

**ACTS SUPPLEMENT**

*to The Uganda Gazette No. 38 Volume CVIII dated 10th July, 2015.*

Printed by UPPC, Entebbe, by Order of the Government.

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**Act 11**

*Income Tax (Amendment) Act*

**2015**

**THE INCOME TAX (AMENDMENT) ACT, 2015**

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**THE INCOME TAX (AMENDMENT) ACT, 2015.**

**An Act to amend the Income Tax Act, Cap. 340; to categorize businesses and specify the amount of tax payable; to disallow expenditure incurred by taxpayers who fail to provide taxpayer identification numbers of their suppliers of goods and services; to define reorganisation and other terms used in the Act; to require payment of income tax in respect of all passenger service vehicles and goods motor vehicles before renewal of annual licenses; to make a tax identification number a mandatory requirement for issuance of licenses or permits; to provide for the special provision for taxation of mining and petroleum operations; to expand the scope of withholding tax; to impose tax on e-commerce provided by online platforms; to reduce the rate of withholding tax on reinsurance services; to amend the First Schedule, Second Schedule, Third Schedule; Repeal of Eighth Schedule and provide for other related matters.**

DATE OF ASSENT: 29th June, 2015.

*Date of Commencement:* See section 1.

BE IT ENACTED by Parliament as follows:

**1. Commencement.**

This Act shall be deemed to have come into force on the 1st day of July, 2015.

**2. Amendment of Cap. 340.**

The Income Tax Act, in this Act referred to as the principal Act, is amended in section 2 by inserting immediately after paragraph (bb) (iii) the following—

“(iv) or the National Medical Stores”.

**3. Amendment of section 4 of principal Act.**

Section 4 of the principal Act is amended in subsection (5) by substituting for “fifty million shillings”, the words “one hundred and fifty million shillings”.

**4. Amendment of section 22 of principal Act.**

Section 22 of the principal Act is amended in subsection (2) by inserting immediately after paragraph (l) the following—

“(m) any expenditure above five million shillings in one transaction on goods and services from a supplier who does not have a taxpayer identification number.”

**5. Repeal of section 36 of principal Act.**

The principal Act is amended by repealing section 36.

**6. Amendment of section 77 of principal Act.**

Section 77 of the principal Act is amended by inserting immediately after subsection (3) the following—

“(4) For purposes of this section reorganisation means—

- (a) a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed; or

- (b) a transaction in which a person whether for payment or not is allotted shares in or debentures of a company in respect of and in proportion to, or as nearly as may be in proportion to, their holdings of shares in the company and in any case which there is more than one class of shares and the rights attached to shares of any class are altered;
- (c) a merger or amalgamation where all or substantially all the assets and liabilities of one or more transferor companies are transferred to a single transferee company, whereby the transferor company cease to exist by operation of law;
- (d) a transaction in which two or more companies transfer their assets and liabilities to a single newly established company;
- (e) corporate division; through which all or substantially all the assets of one company are transferred in exchange for shares to at least two or more newly established or pre-existing companies, except where the assets are already in the hands of a subsidiary;

(5) For the avoidance of doubt, a sale of a share from one person to another does not constitute a reorganization for the purposes of this Act.”

## **7. Amendment of section 78 of principal Act.**

Section 78 of the principal Act is amended—

“(a) in sub-paragraph (a) (ii) by deleting “or”;

(ii) in sub-paragraph (a) (iii), by deleting “and” and inserting; “or”;

(iii) by inserting immediately after sub-paragraph (iii) the following—

- (iv) the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purpose, but only if activities of that nature continue for the same or a connected project for a period aggregating more than ninety days in any twelve-month period;”.
- (b) by inserting immediately after paragraph (a) the following—
  - “(aa) “immovable property” includes a mining right, petroleum right, mining information, or petroleum information;
- (c) by inserting immediately after paragraph (b) the following—
  - “(c) “mining information”, “mining right”, “petroleum information”, and “petroleum right” have the meanings in section 89A.”

**8. Amendment of section 79 of principal Act.**

Section 79 of the principal Act is amended—

- (a) by substituting for paragraph (a) the following—
  - “(i) derived by a resident person in carrying on a business except to the extent that it is attributable to a business carried on by the person through a branch outside Uganda;
  - (ii) derived by a non-resident person in carrying on a business through a branch in Uganda;”
- (b) by substituting for paragraph (c) the following—
  - “(c) employment income or a fee for the provision of services—

- (i) derived from employment or services exercised or rendered in Uganda;
  - (ii) paid by a resident person, other than as an expenditure of a business carried on by a person outside Uganda through a branch; or
  - (iii) paid by non-resident person as an expenditure of a business carried on by a person through a branch in Uganda;”
- (c) by repealing paragraph (d);
- (d) by inserting the phrase “or” at the end of the paragraph (q).

**9. Amendment of section 89 of principal Act.**

Section 89 of the principal Act is amended by substituting for section 89 the following—

**“89. Thin capitalisation.**

(1) Subject to subsection (2), where a foreign-controlled resident company, other than a financial institution, has a debt-to-equity ratio in excess of 1.5 to 1 at any time during a year of income, a deduction is disallowed for the interest paid by the company during that year on that part of the debt that exceeds the 1.5 to 1 ratio for the period the ratio was exceeded.

(2) If the debt-to-equity ratio of a foreign-controlled resident company exceeds 1.5 to 1 for a year of income, subsection (1) does not apply if, at all times during the year, the amount of the debt of the company does not exceed the arm’s length debt amount.

(3) This section applies to a non-resident company with a branch in Uganda on the basis of the following—

- (a) the branch is treated as a foreign-controlled resident company; and

- (b) the debt-to-equity ratio of the branch is computed by reference to—
  - (i) the debt obligations of the non-resident company attributable to the branch; and
  - (ii) the equity of the non-resident company attributable to the operations of the company conducted through the branch.
  
- (4) For purposes of this section—

“arm’s length debt amount”, in relation to a foreign controlled resident company, means the amount of debt that a financial institution that is not related to the company would be prepared to lend to the company having regard to all the circumstances of the company;

“debt”, in relation to a foreign-controlled resident company, means the greatest amount, at any time during a year of income, of the debt obligations of the company on which interest is payable as determined according to International Financial Reporting Standards;

“debt obligation” means an obligation to make a repayment of money to another person, including obligations arising under promissory notes, bills of exchange, and bonds, but not including accounts payable or a debt obligation on which no interest is payable;

“equity”, in relation to a foreign-controlled resident company, means the greatest amount, at any time during a year of income, of the equity of the company as determined according to International Financial Reporting Standards and includes a debt obligation on which no interest is payable; and

“foreign-controlled resident company” means a resident company in which more than fifty per cent of the underlying ownership or control of the company is held by a non-resident person either alone or together with an associate or associates.”

**10. Amendment of sections 89A, 89B, 89C, 89D, 89E, 89F and 89G, of principal Act.**

The principal Act is amended by substituting for sections 89A, 89B, 89C, 89D, 89E, 89F and 89G, the following—

**“89A. Interpretation**

(1) In this Part, unless the context otherwise requires—

“commercial production” means—

- (a) for mining operations, the first period of thirty (30) consecutive days during which the average level of production of the twenty five (25) highest production days in the thirty-day period reaches a production level deemed to be commercial as determined by the Minister responsible for mining operations; or
- (b) for petroleum operations, the production of crude oil or natural gas, or both, and delivery of the crude oil or natural gas at the delivery point under a program of regular production and sale.

“contract area” means an exploration area which is a subject of a petroleum agreement, or a development area, as the case may be;

“contractor” means a person supplying services or goods other than as an employee, to the following—



- (a) a licensee in respect of mining operations undertaken by the licensee;
- (b) a licensee in respect of petroleum operations undertaken by the licensee;”.

“delivery point” means the point at which petroleum passes through the intake valve of the pipeline, vessel, vehicle or craft at a terminal or refinery in Uganda;

“farm-out agreement” is an agreement to which section 89GE applies;

“gross income of a licensee” includes cost oil, licensee's share of profit oil and any credits earned by the licensee from petroleum operations;

“licence area” means the area that is the subject of a mining right;

“licensee” means a person who has been granted a mining right or a person with whom the Government has entered into a petroleum agreement as defined in the Petroleum (Refining, Conversion, Transmission and Midstream) Act, 2013;

“Mining Act” means the Mining Act, 2003;

“mining exploration expenditure” means expenditure incurred by a licensee in undertaking mining exploration operations, and includes the following—

- (a) expenditure incurred in acquiring—
  - (i) an interest in a mining exploration right from the Government or under a farm-out agreement; or

- (ii) mining exploration information from the Government or under a farm-out agreement;
- (b) social infrastructure expenditure incurred in accordance with a mining exploration right;
- (c) expenditure incurred to acquire a depreciable asset that is first used in mining exploration operations;

“mining extraction expenditure” means capital expenditure incurred by a licensee in undertaking operations authorised under a mining lease, other than expenditure incurred to acquire a depreciable asset, and includes the following—

- (a) expenditure whenever incurred in acquiring—
  - (i) an interest in a mining right, other than an interest referred to in paragraph (a)(i) of the definition of “mining exploration expenditure”; or
  - (ii) mining information, other than information referred to in paragraph (a)(ii) of the definition of “mining exploration expenditure”;
- (b) social infrastructure expenditure incurred in accordance with a mining lease;

“mining exploration information” means information relating to the search for minerals under a mining exploration right;

“mining exploration operations” means authorised operations under a mining exploration right;

“mining exploration right” means an exploration or retention licence granted under the Mining Act;

- “mining extraction operations” means authorised operations under a mining lease;
- “mining exploration right” means a prospecting, exploration, or retention licence;
- “mining information” means information relating to mining operations;
- “mining operations” means authorised operations under a mining right;
- “mining revenues” means signature and other bonuses, surface rentals, royalties, and any other duties or fees payable to the Government under the Mining Act or a mining right granted under that Act;
- “mining right” means a mining exploration right, or a mining lease;
- “non-resident associate”, in relation to a licensee, means an associate of the licensee that is a non-resident person;
- “non-resident contractor” means a contractor that is not a resident person;
- “participation dividend” in relation to a resident licensee, means a dividend paid by the licensee to a nonresident company that has a 10% or greater voting interest in the voting power of the licensee;
- “petroleum agreement”, means an agreement entered into by the Government of Uganda with another person in accordance with the Petroleum (Exploration, Development and Production) Act, 2013, or the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013;
- “petroleum development expenditure” means expenditure incurred by a licensee in undertaking exploration operations authorised under a petroleum production rights;

“petroleum development operations” means authorised operations under a petroleum production licence;

“petroleum exploration expenditure” means expenditure incurred by a licensee in undertaking exploration operations authorized under a petroleum exploration right;

“petroleum exploration information” means information relating to the search for petroleum under a petroleum exploration right;

“petroleum exploration operations” means an authorised operation under a petroleum exploration right;

“petroleum exploration right” means a reconnaissance permit or petroleum exploration licence;

“Petroleum operation” means a petroleum activity as defined in the Petroleum (Exploration, Development and Production) Act, 2013;

“petroleum revenues” has the meaning assigned to it in section 3 of the Public Finance Management Act, 2015;

“petroleum right” means a reconnaissance permit, petroleum exploration right, or a petroleum production licence;

“prescribed licensee” means—

- (a) a person who has been granted a mining right and, in respect of whom, the Commissioner has notified in writing to be a prescribed licensee; or
- (b) a person with whom the Government has entered into a petroleum agreement.

“resident licensee” means a licensee that is a resident company;

“service fee” includes an amount treated as a royalty in section 2(mmm)(i)(E);

“social infrastructure expenditure” means capital expenditure that a licensee is required to incur under a mining right or petroleum agreement on the construction of a public school, public hospital, public road, or similar social infrastructure.

(2) Unless the context otherwise requires, any term that is not defined in this Act but is defined in the Mining Act, 2003 or the Petroleum (Exploration, Development and Production) Act, 2013 as the case may be, has the same meaning as in the Mining Act or Petroleum (Exploration, Development and Production) Act, 2013.

(3) If more than one person has signed a petroleum agreement, each person is treated as a licensee for the purposes of this Part.

(4) An amount is not treated as “mining exploration expenditure”, “mining extraction expenditure”, “petroleum exploration expenditure”, or “petroleum development expenditure” to the extent that the amount is not allowed as a deduction under section 22(3) or 23 of the Act.

### *Mining Operations*

#### **89B. Taxation of mining licensees**

(1) This Act applies to a licensee in relation to mining operations subject to the modifications in this Part.

(2) Where there is any inconsistency in the taxation of a licensee referred to in subsection (1), between this Part, other parts of this Act and any agreement, the provisions of this Part shall prevail.

(3) The rate of income tax applicable to a licensee in respect of mining operations is the rate specified under paragraph 1 of Part IX of the Third Schedule.

### **89C. Limitations of deductions relating to mining operations**

(1) Subject to subsection (5), an amount that a licensee may deduct under this Act in relation to mining operations undertaken by the licensee in a licence area in a year of income shall be allowed as a deduction only against the gross income derived by the licensee from the operations in the licence area for that year.

(2) If an amount allowed as a deduction relates partly to mining operations in a licence area and partly to mining operations in another licence area or to some other activity, the deduction shall be apportioned accordingly.

(3) If, in any year of income, the total deductions of a licensee in relation to mining operations undertaken in a licence area exceeds the total gross income arising from those operations in the licence area, the excess is carried forward to the following year of income and shall be deducted in that year against gross income arising from the mining operations in the licence area, until the excess is fully deducted or the mining operations in the licence area cease.

(4) If a licensee has a loss carried forward for a licence area under subsection (3) for more than one year of income, the loss of the earliest year shall be allowed as a first deduction.

(5) In this section, the licence area for a mining lease includes the area of a mining exploration right provided the licence area for the mining lease is wholly within the area covered by the mining exploration right.

#### **89D. Mining exploration expenditure**

(1) If the cost of acquiring a depreciable asset is treated as mining exploration expenditure, section 27 of the Act applies to the asset on the following basis—

- (a) the asset is treated as belonging to a separate pool of depreciable assets; and
- (b) the depreciation rate applicable to the pool is 100%.

(2) If the cost of acquiring an intangible asset is treated as mining exploration expenditure, section 31 of the Act applies to the asset on the basis that the useful life of the asset is one year.

(3) A licensee shall be allowed a deduction for mining exploration expenditure to which subsection (1) or (2) do not apply in the year of income in which the expenditure is incurred.

#### **89E. Mining extraction expenditure**

(1) Subject to subsection (4), if the cost of acquiring an intangible asset is mining extraction expenditure, the useful life of the asset is the lesser of—

- (a) the expected life of the mining extraction operations to which the asset relates; or
- (b) six years.

(2) Subject to subsection (4), a licensee shall be allowed a deduction on a straight-line basis for mining extraction expenditure to which subsection (1) does not apply over the lesser of—

- (a) the expected life of the mining extraction operations to which the expenditure relates; or
- (b) six years.

(3) Subject to subsection (5), if a depreciable asset for use in mining extraction operations is acquired or constructed by a licensee before the commencement of commercial production, section 27 of the Act applies to the asset as if it was acquired or constructed at the time of commencement of commercial production.

(4) Subject to subsection (5), if mining extraction expenditure is incurred before the commencement of commercial production, subsection (2) or section 31 of the Act, as the case may be, applies to the expenditure as if it was incurred at the time of commencement of the commercial production.

(5) The amount of a deduction for a depreciable asset referred to in subsection (3) or a mining extraction expenditure referred to in subsection (4) for the year of income in which the commencement of commercial production occurs is computed according to the following formula—

$$\mathbf{A \times B/C}$$

where:

- A** is the amount of the cost of the asset or the amount of the expenditure;
- B** is the number of days in the period beginning on the date of commencement of commercial production and ending on the last day of the year of income in which commercial production commenced; and
- C** is the number of days in the year of income in which commercial production commenced.



(6) If a licensee disposes of an interest in a mining right (other than under a farm-out agreement), any gain arising on the disposal shall be reduced by any mining extraction expenditure incurred by the licensee to which subsection (2) applies that has not been deducted by the licensee at the time of the disposal.

### **89F. Rehabilitation expenditure**

(1) A contribution made by a licensee to a rehabilitation fund in accordance with an approved rehabilitation plan in relation to mining operations shall be allowed as a deduction in the year of income in which the contribution was made.

(2) An expenditure incurred by a licensee in carrying out work required by an approved rehabilitation plan in respect of the licensee's mining operations shall be allowed as a deduction in the year of income in which the expenditure is incurred provided that the work is not paid for, directly or indirectly, from money made available out of the licensee's rehabilitation fund for the mining operations.

(3) An amount accumulated in a rehabilitation fund, or an amount withdrawn from a rehabilitation fund to meet expenditure incurred under an approved rehabilitation plan, shall be exempt income.

(4) The following amounts shall be included in the gross income of a licensee—

- (a) an amount withdrawn from a rehabilitation fund and returned to the licensee;
- (b) any surplus in a rehabilitation fund of a licensee at the time of completion of rehabilitation that is returned to the licensee.

(5) For purposes of this section—

“approved rehabilitation plan” means a plan for rehabilitation of a mine site approved by the Minister responsible for mining operations; and

“rehabilitation fund” means a fund or account required to be established under a mining right to provide for the future payment of remedial work to the licence area covered by the mining right and that is managed jointly by the licensee and the Minister responsible for mining operations.

### *Petroleum Operations*

#### **89G. Taxation of petroleum licensees**

(1) This Act applies to a licensee in relation to a petroleum operation subject to the modifications in this Part.

(2) Where there is any inconsistency in the taxation of a licensee referred to in clause (1) between this Part, other parts of this Act and any petroleum agreement, the provisions of this Part shall prevail.

(3) The rate of income tax applicable to a licensee in relation to a petroleum operation is the rate specified under paragraph 2 of Part IX of the Third Schedule.

(4) If a licensee has a loss carried forward for a contract area under subsection (3) for more than one year of income, the loss of the earliest year shall be allowed as a first deduction.

(5) In this section, a contract area that is a development area includes an exploration area provided the development area is wholly within the exploration area.

**89GA. Limitations of deductions relating to petroleum operations**

(1) An amount that a licensee may deduct under this Act in relation to a petroleum operation undertaken by the licensee in a contract area in a year of income shall be allowed as a deduction only against the gross income derived by the licensee from the operations in the contract area for that year.

(2) Where an amount allowed as a deduction relates partly to petroleum operations in a contract area and partly to petroleum operations in another contract area or to some other activity, the deduction shall be apportioned accordingly.

(3) Where, in any year of income, the total deductions of a licensee in relation to petroleum operations undertaken in a contract area exceeds the total gross income arising from those operations in the contract area, the excess shall be carried forward to the following year of income and shall be deducted in that year against gross income arising from the petroleum operations in the contract area, until the excess is fully deducted or the petroleum operations in the contract area cease.

(4) If a licensee has a loss carried forward for a contract area under subsection (3) for more than one year of income, the loss of the earliest year shall be allowed as a first deduction.

(5) In this section, a contract area that is a development area includes an exploration area provided the development area is wholly within the exploration area.

**89GB. Petroleum exploration expenditure**

(1) If the cost of acquiring a depreciable asset is treated as petroleum exploration expenditure, section 27 applies to the asset on the following basis—

- (a) the asset is treated as belonging to a separate pool of depreciable assets; and

(b) the depreciation rate applicable to the pool is 100%.

(2) If the cost of acquiring an intangible asset is treated as petroleum exploration expenditure, section 31 of the Act applies to the asset on the basis that the intangible asset is amortised at the same rate as the assets of the petroleum exploration.

(3) A licensee shall be allowed a deduction for petroleum exploration expenditure to which subsection (1) and (2) do not apply in the year of income in which the expenditure is incurred.

### **89GC. Petroleum development expenditure**

(1) Subject to subsection (4), if the cost of acquiring an intangible asset is petroleum development expenditure, the useful life of the asset is the lesser of—

- (a) the expected life of the petroleum development operations to which the asset relates; or
- (b) six years.

(2) Subject to subsection (4), a licensee shall be allowed a deduction on a straight-line basis for petroleum development expenditure to which subsection (1) does not apply over the lesser of—

- (a) the expected life of the petroleum development operations to which the expenditure relates; or
- (b) six years.

(3) Subject to subsection (5), if a depreciable asset for use in petroleum development operations is acquired or constructed by a licensee before the commencement of commercial production, section 27 of the Act shall apply to the asset as if it was acquired or constructed at the time of commencement of the commercial production.

(4) Subject to subsection (5), if petroleum development expenditure is incurred before the commencement of commercial production, subsection (2) or section 27 of the Act, as the case may be, shall apply to the expenditure as if it was incurred at the time of commencement of the commercial production.

(5) The amount of a deduction for a depreciable asset referred to in subsection (3) or petroleum development expenditure referred to in subsection (4) for the year of income in which the commencement of commercial production occurs shall be computed according to the following formula—

$$A \times B/C$$

where:

- A** is the amount of the cost of the asset or the amount of the expenditure;
- B** is the number of days in the period beginning on the date of commencement of commercial production and ending on the last day of the year of income in which commercial production commenced; and
- C** is the number of days in the year of income in which the commercial production commenced.

(6) In this section, “commencement of commercial production” means the first day of the period of thirty consecutive days during which production is not less than the level of regular production delivered for sale as determined by Government as part of the approval of, or amendment to a development plan, averaged over not less than twenty five days in the period.

#### **89GD. Decommissioning expenditure**

(1) A contribution made by a licensee to a decommissioning fund in accordance with an approved decommissioning plan in relation to petroleum operations shall be allowed as a deduction in the year of income in which the contribution was made.

(2) An expenditure incurred by a licensee in carrying out work required by an approved decommissioning plan in respect of the licensee's petroleum operations shall be allowed as a deduction in the year of income in which the expenditure is incurred provided that the work is not paid for, directly or indirectly, from money made available out of the licensee's decommissioning fund for the petroleum operations.

(3) An amount accumulated in a decommissioning fund, or an amount withdrawn from a decommissioning fund to meet expenditure incurred under an approved decommissioning plan, shall be exempt income.

(4) The following amounts are included in the gross income of a licensee—

- (a) an amount withdrawn from a decommissioning fund and returned to the licensee;
- (b) any surplus in a decommissioning fund of a licensee at the time of completion of decommissioning that is returned to the licensee.

(5) For purposes of this section—

“approved decommissioning plan” means a decommissioning plan approved under the Petroleum (Exploration, Development and Production) Act, 2013; and

“decommissioning fund” means a decommissioning fund established under an approved decommissioning plan.

*Common Rules Applicable to Mining and Petroleum  
Operations*

**89GE. Farm-outs**

(1) This section shall apply where the following conditions are satisfied—

- (a) a licensee (referred to as the “transferor”) has entered into an agreement (referred to as a “farm-out agreement”) with a person (referred to as the “transferee”) for the transfer of part of the interest of the transferor in a mining right or petroleum agreement;
  - (b) the consideration given by the transferee for the transferred interest wholly or partly includes the transferee undertaking some or all of the work commitments of the transferor in respect of the part of the interest retained by the transferor.
- (2) If this section applies—
- (a) the value of any work undertaken by the transferee in relation to the part of the interest retained by the transferor shall be included in—
    - (i) the consideration received by the transferor for the transferred interest; or
    - (ii) the gross income of the transferor; and
  - (b) the following applies to any amount of money received or receivable by the transferor for the transferred interest—
    - (i) section 62 of the Act applies to the amount of money on the basis that it is a recoupment by the transferor of any deductions allowed for expenditure incurred by the transferor in respect of the transferred interest;

- (ii) if the amount of money exceeds the amount of deducted expenditure to which section 62 of the Act applies, the excess shall be treated as consideration received for the transferred interest.

### **89GF. Indirect transfers of interest**

(1) If there is a change in the underlying ownership of a licensee, the licensee shall immediately notify the Commissioner, in writing, of the change.

(2) If the person disposing of the interest to which a notice under subsection (1) relates is a non-resident person, the licensee shall be liable, as agent for the non-resident person, for any tax payable under this Act by the non-resident person in respect of the disposal.

(3) The interest referred to in subsection (2) is a business asset for the purposes of this Act.

### **89GG. Taxation of contractors**

(1) Subject to subsection (3), a non-resident contractor who derives a fee for the provision of services (referred to as a “service fee”) to a licensee in respect of mining or petroleum operations is liable to pay non-resident contractor tax at the rate prescribed in Part IX of the Third schedule.

(2) The tax payable under subsection (1) shall be computed by applying the rate prescribed in Part IX of the Third Schedule to the gross amount of the service fee.

(3) A licensee paying a service fee to a non-resident contractor that is subject to non-resident contractor tax shall withhold tax on the gross amount paid at the rate specified in



subsection (1).

(4) A licensee to whom subsection (3) applies shall withhold tax at the earlier of—

- (a) at the time the licensee credits the service fee to the account of the non-resident contractor; or
- (b) at the time that the fee is actually paid.

(5) A non-resident contractor tax imposed under this section shall be a final tax on the service fee and the fee shall not be included in the gross income of the contractor.

(6) Sections 123 – 128 of the Act and the Tax Procedures Code Act apply to a non-resident contractor on the basis that—

- (a) the tax is a tax withheld under Part XIII;
- (b) the contractor is a payee; and
- (c) the licensee is a withholding agent.

(7) This section shall apply as if the associate is a non-resident contractor providing services to the licensee if the following conditions are satisfied—

- (a) a non-resident contractor provides services to a licensee;
- (b) the service fee is paid to the contractor by a non-resident associate of the licensee;
- (c) the fee is recharged by the associate to the licensee.

(8) If a non-resident contractor provides services for the benefit of a licensee and the fee for the services is paid to the non-resident contractor by a non-resident associate of the licensee, this section applies to any recharge of the fee by the associate to the licensee as if the associate provided the services

to the licensee.

**11. Amendment of section 89H of principal Act.**

Section 89H of the principal Act is amended—

- (a) by substituting for “contractor” the word “licensee”;
- (b) by substituting for “subcontractor” the word “contractor”;
- (c) by repealing subsections (2) and (3);
- (d) in subsection (5), by substituting for “section 2(nnn)(i)(E)” the words “section 2(mmm)(i)(E)”; and
- (e) by inserting immediately after subsection (5) the following—

“(6) For the purposes of this section, “resident contractor” means a contractor that is a resident person.”

**12. Amendment of section 89I of principal Act.**

Section 89I of the principal Act is amended—

- (a) in subsections (1) and (2), by substituting for “contractor” the word “licensee”; and
- (b) in subsections (3) and (4), by substituting for “contractor” the words “prescribed licensee”.

**13. Amendment of section 89J of principal Act.**

Section 89J of the principal Act is amended—

- (a) by repealing subsection (1); and
- (b) in subsection (2), by substituting for “exploration, development or production expenditure” the words “petroleum exploration expenditure or petroleum development expenditure”.

**14. Section 89MA of the principal Act is amended.**

Section 89MA of the principal Act is amended—

- (a) by replacing the head note with “Application of sections 111 to 113 of the Act and the Tax Procedures Code Act”;
- (b) by substituting for “Parts XI, XIV, XV and XVI of this Act” the words “Sections 111 to 113 of this Act and the Tax Procedures Code Act”;
- (c) by substituting for “contractor” the word “licensee”;
- (d) by substituting for “paragraph (a)” the following paragraph—
  - (a) mining and petroleum revenues and for that purpose—
    - (i) such revenues are a “tax”; and
    - (ii) a consolidated mining revenue return and a consolidated petroleum revenue return required under section 89O are a “tax return”; and
- (e) in paragraph (b), by substituting for “or Government petroleum” the words “mining or petroleum”.

### **15. Amendment of section 89O of principal Act.**

Section 89O of the principal Act is amended—

- (a) by substituting for “contractor” the word “licensee”;
- (b) in subsection (1)—
  - (i) by substituting for “sections 92, 93 and 94” the words “Section 93 of the Act and sections 16 and 19 of the Tax Procedures Code Act”; and
  - (ii) by substituting for “Government petroleum” the words “mining or petroleum”;
- (c) in subsection (2), by inserting the words “mining or”

- immediately after the word “consolidated”; and  
(d) by repealing subsection (3).

**16. Amendment of section 89OA of principal Act.**

Section 89OA of the principal Act is amended—

- (a) by replacing the headnote with “Assessments, objections and appeal”;
- (b) in subsection (1)—
  - (i) by substituting for “Sections 95, 96 and 97” the words “Part VI of the Tax Procedures Code Act”;
  - (ii) by substituting for “contractor” the word “licensee”;
  - (iii) in paragraph (a), by inserting the words “mining or” immediately before the words “petroleum revenues”; and
  - (iv) by deleting paragraphs (b) and (c); and
- (c) in subsection (2)—
  - (i) by inserting the words “mining or” immediately before the words “petroleum revenues”; and
  - (ii) by substituting for “this Act” the words “Part VII of the Tax Procedures Code Act”.

**17. Amendment of section 89P of principal Act.**

Section 89P of the principal Act is amended—

- (a) by substituting for “Sections 103 to 113 and section 136” the words “Sections 111 to 113 of this Act and Part VIII of the Tax Procedures Code Act”;
- (b) subject to paragraph (e), by substituting for “contractor” the

- word “licensee”;
- (c) in paragraphs (a), (b)(ii), (c), (d), (e), and (h), by inserting the words “mining or” before the words “petroleum revenues”;
  - (d) in paragraph (b)(ii), by inserting the words “Mining Act or mining right, or” immediately before the words “petroleum agreement”;
  - (e) in paragraph (c), by substituting for “contractor” the words “prescribed licensee”; and
  - (f) in paragraphs (f) and (g), by substituting for “Government petroleum revenues” the words “mining or petroleum revenues”.

**18. Amendment of section 89QA of principal Act.**

Section 89QA of the principal Act is amended—

- (a) by substituting for “contractor” the word “licensee”;
- (b) by repealing subsection (2); and
- (c) in subsection (3), by substituting for “subsection (2) the word “subsection (1)”.

**19. Amendment of section 89QB of principal Act.**

The principal Act is amended by substituting for section 89QB the following—

**“89QB. Making false or misleading statements**

A prescribed licensee or person in relation to a prescribed licensee who is convicted of an offence under section 58 of the Tax Procedures Code Act shall be liable—

- (a) when the statement or omission was made knowingly or recklessly, to a fine not less than 1,000,000 United States Dollars or imprisonment not exceeding five

- years, or both; or
- (b) in any other case, to a fine not less than 50,000 United States dollars and not exceeding 500,000 United States dollars.”

**20. Amendment of section 89QC of principal Act.**

Section 89QC of the principal Act is amended—

- (a) by replacing the headnote with “Penal tax and tax offences”;
- (b) by substituting for “Sections 143 to 155 of this Act” the words “Part XIV and sections 59, 60, 63, 64, 65, 67 of the Tax Procedures Code Act”;
- (c) by substituting for the word “contractor” the word “licensee”;
- (d) by inserting the words “mining or” immediately before the words “petroleum revenues”;
- (e) in paragraph (a), by substituting for the words “154”, the words “51 of the Tax Procedures Code Act”; and
- (f) by inserting the words “Mining Act”, immediately before the words, “Petroleum (Exploration, Development and Production) Act, 2013”.

**21. Amendment of section 89QD of principal Act.**

Section 89QD of the principal Act is amended by inserting the words “mining right,” immediately before the words “petroleum

agreement”.

**22. Amendment of section 119 of principal Act.**

Section 119(5) of the principal Act is amended by repealing paragraphs (a) (b) (c) (d) and (g).

**23. Amendment of section 134 of principal Act.**

Section 134 of the principal Act is amended by inserting immediately after paragraph (d) the following paragraph—

“(e) to whom paragraphs (a) and (b) apply shall be required to pay advance tax at the rates specified in Part III of the Second Schedule to this Act before renewal of operational licences.”

**24. Amendment of section 135 of principal Act.**

Section 135 of the principal Act is amended by inserting immediately after subsection (2) the following subsection—

“(3) Every local authority, Government institution, or regulatory body shall require a taxpayer identification number from any person applying for a license or any form of authorization necessary for purposes of conducting any business in Uganda.”

**25. Amendment of First Schedule to principal Act.**

The First Schedule to the principal Act is amended by inserting immediately after French Development Agency (AFD) the following—

“Global Fund for AIDS, Malaria and Tuberculosis”

**26. Amendment of Second Schedule to principal Act.**

The Second Schedule to the principal Act is amended by substituting

for item 1 and 2 the following—

**“Part I**

Where the gross turnover of the taxpayer exceeds Shs. 50 million but does not exceed Shs. 75 million per annum	Shs. 937,500 or 1.5% of the gross turnover, whichever is lower
Where the gross turnover of the taxpayer exceeds Shs. 75 million but does not exceed Shs. 100 million per annum	Shs. 1,312,500 or 1.5% of the gross turnover, whichever is lower
Where the gross turnover of the taxpayer exceeds Shs. 100 million but does not exceed Shs. 125 million per annum	Shs. 1,687,500 or 1.5% of the gross turnover, whichever is lower
Where the gross turnover of the taxpayer exceeds Shs. 125 million but does not exceed Shs. 150 million per annum	Shs. 2,062,500 or 1.5% of the gross turnover, whichever is lower

1. The amount of tax payable for purposes of section 4(5) is—
2. The tax payable by a taxpayer under section 4(5) is reduced by—
  - (a) any credit allowed under section 128(3) for withholding tax paid in respect of amounts included in the gross turnover of the taxpayer; or
  - (b) any credit allowed under section 111(8) for provisional tax paid in respect of amounts included in the gross



turnover of the taxpayer

### Part II

1. The amount of tax payable for purposes of section 4(5) where the gross turnover is less than fifty million shillings is—

<i>Business or Trade</i>	<i>With turnover between (UGX 35,000,000-50,000,000)</i>	<i>With turnover between (UGX 20,000,000 – 35,000,000)</i>	<i>With turnover between (UGX 10,000,000 - 20,000,000)</i>
General Trade	500,000	400,000	250,000
Carpentry/ Metal Workshops	500,000	400,000	250,000
Garages (Motor Vehicle repair)	550,000	450,000	300,000
Hair and Beauty/ Salons	550,000	400,000	300,000
Restaurants or Bars	550,000	450,000	300,000
Clinics	550,000	450,000	300,000
Drug Shops	500,000	350,000	100,000
Others	450,000	300,000	200,000

<i>Business or Trade</i>	<i>With turnover between (UGX 35,000,000-50,000,000)</i>	<i>With turnover between (UGX 20,000,000 – 35,000,000)</i>	<i>With turnover between (UGX 10,000,000 - 20,000,000)</i>
General Trade	400,000	300,000	150,000
Carpentry/ Metal Workshops	400,000	300,000	150,000
Garages (Motor Vehicle repair)	450,000	350,000	200,000
Hair and Beauty/ Salons	450,000	350,000	200,000
Restaurants or Bars	450,000	350,000	200,000
Clinics	450,000	350,000	200,000
Drug Shops	400,000	300,000	150,000
Others	400,000	350,000	150,000

## (i) Kampala City and Divisions of Kampala

<i>Business or Trade</i>	<i>With turnover between (UGX 35,000,000-50,000,000)</i>	<i>With turnover between (UGX 20,000,000 – 35,000,000)</i>	<i>With turnover between (UGX 10,000,000 - 20,000,000)</i>
General Trade	300,000	200,000	100,000
Carpentry/ Metal Workshops	300,000	200,000	100,000
Garages (Motor Vehicle repair)	350,000	250,000	100,000
Hair and Beauty/ Salons	350,000	250,000	100,000
Restaurants or Bars	350,000	250,000	100,000
Clinics	350,000	250,000	100,000
Drug Shops	300,000	200,000	100,000
Others	300,000	250,000	100,000

(ii) Municipalities

(iii) Towns and Trading Centers

(c) by inserting immediately after Part II the following new Part—

**Part III**

The rate of advance tax under section 134(e) is—

- (a) for goods vehicles; fifty thousand shillings per ton per year;
- (b) for passenger service vehicles; twenty thousand shillings per passenger per year.

**27. Amendment of Third Schedule to principal Act.**

The Third Schedule of the principal Act is amended—

- (a) by substituting for Part IX the following—

**“PART IX**

ss 89B, 89G, and 89GG

**Tax Rates for Licensees and Contractors**

- 1. The income tax rate applicable to a licensee under section 89B is 30%.
- 2. The income tax rate applicable to a licensee under section 89G is 30%.
- 3. The rate of non-resident contractor tax under section 89GG is 10%”; and

- (b) by substituting for Part XI the following—

**“PART XI**

s 118 D

**Withholding tax on payments of re insurance premiums**

The withholding tax rate for the purposes of section 118D is 10%.”.

**28. Repeal of Eighth Schedule to principal Act.**

The Eighth Schedule to the principal Act is repealed.



