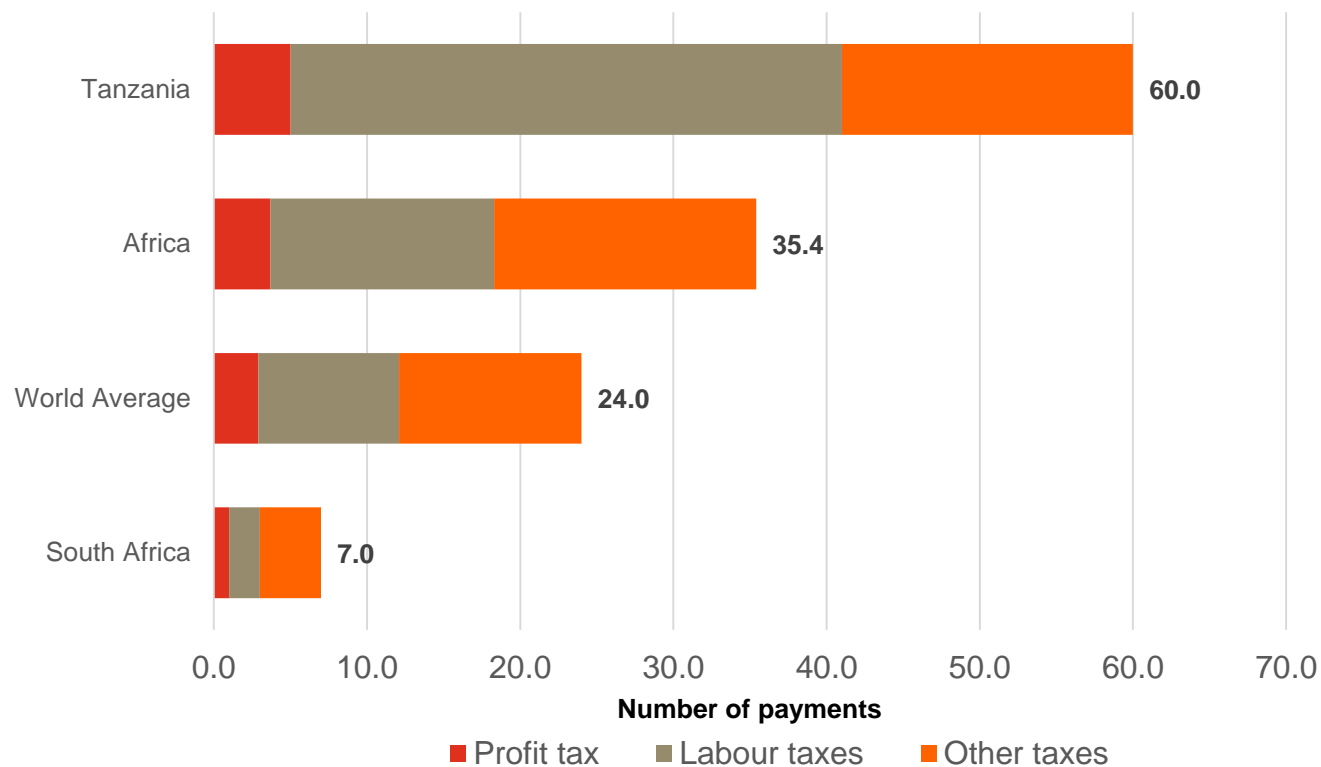
General information

Total tax rate (%) (per Paying Taxes 2018 publication)



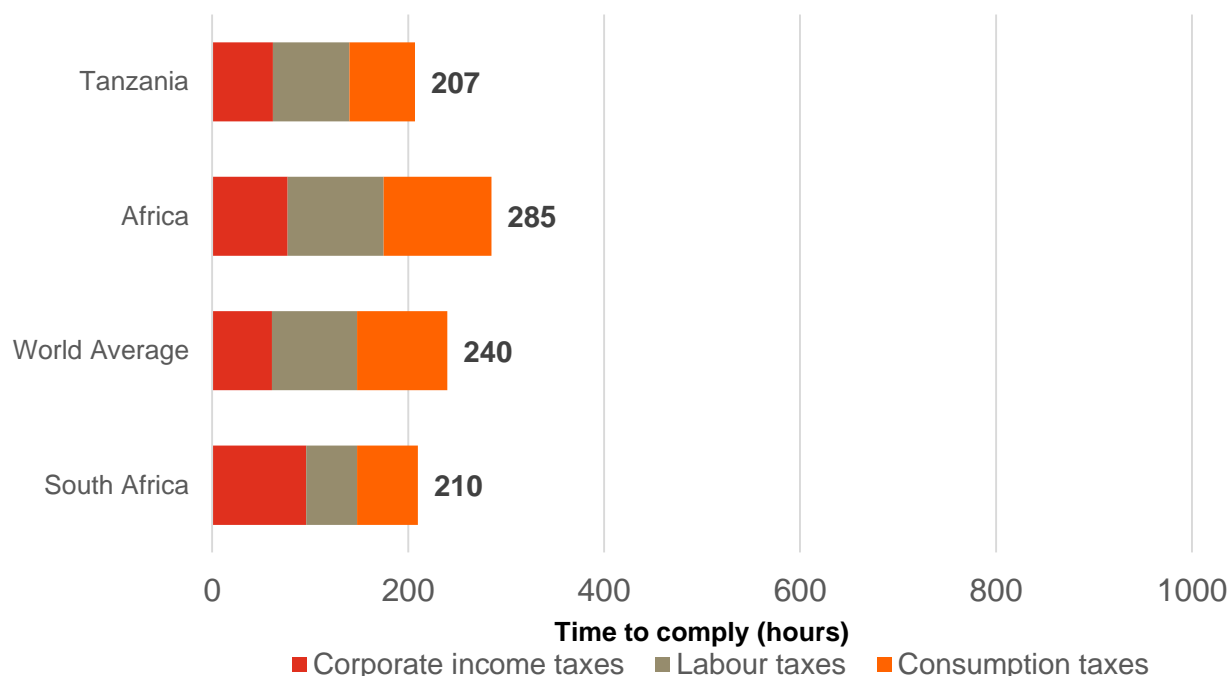
General information

Number of payments (per Paying Taxes 2018 publication)

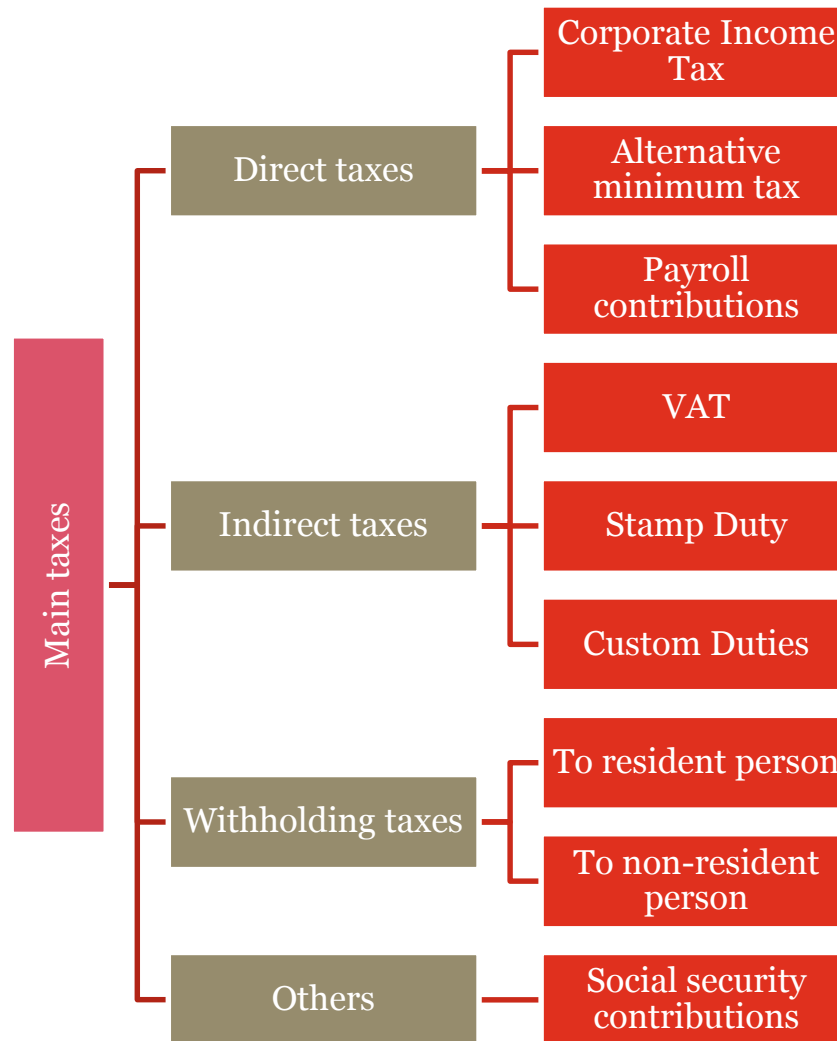


General information

Time to comply (hours) (per Paying Taxes 2018 publication)



Tax overview



Tax Overview

Taxes on profits

- **Taxation of entity and shareholders** (effective overall rate 37%):
 - 30% income tax on taxable profits of entity
 - 10% tax on distributed profits (dividends)

Loan funding:

- 10% withholding tax on interest
- Thin capitalisation – 70:30 debt to equity ratio

Exit (disposal of shares in Tanzania company):

- Income tax: 30% on gain
- Indirect disposals captured

Other Taxes:

Customs Duty:

- 0% - Capital goods, raw materials, agric. inputs
- 10% - Semi finished goods
- 25% - Finished final consumer goods

VAT: 18% (standard rate); 0% (exports)

Payroll: Top marginal personal rate 30%, SDL 4.5%, WCL 1%, NSSF/PPF 20%

Withholding Tax: various rates; 15% rate applies to many payments to non-residents.

Local Government: 0.3% Service Levy

Excise Duty: various rates

Stamp Duty: on specified legal instruments

Mining

Income Tax – 2016 changes:

- **Exploration and development expenditure** - 20% straight line (i.e. over 5 years)
- **Ring fencing** - to “each separate mineral operation”, and each mineral right is a separate mineral operation
- **Tax Losses** – Offset limit of 70% of current year profits, with any balance c/f.
- **Rehabilitation expenditure** – Much more limited scope for relief
- **Disposal of mineral rights** - Treated separately from normal income; classified as “investment asset” not “business asset”

Other taxes:

- VAT – challenge with non-payment of refunds
- Recent fiscal changes:
 - Royalties (general rate 3% but 6% for diamonds, gemstones and metallic minerals)
 - 1% inspection fee
 - Minimum 16% Government free carry
 - No VAT input claim in relation to export of unprocessed ore

Investment incentives



Tax incentives – Tanzania Investment Centre

- Investment threshold for foreign investors: US\$ 500,000
- “Strategic Investor” threshold – US\$ 50 million
- No specific tax incentives, but:
 - TIC registered investor can be eligible for extended list of capital goods for customs duty purposes (“deemed capital goods”) – 75% relief
 - TIC registered investor that is a “strategic investor” entitled to (i) relief from withholding tax on interest from loans from foreign financial institutions, and (ii) other exemptions subject to negotiation
- Other benefits include: guarantee of minimum number of work permits (5) at the initial stage

“Special Strategic Investor Status” category

Minimum requirements for qualification include:

- US\$ 500m capital investment brought in by local financial institution;
- Should create employment for at least 1,500 Tanzanians including a satisfactory percentage in a managerial role in the company; and
- Be able to generate foreign exchange or produce alternative products to those imported.

Benefits / incentives:

- Additional fiscal incentives to be decided by National Investment Steering Committee

Tax incentives - other

	General	Agriculture	SEZ (export) / EPZ	Mining	Oil & Gas
Tax holiday	N/A	N/A	10 years	N/A	N/A
Tax depreciation	Equipment 12.5% / 25% / 37.5% RB; Buildings 5% SL.	100%	See “General” column	20% straight line	20% straight line
Customs Duty exemptions	Capital goods	Yes	Yes	Yes	Yes
VAT deferral / exemption	Imported capital goods	Imported processing / machinery implements	Capital goods, Raw Materials	Imports (exploration & prospecting)	Imports (exploration & prospecting)
Withholding tax	Normal rates	Normal rates	10 year tax holiday	Normal rates	Normal rates

NB: Finance Act 2017 introduced various incentives for motor-vehicle assembly, including reducing corporate tax (CIT) rate for assemblers of vehicles, tractors and fishing boats from 30% to 10% for the first five years from commencement of operations.

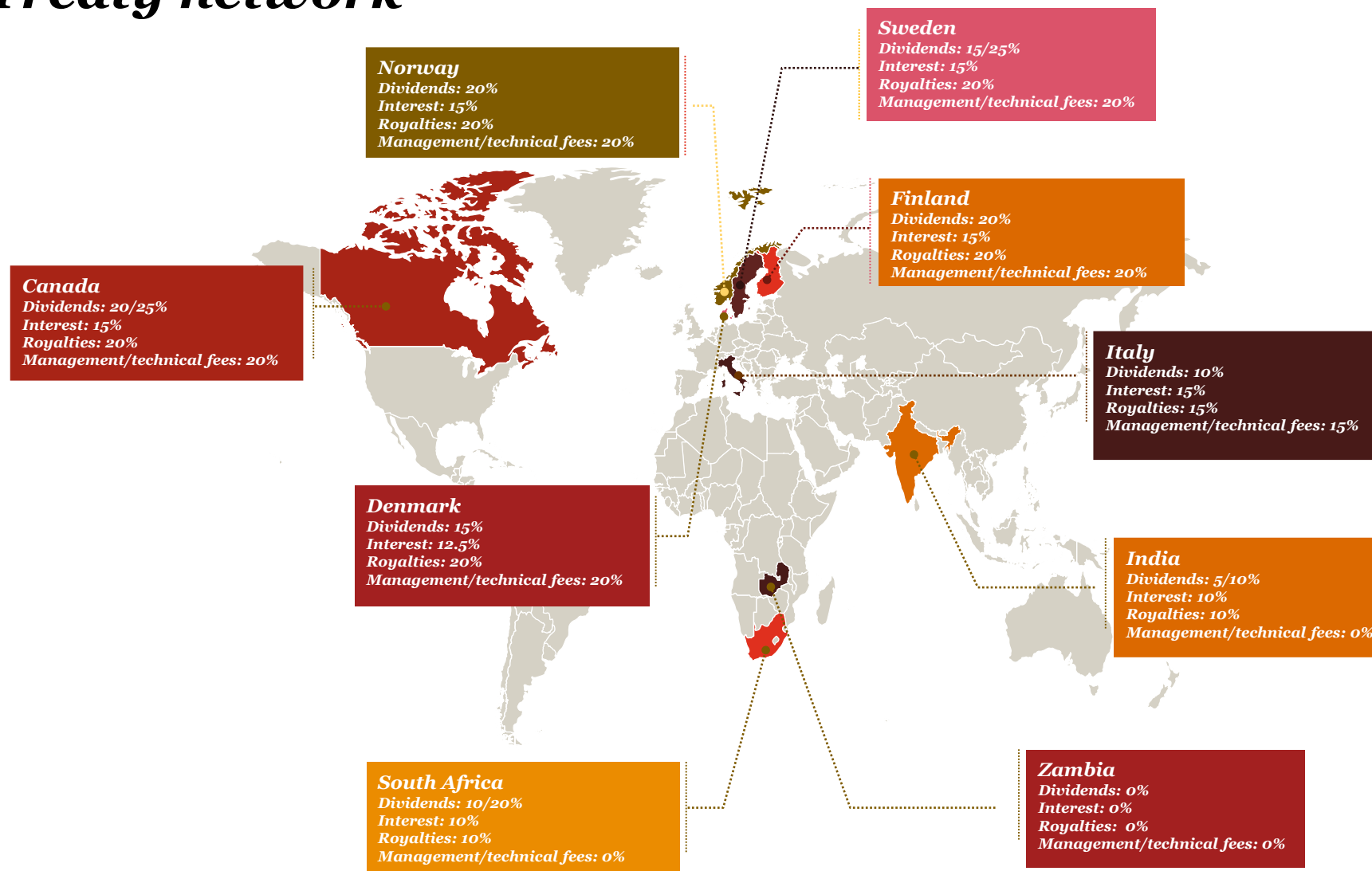
Regional Economic Communities

- **East African Community (population – 160m+ ‘2015 estimates’):**
 - 2005: Customs Union (fully fledged in 2010)
 - 2009: Signature of Common Market Protocol
 - 2010: Common market protocol came into force
 - Ongoing initiatives in relation to tax harmonisation
- **Southern African Development Community:**
 - Free Trade Area
 - 2000: Trade Protocol → phased elimination of tariffs
- **Initiative for a tripartite FTA (COMESA, EAC and SADC)**

Tax Structuring



Treaty network



Key tax issues



Several tax administrative improvements, but still a tax environment with challenges

- ❑ Tax treatment of cross border transactions
 - Transfer pricing
 - Withholding tax and source rules
 - VAT
- ❑ Exporters – timing of VAT refunds
- ❑ Occasional inconsistency between tax legislation and agreements
- ❑ A need for more consultation on drafting of legislation before enacted
- ❑ Time taken to finalise tax matters but some recent improvement
- ❑ Pressure to collect revenue

3.4. Five things every investor should note

Key tax issues

1. Relationships matter a lot
2. Do your research regarding incentives
3. Compliance requirements
4. Current economic/political environment
5. Beware of taxes on exit

3.5. Contacts

PwC Tanzania tax team



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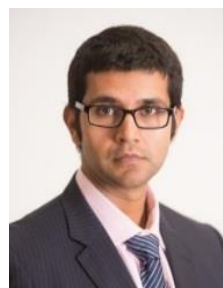
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3.6. *Questions?*





Doing business in Uganda



Doing business in Uganda

4

- 4.1 Country Context
- 4.2 Business vehicles
- 4.3 Legal and labour
- 4.4 Tax framework
- 4.5 Key issues
- 4.6 Contacts
- 4.7 Q & A

4.1. *Country context*

- General
- Living and working in Uganda
- Economy
- Risk factors

Country context

General

Where is Uganda?

The Republic of Uganda, is a landlocked country that lies on the equator, bordered by Kenya to the East, Democratic Republic of Congo to the west, South Sudan to the north, Tanzania to the south and Rwanda to the south-west.

The capital city of Uganda is Kampala.

Population: estimated at **42 million**



Country context

General

History

- Uganda was a British colony
- Uganda became independent on 9 October 1962
- In 1963, Sir Edward Muteesa II became the 1st president and Uganda joined the Commonwealth
- Yoweri Museveni is the current president of Uganda (6th president, in power since 1986)
- Scheduled to hold the next general election in 2021 (5 year term)

Country context

- General
- Living and working in Uganda
- Economy
- Risk factors

Country context

Culture and nature in Uganda



Tourism 12%
of world's bird
species,
Mountain
Gorillas



Cuisine



Country context

Living and working in Uganda



- Majority of the companies in Uganda have offices in Kampala
- The city has tropical climate and is located south of Lake Victoria
- Uganda's largest airport is located in Entebbe which is 40km from Kampala
- Multiple modern office complexes and malls
- 5 star hotels
- International schools
- A large expatriate community

Country context

- General
- Living and working in Uganda
- Economy
- Risk factors

Economy

Overview

- Economic growth in 2017 was 4.0 % (2016 = 4.7%) and GDP per capita USD 580 in 2016 as per World Bank national accounts data.
- Ranked 122 out of 190 according to World Bank ease of doing business indicator for 2018 (2017 = 115)
- Reasons for decline in ranking include:
 - getting electricity – this is attributable to the increased procedure, time and cost
 - difficulties in obtaining construction permits
 - procedure to start a business is relatively lengthy compared to other countries
 - trading across borders is challenging especially with regards to the cost of importation

Economy

Sector contribution to nominal GDP in 2017

Sector	Contribution to GDP %
Agriculture, forestry and Fishing	24.9
Manufacturing	8.2
Transport and storage	3
Real estate activities	4.5
Wholesale and retail trade	12
Financial and insurance activities	3.1
Construction	7.4
Accommodation and food service activities	2.7

Source: Uganda National Bureau of Statistics

Economy

Agriculture

- Agriculture is the mainstay of the vast majority of Ugandans
- Farming is largely rain-fed which presents several risks to the agricultural sector and also adds to inflationary pressure
- Some government interventions to improve the sector are:
 - Increased research funding, insurance schemes, better supply of inputs and extension services as well as agro-processing and value addition
 - Expedite finalisation of the irrigation policy and strategy
 - Continue promoting agriculture mechanisation in the different agricultural zones
 - Tax concessions on agro-processing

Economy

Banking

- Banking sector comprises of 33 financial institutions – 24 banks, 5 microfinance deposit taking institutions and 4 credit institutions
- Top 7 banks (via assets) controlled over 72% of the market share in 2016
- The minimum capital requirement for banks is US\$ 7m
- The Banking Amendment Act 2016 was amended to provide for Islamic banking, bancassurance, agency banking etc
- In 2011, the Bank of Uganda introduced the Central Bank Rate (CBR) as part of a reform of its Monetary Policy Framework
 - The CBR is released every 2 months and is currently 9%
 - The CBR is meant to control inflation and also spur credit growth

Economy

Electricity



- Total installed electricity capacity was 897 MW in 2016 against peak demand 573 MW as reported by ERA
- 10% of Uganda's population currently have access to electricity however, rural electrification programmes are ongoing
- Contribution to the installed capacity in 2016 as per ERA was as follows:
 - **Hydro** - 78%
 - **Thermal** - 15%
 - **Others (cogeneration)** - 7%

Economy

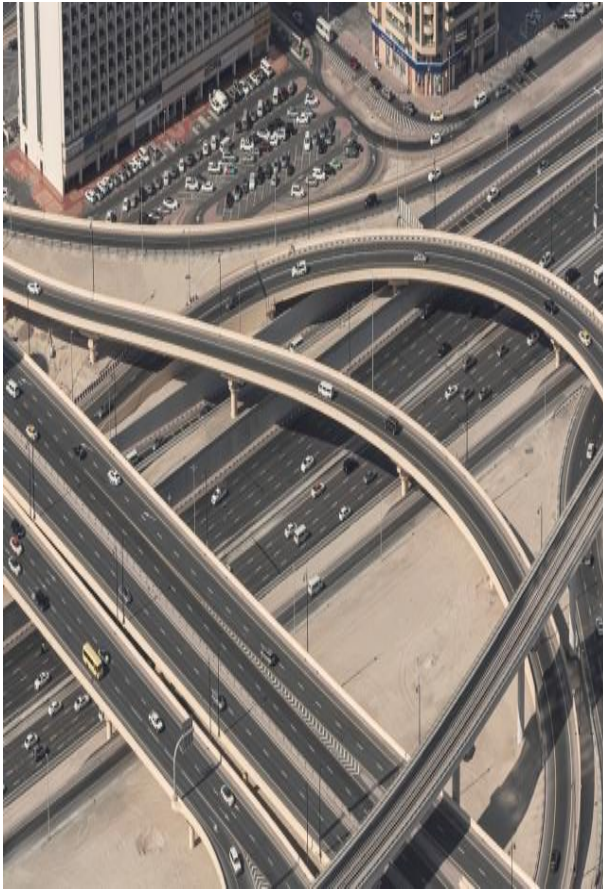
Oil and Gas



- The oil and gas industry is in a nascent stage. Development activities are underway in the Albertine Graben following production licenses of 2017
- The region has approximately 6.5 billion barrels of oil reserves with at least 1.4 billion barrels estimated to be economically recoverable
- The infrastructure required to develop Uganda's oil reserves is estimated to cost \$10 billion with first oil expected in 2020
- Current opportunities include: housing, road infrastructure design and construction, environmental controls, vocational training etc (subject to local content)

Economy

Infrastrure



- Examples of some significant infrastructure projects:
 - Standard Gauge Railway, entire country network – 1,724km at a cost of US\$ 12.8 billion
 - Hoima oil refinery – US\$ 4 billion contract signed in April 2018
 - The East African Crude Oil pipeline – from Hoima to Tanga in Tanzania US\$ 3.5 billion. FEED completed, starting EPC
 - Construction of Kabaale Airport for oil and gas logistics – US\$ 318m
- All the contracts above have been awarded. Public Private Partnerships Act came into force in 2015 and allows government to enter into agreements with private entities to perform public functions

Economy

Ease of Doing Business ranking

Economy	South Africa	Uganda	Kenya	Tanzania
Ranking	82	122	80	137
Starting a Business	136	165	117	162
Getting Electricity	112	173	71	82
Getting Credit	68	55	29	55
Paying Taxes	46	84	92	154
Trading Across Borders	147	127	106	182
Enforcing Contracts	115	64	90	58

Country context

- General
- Living and working in Uganda
- Economy
- Risk factors

Risk factors

External

- Volatility in international market oil prices and other commodity prices like tea, coffee and horticultural products
- Uncertainty surrounding the inward-looking United States foreign policy, Brexit and European Union
- Exchange rate risks impacted by FDI inflows and tight US monetary policy further depreciating the Shilling
- Regional insecurity and instability especially in South Sudan
- Decisions of international financial institutions and creditor countries regarding the amount, and terms of their financial assistance to Uganda

Risk factors

Internal

- Long drought spells that negatively impact the agriculture sector and electricity generation
- Increased level of domestic and external public debt
- Domestic inflation driven by increased food prices
- Rising infrastructure spend on capital intensive projects
- The levels of foreign direct and portfolio investment
- Stagnant tax base
- Risk of social unrest following the lifting of presidential term limits

4.2. Business Vehicles

- Types of entities
- Company vs Branch

Business Vehicles

- Types of entities
- Company vs Branch

Business Vehicles

Types of entities

Business may be conducted in a variety of forms in Uganda, such as:

Public or private company

Branch of a Foreign Company

Limited liability partnership

Partnership, including joint venture

Sole proprietor

Business Vehicles

Doing Business in Uganda – setting up a business vehicle

Incorporated Company or Branch

Name reservation through the Registrar of companies

Preparation of the Memorandum & Articles of Association

Registration of the company, particulars of directors and company secretary

Certificate of incorporation/ registration

Registration for tax – with the Uganda Revenue Authority

Obtaining of trading license

Business Vehicles

- Types of entities
- Company vs Branch

Business vehicles

Company vs branch

Item Distinction factor	Company	Branch
1. Legal personality	Yes	That of the head office
2. Tax personality	Yes	Yes
3. Liability	Limited to shareholding	Head office
4. No. of shareholders	1 plus a company secretary	Head office
5. Incorporation / Registration costs	US\$ 3,500 (exclusive of government fees)	US\$ 2,800 (exclusive of government fees)
6. Stakeholder's perception	Long-term presence	Short-term presence
7. Audited Accounts	Mandatory	Mandatory
8. Taxation of dividends	15% WHT (subject to tax treaty)	15% branch repatriation tax

4.3. Legal and Labour

- Legal System at a glance
- Labour

Legal and Labour

- Legal System at a glance
- Labour

Legal

Legal System at a glance

- A Constitution (supreme law of the land) was promulgated in 1995 which provides for the executive, legislative and judicial arms of government
- The judiciary is separate and independent from both the executive and legislative arms of government
- The legal system is based on English common law and customary law
- The Supreme Court is the highest level of authority followed by Court of Appeal, High Court and the Magistrate courts

Legal and Labour

- Legal System at a glance
- Labour

Labour

Labour at a glance

- The Employment Act prescribes the fundamental rights of employees - basic conditions of employment and regulates employment of children



Basic rights of employees under the Act include:

- maternity and paternity – 3 months and 4 working days with full pay respectively
- annual leave – 21 working days for every 12 months worked
- sick pay
- payment of wages earned
- payment in lieu of notice
- statutory contributions by employer

Labour

Immigration

- Foreigners working in Uganda must have a work permit or a special pass
- Work permits are based on merit (no quotas)
- Certain sectors like oil & gas, require applicants to submit a recommendation from the relevant authority
- All applications are submitted online.
- Special Passes are issued for a maximum of 5 months (non-renewable)
- Work permits granted for 1 to 3 years (renewable)
- Renewal of work permits is influenced by Employment Report and proof that there is no suitable Ugandan employee
- Special Passes can be applied for in Uganda or from outside the country
- Work permits are used for URA tax registration

Labour

Immigration tips

- Easier to get work permits for specialised skills for projects like ICT and E&P sectors
- Human resource and marketing professionals are not given priority
- Impromptu checks happen
- Have detailed CVs & certificates
- Match job description with job title and have clear contract
- Start the process early



Labour

Investor considerations

- Abundant supply of unskilled labour
 - Shortage of skilled labour
 - Compulsory social security costs include workers' compensation, maternity leave, sick leave and redundancy rules
 - Judiciary fully operationalised the Industrial Court
 - Training of Ugandan employees mandatory
- ✓ There is no legislation setting minimum wages

4.4. *Tax framework*

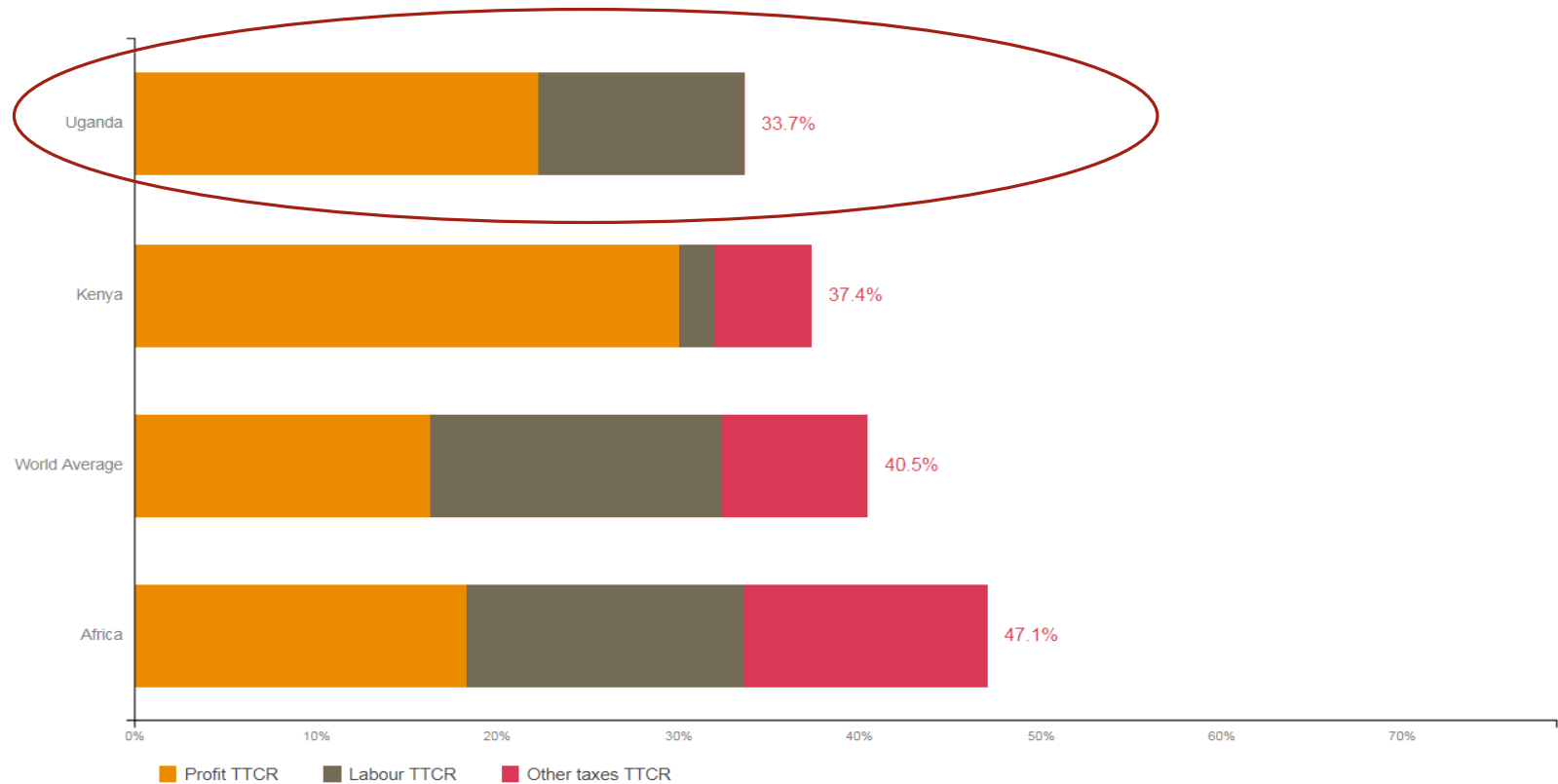
- Tax overview
- Tax incentives

Tax framework

- Tax overview
- Tax incentives

Tax framework

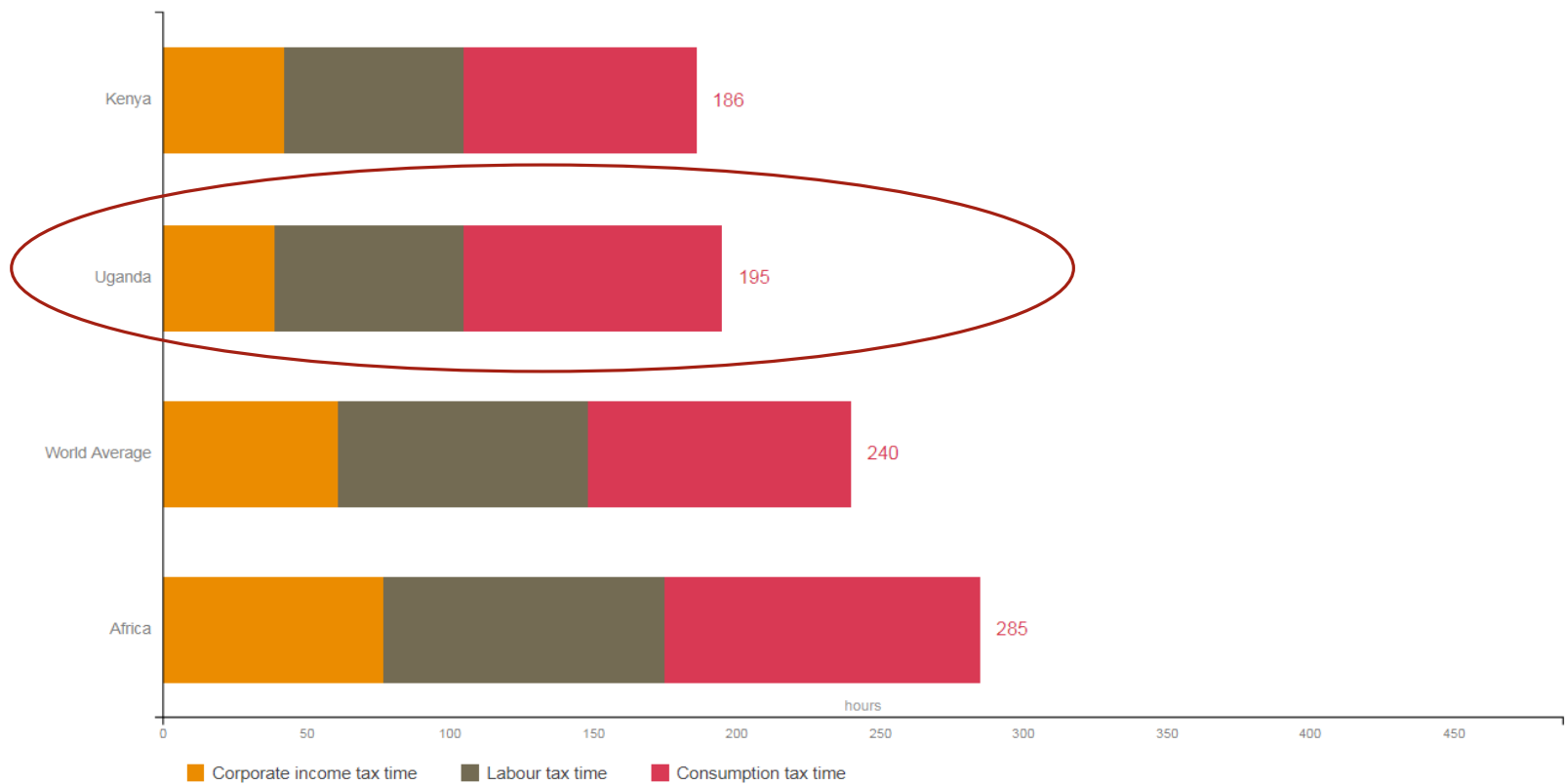
Total tax rate



Source: PwC Paying Taxes 2018 analysis

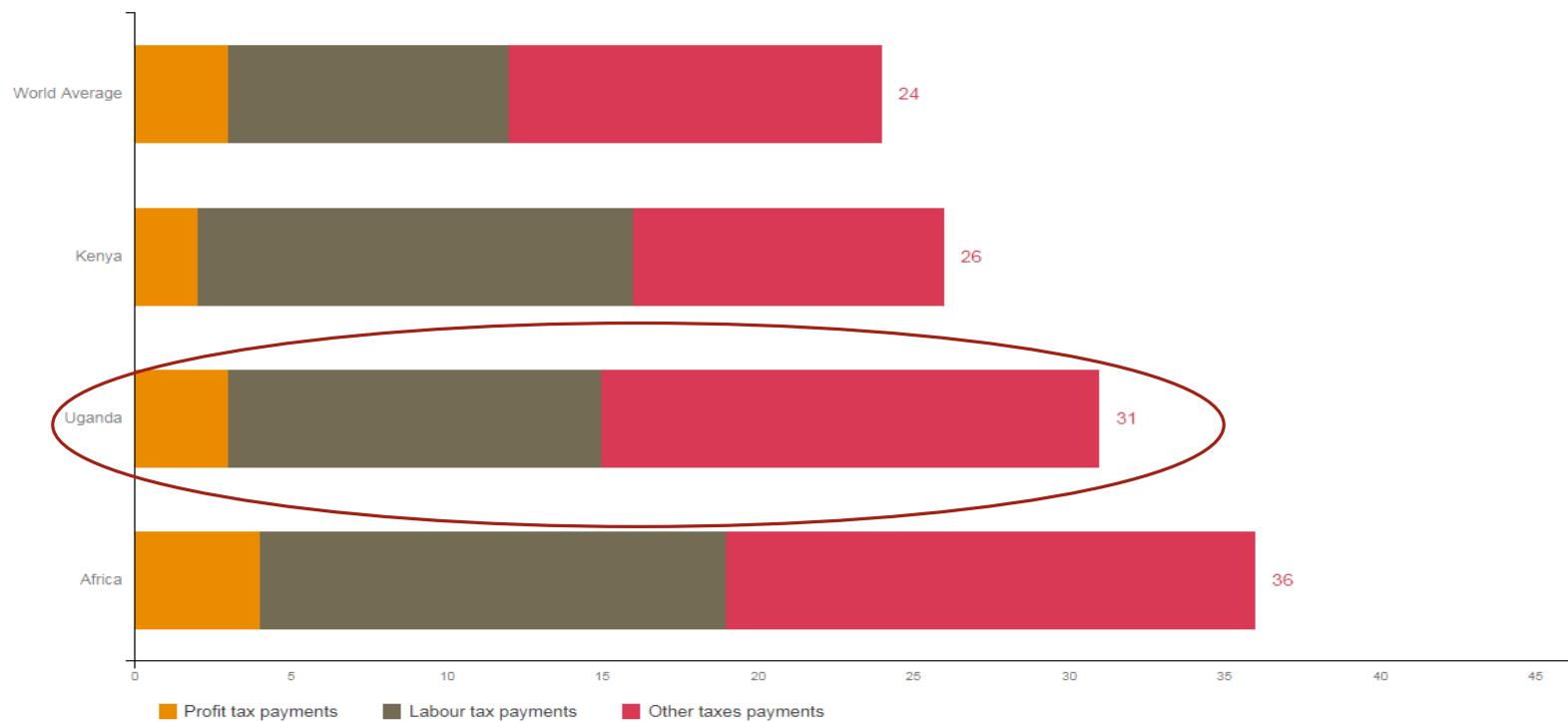
Tax framework

Time to comply (hrs)



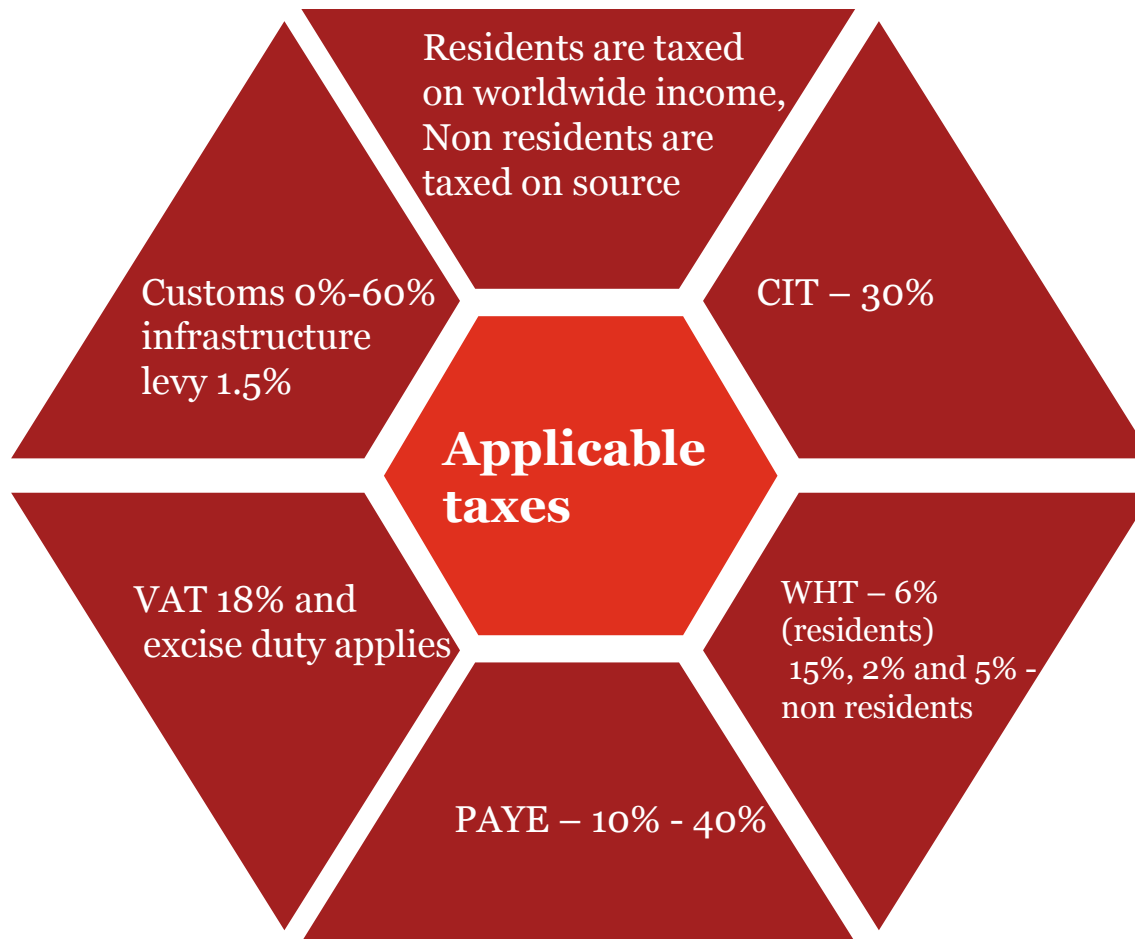
Tax framework

Number of payments



Tax framework

Tax overview



Tax framework

Tax overview

	15 th day	1 January 2017	31 December 2017	30 June 2018
PAYE	15 th day of the month following the month in which the payment was made			
WHT				
VAT				
Excise				
NSSF				
CIT – 1 st Provisional		6 months		
CIT – 2 nd Provisional			6 months	
CIT – Final				6 months

Some key tax considerations



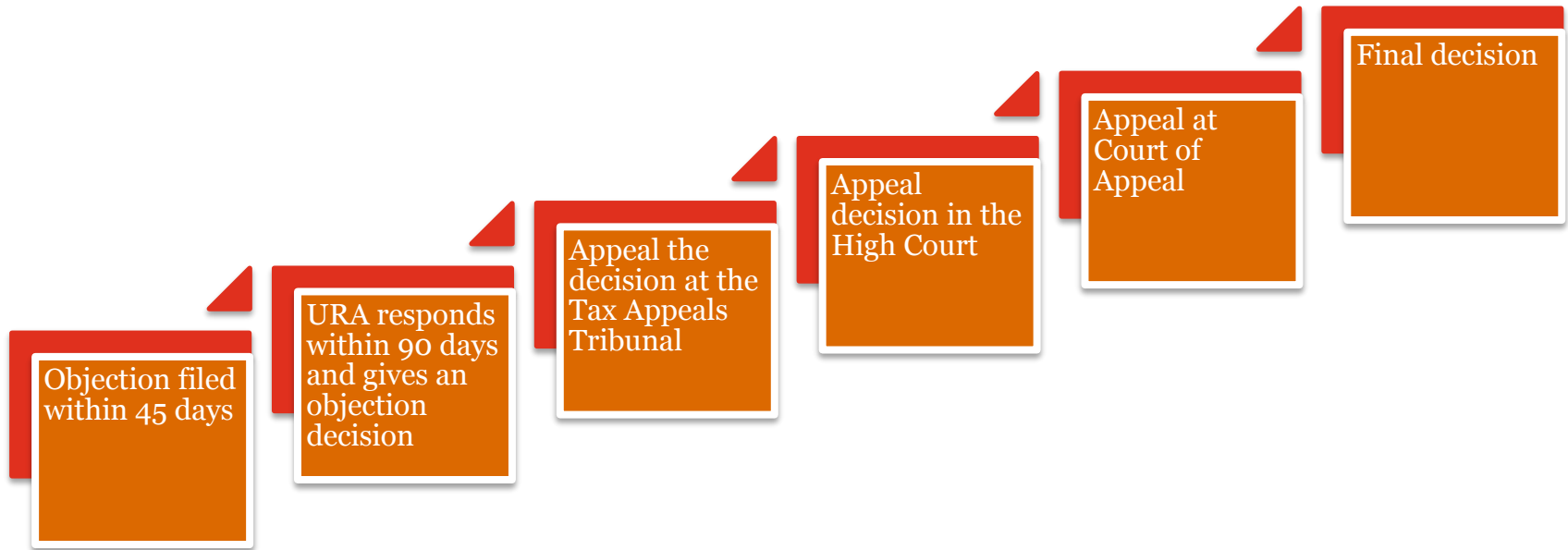
- Self assessment regime
- Treaty network - Unilateral limitation on benefits provision
- Transfer pricing requirements
- Thin capitalization provisions (1.5:1)
- No time limit to loss carry forward
- Capital gains tax levied as part of CIT
- Tax implications of imported services
- Employment taxes (incl. social security)

Treaty network – subject to unilateral LoB provision

Description	Kenya
In force	Denmark, India, Italy, Norway, Mauritius, Netherlands, South Africa, UK, Zambia
Awaiting conclusion and/or ratification	Belgium, China, East African Community, UAE

Tax dispute process

- An out of court settlement can also be initiated



Recent significant tax amendments..

2015

- Re-organisation defined in terms of roll over relief.
- Definition of a branch was amended to include a service PE.
- Various changes to source rules.
- Thin capitalisation ratio changed from 1:1 to 1.5:1 and the arm's length debt concept was introduced.

2016

- Clarification of the Limitation on Benefits clause to include beneficial ownership and economic substance requirements.

2017

- Introduction of penalty of Ushs 50 million for failure to provide TP related information within 30 days of request.
- Interest on late payment of tax is capped to the principal tax.

Proposed tax legislation

Direct tax legislation

- Taxation of an indirect change in ownership of 50% or more
- Interest limitation rules – 30% EBITDA
- Alternative minimum tax for carry forward of losses – 0.5%
- Limit deductibility of expenditure on returnable containers
- 10% WHT on commissions paid by telecom service providers

Indirect tax

- VAT withholding
- Excise duty on over the top (“OTT”) services – US\$ 0.05 per user per day
- Excise duty of 1% on the transaction value of mobile money transactions
- Exemptions for developers and operators of industrial parks and free zones
- Electronic invoicing and receipting

Tax incentives



Available incentives include:

- Initial Allowance – 50%
- Wear and tear allowance – 20% to 40%
- Start up costs – 25% of initial expenditure
- VAT on supplies to aid funded projects and petroleum and mining licensees is deemed to be paid by the supplier, i.e. no cash outflow
- Tax holidays for exported consumer goods and agro-processing

4.5. Key issues

Key issues

- VAT on imported services
- Punitive penalties and interest for non compliance
- TP audits are very much on the tax authority radar (important to have up-to-date TP documentation)
- Aggressive tax authority
- Obtaining tax refunds can be challenging



Structuring considerations

DTT network is limited

Use the difference in withholding tax rate versus corporate tax rate (30%)

Debt push down when acquiring new business, effectively 'pushing' interest on acquisition loan down to businesses

Exit strategy regarding capital gains taxation

Uganda specific: Redeemable preference shares can help return capital for ventures that are expected to be profitable

4.6. Contacts

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PwC Uganda tax practice

Tax Reporting & Strategy (“TRS”)

- Tax compliance and filing of returns
- Tax accounting and deferred tax
- Audit of tax
- Tax risk assurance
- Technology based solutions

Tax Consulting Solutions (“TCS”)

- Corporate reorganizations
- Mergers & acquisitions
- Tax exemptions
- Investment financing
- Withholding tax on Inter-company arrangements
- Revenue Authority controversy resolution
- Inbound and Outbound investment

Indirect Taxes (“ITX”)

- Optimising recovery of input VAT
- Refund of VAT
- Tariff Classification
- Customs and Excise duty advisor
- VAT & Duty exemptions and refunds on capital investments
- International Trade support

People and Organisation (P&O)

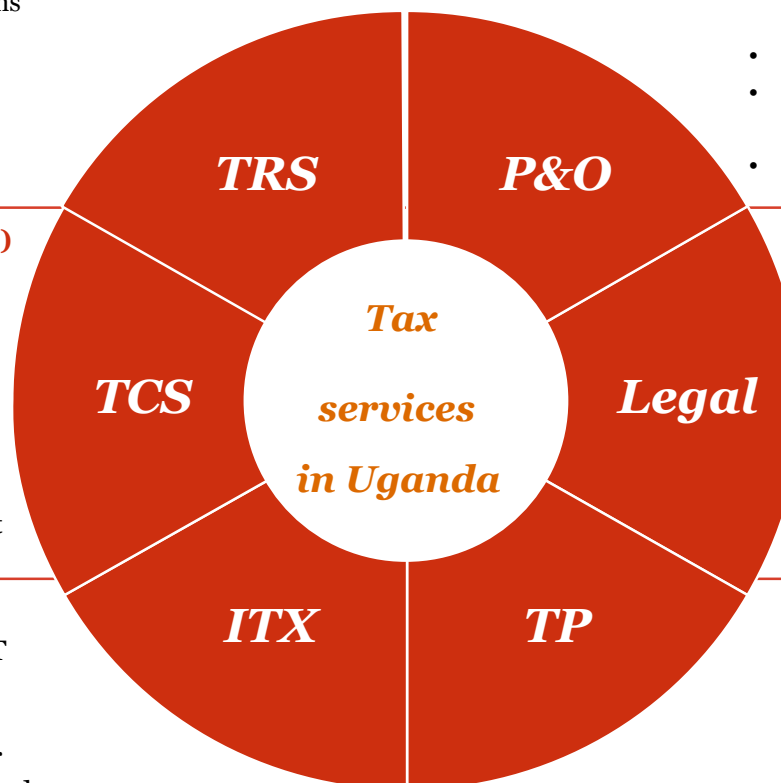
- Preparation of monthly payroll and returns
- Remuneration and benefits planning
- Preparation and filing of self-assessment tax returns Social Security advice
- Review of employment contracts

Legal Services

- Advice on work permit and immigration visa requirements
- Preparation and submission of applications or renewals
- Review of immigration records for expatriate staff
- Entity governance and compliance

Transfer Pricing Services (“TP”)

- Preparation of transfer pricing documentation;
- Revenue Authority controversy resolution;
- Transfer pricing and structuring models
- Ongoing support and updates on legislative and regulatory developments



4.7. *Q & A*

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