
**BILLS
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Bill No. 7 *Income Tax (Amendment) Bill* **2015**

THE INCOME TAX (AMENDMENT) BILL, 2015

MEMORANDUM

The object of this Bill is 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 certain 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 provide for the special provision for taxation of mining and petroleum operations; to reduce rate of withholding tax on reinsurance services; to impose tax on e-commerce provided by online platforms; to reduce rate of withholding tax on reinsurance services; to amend the First Schedule relating to listed institutions, the Second Schedule relating to small business taxpayers tax rates and the Third Schedule relating to income tax rates for individuals.

MATIA KASAIJA, (MP)

Minister of Finance, Planning and Economic Development.

Bill No. 7

Income Tax (Amendment) Bill

2015

THE INCOME TAX (AMENDMENT) BILL, 2015

ARRANGEMENT OF CLAUSES

Clause

1. Commencement
2. Amendment of Cap. 340.
3. Amendment of section 4 of principal Act
4. Amendment of section 22 of principal Act
5. Amendment of section 36 of principal Act
6. Amendment of section 77 of principal Act
7. Amendment of section 78 of principal Act
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9. Amendment of section 89 of principal Act
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11. Amendment of sections 89I, 89J, 89MA 89O, 89OA, 89P, 89QA, 89QB and 89QC of principal Act
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14. Amendment of section 135 of principal Act
15. Amendment of First Schedule to principal Act
16. Amendment of Second Schedule to principal Act
17. Amendment of Third Schedule to principal Act
18. Repeal of the Eighth Schedule to principal Act

A Bill for an Act

ENTITLED

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 and provide for other related matters.

BE IT ENACTED by Parliament as follows:

1. Commencement.

This Act shall come into force on 1st 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 (ee) the following—

“(eef) “goods includes all kinds of movable and immovable property, but does not include money;”

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 one million shillings 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 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 which persons whether for payment or not are 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 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 companies cease to exist by operation of law;
- (d) a transaction which two or more companies transfer their assets and liabilities to a single newly established company;
- (e) corporate division; by 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 subparagraph (a) (ii) by deleting “or”;
- (ii) in subparagraph (a) (iii), by deleting “and” and inserting; “or”;
- (iii) by inserting immediately after sub-paragraph (iii) the following—

“(iv) a place where a person furnishes services, including consultancy services, 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 or periods 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 79A.”

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 substituting for paragraph (g) the following—
- “(g) “derived from the disposal of—
- (i) an interest in immovable property located in Uganda; or
 - (ii) an interest in a company or other entity if the interest derives its value, directly or indirectly, principally from immovable property located in Uganda;”
- (e) by inserting the phrase “or” at the end of the paragraph (q);
- (f) by repealing paragraph (s).

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 tax year, 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 company, means the greatest amount, at any time during a tax year, 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 tax year, 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, 89G, 89H of principal Act.

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

“89A. Interpretation

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

“barrel” means a quantity consisting of forty- two (42) United Statesgallons, liquid measure, collected to a temperature of sixty degrees (60_) Fahrenheit;

“commercial production” means 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 programme of regular production and sale;

“contract area” means an exploration area or a development area, as the case may be;

“delivery point” means the point at which the crude oil passes through the intake valve of the pipeline or tanker or truck or railway wagon at the terminal or refinery in Uganda or such other point which may be agreed to in writing between the parties to the petroleum agreement;

“development expenditure” means expenditure incurred, after approval of a development plan, in undertaking development operations including in the acquisition of a depreciable asset used in such operations and an expenditure treated as development expenditure under a petroleum agreement, but does not include any expenditure incurred in the acquisition or construction of a pipeline (not for use in petroleum operations) or expenditure that is not allowed as a deduction under section 22(2) or 23;

“development plan” means the plan for development and production of petroleum resources in the contract area approved under the petroleum agreement;

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

“gross income of a licensee” includes cost oil, 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;

“Mining Act” means the Mining Act, 2003 or any successor legislation dealing with mining;

“mining exploration expenditure” means expenditure incurred by a licensee in undertaking exploration operations authorised under a mining exploration right, 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 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 an exploration or retention licence;

“mining exploration operations” means authorised operations under an exploration or retention licence;

“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 an exploration or retention licence granted under the Mining Act;

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

“mining right” means a prospecting, exploration or retention licence, or a mining lease granted;

“participation divided” in relation to a resident contractor, means a dividend paid by the contractor to a nonresident company that has a 10% or greater voting interest in the voting power of the contractor;

“petroleum agreement” means an Agreement between the Government of the Republic of Uganda and a petroleum exploration company;

“petroleum development expenditure” means capital expenditure incurred by a licensee in undertaking operations authorised under a petroleum production licence, other than expenditure incurred to acquire a depreciable asset, and includes the following—

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

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

“Petroleum (Exploration, Development and Production) Act” means the Petroleum (Exploration, Development and Production) Act, 2013 or any successor legislation dealing with the exploration, development, and production of petroleum;

“petroleum exploration expenditure” means expenditure incurred by a licensee in undertaking exploration operations authorised under a petroleum exploration right and includes the following—

- (a) expenditure incurred in acquiring—
 - (i) an interest in a petroleum exploration right from the Government or under a farm-out agreement; or
 - (ii) petroleum exploration information from the Government or under a farm-out agreement;
- (b) social infrastructure expenditure incurred in accordance with a petroleum exploration;

(c) expenditure incurred to acquire a depreciable asset that is used in a petroleum exploration operation;

“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 an authorised operation under a petroleum agreement;

“petroleum production licence” means a licence issued under the Petroleum (Exploration, Development and Production) Act;

“petroleum revenues” means signature bonus, surface rentals, royalties, revenue from company profit oil and gas, revenue from Government profit oil and gas (as spelt out in the production sharing agreements) and revenue from Government shares of state participation”;

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

“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 as the case may be.

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

Mining Operations

89B. Taxation of licensees

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

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

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 previous year shall be allowed as a first deduction.

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

89D. Mining exploration expenditure

A licensee shall be allowed a deduction for a mining exploration expenditure incurred in undertaking mining exploration operations in the year of income in which the expenditure is incurred.

89E. Mining extraction expenditure

(1) For the purposes of section 31 and subject to subsection (4), the useful life of mining extraction expenditure incurred by the licensee in acquiring an intangible asset is the lesser of—

- (a) the expected life of the mining extraction operations to which the expenditure 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 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 a mining extraction expenditure is incurred before the commencement of commercial production, subsection (2) or section 27, 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—

$$A \times B/C$$

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.

(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 shall be managed jointly by the licensee and the Minister responsible for mining operations.

Petroleum Operations

89G. Taxation of Licensees

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

(2) where there is any inconsistency in the taxation of a licensee between this Part and the other parts of this Act, the provisions of this Part shall prevail.

89H. 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 a petroleum operation 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.

89HA. Petroleum exploration expenditure

A licensee shall be allowed a deduction for a petroleum exploration expenditure incurred in undertaking petroleum exploration operations in the year of income in which the expenditure is incurred.

89HB. Petroleum development expenditure

(1) For the purposes of section 31 and subject to subsection (4), the useful life of petroleum development expenditure incurred by the licensee in acquiring an intangible asset is the lesser of—

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

(7) 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.

89HC. 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.

(5) For purposes of this section—

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

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

Common Rules Applicable to Mining and Petroleum Operations

89HD. Farm-out

(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 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 applies, the excess shall be treated as consideration received for the transferred interest.

89HE. Indirect transfers of interest

(1) If there is a 10% or more 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.

89HF. Taxation of contractors

(1) Subject to subsection (2), a non-resident contractor who derives a fee for the provision of services (referred to as a “service fee”) to a licensee or licensee in respect of mining or petroleum operations is liable to pay non-resident contractor tax at the rate of 10% of the gross amount of the service fee.

(2) Subsection (1) does not apply if the service fee is attributable to a business carried on by the non-resident contractor through a branch in Uganda and the service fee is taxable to the non-resident contractor under section 4.

(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 either -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 apply to non-resident contractor tax on the basis that the licensee shall be 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) For purposes of this section—

“non-resident contractor” means a contractor that is not a resident person; and

“contractor” means a person supplying services or goods other than as an employee of 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.”

11. Amendment of sections 89I, 89J, 89MA, 89O, 89OA, 89P, 89QA, 89QB and 89QC of principal Act.

Sections 89I, 89J, 89O, 89OA, 89P, 89QA, 89QB and 89QC of the principal Act are amended by substituting for the word “contractor” the word “licensee”.

12. 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) .

13. 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.”

14. 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.”

15. 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”

16. 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

1. The amount of tax payable for purposes of section 4(5) is—

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

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) Kampala City and Divisions of Kampala

<i>Business/trade</i>	<i>Grade I</i>	<i>Grade II</i>	<i>Grade III</i>	<i>Others</i>
General Trade	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Workshops	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Garages (motor vehicle repair)	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Hair and beauty salons	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Tailors	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Maternity homes	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Drug shops	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000

(ii) Municipalities and Towns

<i>Business/trade</i>	<i>Grade I</i>	<i>Grade II</i>	<i>Grade III</i>	<i>Others</i>
General trade	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Workshops	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Garages	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Hair and beauty salons	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Tailors	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Maternity homes	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000
Drug shops	Shs 500,000	Shs 350,000	Shs 200,000	Shs 100,000

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

Part III

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

- (a) for vans, pickups and lorries; twenty five currency points per ton per year.
- (b) for saloons, station wagons, mini buses, buses and coaches; two thousand shillings per passenger per month.
- (c) for drivers, one hundred thousand shillings per annum; and
- (d) for conductors, fifty thousand shillings per annum.”

17. Amendment of Third Schedule to Principal Act.

The Third Schedule to the principal Act is amended 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 purposes of section 118D is 5%.”

18. Repeal of Eighth Schedule to principal Act.

The Eighth Schedule to the principal Act is repealed.