

VAT treatment of electronic services: Tax Update

The Uganda Revenue Authority (“URA”) has issued a Public Notice in regard to taxation of non-residents providing electronic services to non-taxable persons in Uganda. URA’s Public Notice is based on section 16(2)(d) of the VAT Act which provides that any non-resident person who supplies electronic services to a non-taxable person in Uganda, makes a taxable supply in Uganda.

The VAT Act defines “electronic services” to include the following services, when provided or delivered remotely:

- a) Websites, web hosting or remote maintenance of programs and equipment
- b) Software and updating of software
- c) Images, text and information
- d) Access to databases
- e) Self-education packages, music, films and games including games of chance; or
- f) Political, cultural, artistic, sporting, scientific and other broadcasts and events including television.

Prior to 1 July 2018, the definition of electronic services was essentially the same, but limited to such services provided through a telecommunications network.

According to URA’s Public Notice, a non-resident person who supplies such electronic services in Uganda is required to register for VAT and account for VAT on the transactions by filing a VAT return. The non-resident person may appoint a tax representative for the purposes of complying with these VAT requirements.

This is not a new requirement, but it appears that the URA now wishes to enforce the provision more rigorously.

What does this mean for your company?

Although a non-resident entity supplying electronic services has no place of business in Uganda from which the service is supplied to a non-taxable person in Uganda, such services if supplied to a non-taxable person in Uganda would be deemed to be a supply taking place in Uganda.

Accordingly if the value of such supplies exceeds the registration threshold (UGX 37.5 million in any three month period and UGX 150 million in a twelve month period), then the non-resident supplier would be required to register for VAT purposes and charge 18% VAT on the total consideration received. In addition, the non-resident would be entitled to claim an input tax

credit for any VAT incurred in Uganda with respect to the supply.

The absence of a place of business in Uganda means that in practice the non-resident is unable to directly obtain VAT registration. Therefore, the only option is to register via a local representative. The legislation allows a non-resident to appoint a tax representative and such representative assumes personal liability for the non-resident’s filing and payment obligations. The Public Notice states that the Commissioner can also appoint a person to file VAT returns on behalf of the non-resident. This does not make the person a tax representative.

It is also unclear if the requirement to register for VAT or appoint a tax representative in the Public Notice would extend to imported services on which VAT is accounted for under the reverse charge mechanism by the recipient of the service (whether VAT registered or not).

There are significant uncertainties around how these provisions should be applied in practice. We will continue to engage the URA to get clarity on the ambiguities which in our view are key in enabling you comply with the VAT obligations arising from the section 16 of the VAT Act.

Let’s talk

Should you require any clarification or guidance, please do not hesitate to contact:

Francis Kamulegeya
Country Senior Partner
+256 (0) 312 354460
francis.kamulegeya@pwc.com

Joanita Nakimuli
Associate Director
+256 (0) 312 354433
Joanita.x.nakimuli@pwc.com

Juliet Najjinda
Tax Manager
+256 (0) 312 354460
Juliet.najjinda@pwc.com



This publication has been prepared as general information on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

© 2019 PricewaterhouseCoopers Limited. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers Limited which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.