

BILLS SUPPLEMENT

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THE INCOME TAX (AMENDMENT) BILL, 1998

MEMORANDUM

The object of this Bill is to amend the Income Tax Act, 1997 in order to:—

- (a) exclude gratuity, utilities and housing from the employment income.

In case of employment income derived from a monetised and consolidated pay package which on arriving at such a package non-taxable allowances and benefits are or were included to allow for a deduction of 30% in order to cater for the non-taxable component of such income.

- (b) increase the annual threshold for taxation of individual income to Ug. Shs. 2,820,000 and widen taxation bands.
- (c) streamline provisions relating to employment income so as to exclude from income of an individual any allowance or reimbursement given to an employee in respect of utilities, housing, medical care, meals and refreshments.
- (d) provide for exempted allowances not to exceed 30% of the total individual employment income.

HON. DR. SAM LYOMOKI
MP Workers.

THE INCOME TAX (AMENDMENT) BILL, 1998.**ARRANGEMENT OF CLAUSES***Clause*

1. Short title
2. Amendment of Section 20 of Principle Act.
3. Amendment of Section 22 of Principle Act.
4. Amendment of Section 23 of Principle Act.
5. Amendment of Item 1 of the Third Schedule.

A Bill for an Act.

ENTITLED

THE INCOME TAX (AMENDMENT) ACT, 1998.

An Act to amend the Income Tax Act, 1997.

BE IT ENACTED by Parliament as follows:

1. This Act may be cited as the Income Tax Act (Amendment) Act, 1998. Short title.

2. The Income Tax Act, in this Act referred to as the Principle Act is amended in section 20— Amendment of Section 20 of Principle Act.

(a) in subsection (1)

(i) by substituting for paragraph (a), the following new paragraph—

(a) Any wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, bonus or the amount of any cost of living, or other taxable allowance.

(ii) by substituting for paragraph (b) the following new paragraph

(b) "the value of any benefit granted other than that exempted under this Act".

(b) In subsection (2).

(i) by substituting for paragraph (b) the following:

(b) "Any reimbursement, cost of insurance, discharge or allowance given in respect of the employee medical expenses".

(ii) by substituting for paragraph (d) the following—

(d) any allowance given for and which does not exceed the cost actually or likely to be incurred, or a reimbursement or discharge of expenditure incurred by the employee on—

(i) accommodation and travel expenses in the course of performing duties of employment.

(ii) meals and refreshments.

(iii) the employee's housing and any expenditure incurred in respect of housing provided to an employee.

(iv) utilities.

(iii) by deleting in paragraph (e) the expression "in premises operated by or on behalf of the employer solely for the benefit of employees and which is available to all full time employees on equal terms" appearing at the end of the sub section.

(c) by inserting immediately after sub section (8) the following new subsection.

- (9) The total amount of allowances exempted from taxation under this Act shall not exceed thirty percent of the total employment income of the employee.

3. Section 22 of the Principle Act is amended by inserting immediately after paragraph (9) in subsection (1) the following new paragraph

Amendment
of
Section 22
of Principle
Act.

- (r) gratuity, and any payment in lieu of retrenchment and termination of employment.

4. Section 23 of the Principle Act is amended—

Amendment
of
Section 23
of Principle
Act.

- (a) By inserting immediately after paragraph (c) in subsection (1) the following new paragraphs—

(d) In the case of employment income derived from a monetised and consolidated pay package which on arriving at such a package non-taxable allowances and benefits are or were included, to allow for a deduction of 30% in order to cater for the non-taxable component of such income;

(e) Married allowance per couple at Uganda Shilling Fifty Thousand per month;

(f) Child allowance per month at the rate of shilling Twenty thousand per child below the age of 18 to a maximum of 4 children per family;

(g) Contribution or similar payment made to a retirement fund either for the benefit of the person making the payment or for the benefit of any other person; and

(h) the amount of a pension paid to any person;

- (b) in subsection (2) of section 23 by repealing paragraphs (g), (i) and (k).

Item 1 of
Third
Schedule
amended.

5. The Third schedule to the Principle Act is amended by substituting for item 1, the following:

1. The income tax rates applicable to resident individuals are:

<i>Chargeable Income</i>	<i>Rate of Tax</i>
Not exceeding shs 2,820,000.	Nil
Exceeding shs 2,820,000 but not exceeding shs 3,600,000.	5% of the amount by which chargeable income exceeds shs 2,820,000.
Exceeding shs 3,600,000 but not exceeding shs 4,920,000	Shs 39,000 plus 10% of the amount by which chargeable income exceeds shs 3,600,000.
Exceeding shs 4,920,000 but not exceeding shs 7,200,000.	Shs 171,000 plus 15% of the amount by which chargeable income exceeds shs 4,920,000.
Exceeding shs 7,200,000 but not exceeding shs 9,600,000	Shs 513,000 plus 20% of the amount by which chargeable income exceeds shs 7,200,000.
Exceeding shs 9,600,000	Shs 993,000 plus 30% of the amount by which chargeable income exceeds shs 9,600,000.