

Uganda

Chamber of commerce:

Ugandan National Chamber of Commerce and Industry
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Principal taxes

Uganda's main taxes are income tax (on individuals and companies), value-added tax, customs and excise duty levied by the government through the Uganda Revenue Authority (the URA), and graduated tax on land rates, which are levied by local authorities.

Filing

All registered business organizations are obliged to send a provisional return of income for any year of income as follows:

Individuals: no later than three months from the commencement of the 12 months ending in the year of income for which the individual makes up their accounts, and in any other case, no later than March 31 of that year of income.

Corporate bodies: no later than six months from the commencement of the period of 12 months ending in the year of income for which the body prepares the accounts, and in any case no later than June 30 in such year of income.

The returns are based on the income gained during the year immediately preceding the year of income in respect of which the provisional return is made, or on the last assessment that has by then become final and conclusive, whichever is greater, or a considered estimate of income liable to tax if the former two are inappropriate. A final return of income is due within four months from the end of the accounting period, together with any further tax due.

Categories of taxes

Both direct and indirect taxes apply in Uganda. Direct taxes are levied on individual and corporate income. Indirect taxes are levied on certain transactions, such as the sale and purchase of land, goods and services.

Income tax

Income tax is payable by individuals. It is calculated on the individual's net assessable income after making allowance for deductible expenses. The sources of assessable income for

individuals include employment, business and property. The annual income threshold is US\$1.56 million (\$900).

Different tax rates apply, depending on whether the individual is a resident or non-resident of Uganda for tax purposes.

Pay as you earn (PAYE) tax and taxation of employment benefits
 PAYE is not a separate tax. It is an instalment income tax system under which employers are required to deduct tax instalments from their employees' salary or other employment income. The instalments deducted are remitted to the URA, and based on the PAYE tax return lodged by the employer. The employee offsets the total amount deducted from the individual employee against the employees' tax liability upon submission of the annual tax return at the end of the tax year. Every employer must therefore register for PAYE, as well as be familiar with the rules relating to the filing of PAYE returns and how PAYE is calculated.

Penalties apply where the employer fails to deduct or remit PAYE, or deducts and remits incorrect amounts. For example, the URA can require the employer to pay any PAYE shortfalls.

Taxation of companies and other business entities

A corporate tax is levied on companies, partnerships and sole proprietorships. Any income arising out of any trade, profession, vocation or venture in the nature of trade is taxable under special rules applicable to business entities.

The income of all companies accruing or derived from Uganda is taxable. A company is liable to pay tax separate from its shareholders. The sources of income of a company on which the tax can be levied include profits and gains from any business carried on for whatever period of time. Other sources include dividends from shares in other companies and interest from use of the company's property.

Taxation of partnerships

Income tax assessments for a partnership can be made either in respect to individual partners or in the partnership's name. The profits of a partnership, including a firm carrying on a trade or profession, are taxable.

Taxation of sole proprietorships

A sole proprietor is taxed in the same way as an individual.

Taxation of trusts

The income tax rate applicable to trusts is 30% of the chargeable trust income for the year of income. A trust is exempt from income tax where income of the trust is paid directly to the beneficiary without passing through the hands of the trustee, or where a trustee relies on the ground that part of the income to be assessed accrues or arises for the benefit of the beneficiary.

Value-added tax (VAT)

VAT is a consumer expenditure tax, payable by individuals and firms. The business sales turnover threshold for VAT is US\$50 million a year. Individuals and firms whose business sales turnover is below this level are exempt from VAT. It does not matter whether the business is profitable or not. VAT registration for individuals and firms with business sales turnover above the US\$50 million VAT threshold must register with the URA for VAT. All professionals must apply for VAT registration, regardless of their turnover of taxable goods or services.

A person who has registered for VAT can charge VAT on customers as an output tax. When a VAT payer buys goods and services they pay VAT as an input tax. When the output tax (what a person registered for VAT pays) exceeds the input tax (what they charge customers as VAT), a refund of the difference from the URA can be claimed. On the other hand, when the input tax is greater than the output tax, the difference is payable to the URA within 15 days after the end of the month in which the transaction took place.

Certain goods and services are exempt from VAT. A person registered for VAT cannot claim an input tax on exempt goods and services. Similarly, such person cannot charge VAT (as an output tax) on goods and services that are exempt from VAT. Zero-rated supplies are goods and services that are exempt from VAT but in respect of which a VAT (output tax) is claimable.

All imported goods attract VAT of 18% (or the zero rate, except if they fall in the exempt category). VAT on imports is paid at the time of clearing the goods, and is calculated on the cost, insurance, freight (CIF) value of the imports.

VAT on exports is zero-rated. Investors interested in export trade are however advised to register for VAT. This is helpful in that the inputs, which are used to produce the exports, might attract VAT. Once registered as a VAT payer, one can claim input tax. To claim input tax on exports, the customs-certified copy of the export entry must be attached to the VAT return.

Stamp duty

Stamp duty is an indirect tax, levied on a number of legal documents and certain agreements.

Taxation of rental income

Rental income of an individual is segregated from other income and is taxed at a rate of 20% of gross rental income in excess of US\$1.56 million a year.

Withholding tax

Payments of dividends and interest are subject to a withholding

tax of 15% both for residents and non-residents. Any payment to a person in Uganda from the government, a government institution, a local authority, any company controlled by the government or any person designated in a notice issued by the finance minister of an amount exceeding US\$1 million for the supply of goods or materials of any kinds or any service, is subject to a 4% withholding tax. The finance minister has the power to exempt companies from paying withholding tax.

In addition, non-residents are subject to 15% withholding taxes for royalties, management fees, entertainers and sports personnel income, natural resource payments and equipment leases, on income earned from Uganda.

Banking and finance

Recommended firms

Tier 1

Katende Ssempebwa & Co Advocates

Shonubi Musoke & Co Advocates

Tier 2

Kateera & Kagumire

Sebalu & Lule Advocates

Tier 3

Byenkya Kihika & Co

Lex Uganda

Magezi & Ibaale

MMAKS Advocates

Tier 4

Byamugisha & Rwaheru Advocates

Kasirye Byaruhanga

Mpuanga & Co

Semuyaba Iga & Co Advocates

Corporate and commercial

Recommended firms

Tier 1

Katende Ssempebwa & Co Advocates

Shonubi Musoke & Co Advocates

Tier 2

Kateera & Kagumire

Sebalu & Lule Advocates

Tier 3

Byenkya Kihika & Co

Kampala Associated Advocates

Lex Uganda

MMAKS Advocates

Tier 4

Byamugisha & Rwaheru Advocates

Kasirye Byaruhanga

Mpuanga & Co

Semuyaba Iga & Co Advocates

Byenkya Kihika & Co

Byenkya Kihika & Co continues to make inroads into the corporate and commercial, and banking and finance market in Uganda. Leading lawyer, Oscar Kihika, is recommended highly by market commentators, and retains a visible presence in the market by running most of the firm's biggest deals.

Leading lawyer

Oscar Kihika

Key contact partner

Oscar Kihika

Kampala Associated Advocates

Kampala Associated Advocates was founded in 2001 and is headed by the distinguished Bart Katureebe, a former attorney-general of Uganda. The firm is based in Kampala and has the benefit of being able to draw upon the resources of leading UK law firm Denton Wilde Sapte, with which it has an association.

The firm boasts a particularly strong tax department, and is commended by the market for its professional connections and extensive network of contacts. It is considered by its peers to be an "up and coming" firm, and is steadily gaining ground in the Ugandan corporate and commercial market.

Key contact partner

Bart Katureebe

Kateera & Kagumire

Kateera & Kagumire was founded in 1903, making it one of Uganda's oldest law firms. It provides advice on international investments and banking, as well as on all aspects of corporate and commercial law. This includes the formation of companies, mergers and acquisitions, capitalizations and restructurings and insolvencies.

Kateera & Kagumire's two-partner team boasts a varied client list, including domestic and international banks, corporate organizations, and a series of public companies such as the Uganda Electricity Board.

Katende Ssempebwa & Co Advocates

Katende Ssempebwa & Co Advocates is one of the largest and best-established firms in Uganda, and continues to be ranked highly this year for its banking, finance and corporate work. The practice has three lawyers who are qualified to operate both in New York and Uganda. Clients of the firm include the Bank of Uganda and the Uganda Development Bank, and Katende Ssempebwa has plenty of experience of providing solid advice to domestic and international organizations.

Partners Sim Katende and Soogi Katende are well respected in the market for the quality of their corporate and commercial advice, the latter also being the firm's leading authority on securities, and their advice on the law relating to the newly set up Uganda Stock Exchange.

Leading lawyers

Sim Katende

Soogi Katende

Lex Uganda

Lex Uganda Advocates moves up in the rankings this year due to popular market opinion and on the strength of the firm's recent involvement in a number of noteworthy transactions. The firm was founded in 1996 and specializes in the areas of corporate and commercial law. Many of the firm's lawyers had their legal training abroad.

Lex Uganda has an increasingly strong reputation for the quality of its corporate and commercial advice, and according to the market "is moving steadily" to compete with the leading law firms. From among the team, Charles Odere is an "excellent lawyer" who left Shonubi Musoke & Co Advocates to take up his role as Lex Uganda's senior partner. It has rapidly expanded from its humble beginnings as a two-partner firm, now boasting nine lawyers, and has secured roles on a number of high-level transactions this year.

Leading lawyer

Charles Odere

Key contact partner

Charles Odere

MMAKS Advocates

MMAKS Advocates was formed in May 2005 with the merger between Mugerwa Masembe Advocates, Adriko & Karugaba Advocates and Central Law Offices. London-educated Timothy Masembe Kanyerezi is the managing partner of the firm, and he brings the practice a good breadth of banking and advocacy experience. He is a practising advocate of the High Court of Uganda and a court subordinate, also being a member of the Ugandan Law Society. Each of the firm's renowned partners has over 10 years' experience in the private and public spheres, and they are supported by eight well-respected lawyers.

MMAKS specializes in the area of corporate and commercial law, and since its recent formation has represented many leading domestic and international financial institutions such as Barclays Bank of Uganda, Stanbic Bank and the Bank of Uganda. The market views this new competitor with a wait-and-see attitude, and time will tell whether the firm will emerge as a leading Ugandan practice.

Key contact partner

Timothy Masembe Kanyerezi

Sebalu & Lule Advocates

Sebalu & Lule is a full-service corporate commercial law firm that was founded in 1980, covering all areas of corporate, civil and commercial law. The firm has a strong list of renowned clients, including the International Finance Corporation and TransAfrica Bank, and leading lawyer James Mukasa Sebugenyu is recommended for the strength of his work.

Over the past year the firm has won instructions to act on plenty of top deals, including on a loan of US\$9 billion (\$5.1 million) to Gapco and on a \$3 million loan to Picfare Industries & Drury. The firm is also capable of handling project finance work, exemplified by its review of the security documents and project finance agreements relating to the AES Nile Power project, one of the biggest power projects in east and central Africa.

The firm is also active in the insolvency sphere, and has acted on deals such as the liquidations of Moch Africa Petroleum and Magric Developments. Sebalu & Lule Advocates is often involved in privatization work, and last year advised on the privatization of the Dairy Corporation.

The firm's other high-calibre clients include the British High Commission, the World Bank and a number of United Nations Programmes, including Unicef.

Key contact partners

Paulo Sebalu
James Mukasa Sebugenyi
Barnabas Tumusingize

Shonubi Musoke & Co Advocates

Shonubi Musoke & Co consistently performs to an extremely high standard in the Ugandan corporate and commercial arena, and market commentators view this practice as one of the "largest and most successful firms in Uganda." Clients of this "excellent" firm include TPS Uganda, MTN, Kobil, British Airways, the International Finance Corporation and Aureos East Africa Fund.

The firm has had a successful year in banking, advising the lenders, Aureos East Africa Fund on a \$960,000 loan facility in January 2005. In the same month, name partner Alan Shonubi, who one client described as a "great lawyer with high integrity," acted for the Orient Bank on a \$1.9 million loan facility. In another deal that closed in March 2005, Shonubi Musoke & Co advised Umeme on letters of credit, escrow accounts and guarantees in a transaction valued at \$30 million, and acted for TPS when it borrowed \$9.7 million under a loan facility.

Privatization work has also kept Shonubi Musoke & Co busy this year. In the \$340 million privatization of the Uganda Electricity Distribution Company, the firm acted for the concessionaire, Umeme, and another instruction saw Noah Mwesigwa perform pre-privatization legal due diligence on the National Insurance Corporation for one of the bidders, the Insurance Company of East Africa, in a deal worth \$12 million. In another pre-privatization legal due diligence process, the widely respected team of Ezekiel Tuma and Alan Shonubi advised a consortium and one of the bidders in relation to the privatization of Wakisi.

Turning its attention to Uganda's burgeoning hospitality sector, the firm acted for TPS across the negotiating table from the attorney-general's office in relation to the \$33 million privatization of the Nile Hotel International.

Leading lawyers

Alan Shonubi
Ezekiel Tuma

Key contact partner

Alan Shonubi

Other firms

Byamugisha & Rwaheru Advocates has been run solely by Dr Byamugisha since the sad passing away of Mr Rwaheru. Byamugisha is considered to be "a brilliant man" and "an outstanding lawyer" who the market deems more than capable of running the firm. **Mpuanga & Co** is considered one of the country's up-and-coming firms, with one client commenting that name partner David Mpuanga "gives very timely feedback ... the firm has a good turnaround time." And **Kasirye Byaruhanga** is another firm mentioned favourably by market commentators. From among its team, Andrew Kasiyre and William Bryuhana "are good young and upcoming lawyers" that "have the ability to close transactions quickly."