



PwC Uganda

Tax Case Summaries

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Get in touch with us

Samson Ssonko
Associate Director
samson.ssonko@pwc.com

Hilda Kamugisha
Manager
hilda.kamugisha@pwc.com

Derrick Lusiba
Senior Associate
Derrick.lusiba@pwc.com

Simon Ssendikadiwa
Senior Associate
Simon.Ssendikadiwa@pwc.com

TAT has ruled that stamp duty is only chargeable once on the insurance policy, and not per individual beneficiary covered within the policy. Further, endorsements amending the beneficiaries on existing policies do not attract additional stamp duty.

Introduction and Background

The tax dispute arose from a stamp duty assessment issued by the URA to an insurance company where the URA treated additional endorsements amending beneficiary details as separate instruments subject to further stamp duty. URA also treated computed stamp duty separately on each beneficiary covered in the same medical insurance policy/endorsement.

The taxpayer objected to this assessment, arguing that such endorsements are not separate instruments from the insurance policy and that stamp duty on a medical insurance policy is not payable by each beneficiary.

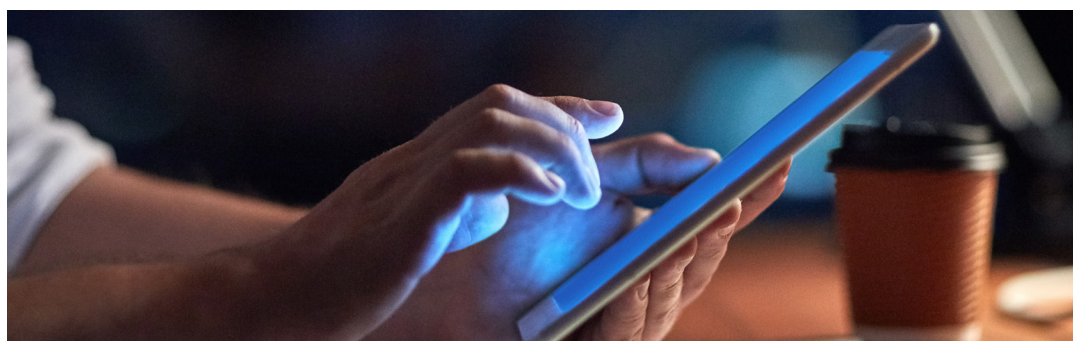
The main issues for determination were whether stamp duty should be charged for

each beneficiary in an insurance contract; and whether endorsements amending beneficiary details (without extending the insurance period and a corresponding premium) are chargeable with stamp duty.

Submissions of the parties

The taxpayer argued that an endorsement to add or remove a beneficiary does not attract stamp duty is part of the insurance policy on which stamp duty would have already been paid. The taxpayer however agreed that renewal endorsements which extend the policy period with new premiums are subject to stamp duty - which was also paid.

The taxpayer also argued that is not chargeable on each beneficiary under the medical policy on the basis that the policy and invoice is between the insurance



company and the insured entity (e.g. employer company) and is paid for by the same insured entity. The beneficiaries (such as the employees and their dependants) are not party to the insurance policy contract negotiations and payments.

The URA, on the other hand, argued that all endorsements are separate from the policy on the basis that it changes the rights of the insurance policy, hence subject to stamp duty. URA also argued that stamp duty should be charged per beneficiary, because beneficiaries have a vested interest in the policy/ endorsement in addition to creating a new right each time a new beneficiary is added.

Ruling of the Tribunal

The Tribunal agreed with the taxpayer's arguments and ruled in their favour on both issues.

The Tribunal also stated that the clear wording of the statute (item 48(a) of the Second Schedule to the Act) is that stamp duty is chargeable per policy of insurance and not per number of individual beneficiaries covered by each policy.

The Tribunal also stated that endorsements to add or remove a beneficiary do not create a new right otherwise it would be tantamount to charging stamp duty on every beneficiary instead of per policy as ruled above.

Key Takeaways

1. Stamp duty on insurance policies is chargeable per policy of insurance and not per number of individual beneficiaries covered by each policy.
2. Endorsements to add or remove a party to an existing policy of

insurance are not subject to additional stamp duty.

Please feel free to contact your usual PwC contact or any of our experts above should you wish to discuss this further.

