

THE INCOME TAX (AMENDMENT) BILL, 2016

ARRANGEMENT OF CLAUSES

Clause

1. Commencement.
2. Amendment of the Income Tax Act, Cap.340.
3. Amendment of section 83 of principal Act.
4. Amendment of section 88 of principal Act.
5. Amendment of section 89A of principal Act
6. Amendment of section 89GA of principal Act.
7. Amendment of section 89GD of principal Act.
8. Amendment of section 93 of principal Act.
9. Amendment of section 120 of principal Act.
10. Amendment of First Schedule to principal Act.
11. Amendment of the Second Schedule to principal Act.

A Bill for an Act

ENTITLED

THE INCOME TAX (AMENDMENT) ACT, 2016.

An Act to amend the Income Tax Act, Cap. 340 to provide for carrying forward of losses in respect to mergers and acquisitions; to provide for the rate of tax payable by a non-resident person deriving rent from Uganda; to exclude public listed companies from the shareholding requirements as regards accessing benefits provided in an international agreement; to amend the definition of petroleum taxation; to impose an obligation on persons employed by diplomatic institutions and institutions with diplomatic privileges to file returns of income with the Uganda Revenue Authority; and for related matters.

BE IT ENACTED by Parliament as follows:

1. Commencement.

This Act shall come into force on 1st July, 2016.

2. Amendment of the Income Tax Act.

The Income Tax Act, in this Act referred to as the principal Act is amended in section 38(1) by inserting immediately after the words “this section”, the words “and section 75”.

3. Amendment of section 83 of principal Act.

Section 83 of the principal Act is amended by substituting for subsection (2), the following—

“(2) The tax payable by a non - resident person under this section is calculated by applying the rate prescribed in Part IV of the Third Schedule to this Act to the gross amount of the dividend, interest, royalty, rent, natural resource payment or management charge derived by a non - resident person.”

4. Amendment of section 88 of principal Act.

Section 88 of the principal Act is amended by substituting for subsection (5) the following—

“(5) Except for a public listed company, where an international agreement concluded by the Government of Uganda with another contracting state provides that income derived by a person resident in such other contracting state from sources in Uganda is exempt from Ugandan tax or is subject to a reduction in the rate of Ugandan tax, the benefit of that exemption or reduction shall not be available to any person who—

- (a) receives the income in a capacity which is other than that of a beneficial owner, within the meaning accorded to that term by the relevant international agreement, and who does not have full and unrestricted ability to enjoy that income and to determine its future uses; and
- (b) does not possess economic substance in the country of residence”.

5. Amendment of section 89A of principal Act.

Section 89A of the principal Act is amended—

- (a) by substituting for the definition of licensee the following definition—

““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 (Exploration Development and Production) Act, 2013 or a person licensed under the Petroleum (Refining, Conversion, Transmission and Midstream) Act, 2013;”

- (b) by repealing the definition of “petroleum exploration information”.

6. Amendment of section 89GA of principal Act.

Section 89GA is amended by inserting immediately after subsection (5), the following—

“(6) In case of a licensee granted a petroleum exploration license after 31st December 2015, the allowable deductions shall be subject to the limitations on deductions specified in the Production Sharing Agreement”.

7. Amendment of section 89GD of principal Act.

Section 89GD (4) of the principal Act is amended by repealing paragraph (b).

8. Amendment of section 93 of the principal Act.

Section 93 of the principal Act is amended by substituting for paragraph (b)(i), the following—

“(i) to whom section 4(4) applies, except persons employed by diplomatic missions and prescribed organisations on which diplomatic immunities and privileges are conferred;”.

9. Amendment of section 120 of principal Act.

Section 120(1) of the principal Act is amended by substituting for the words “section 83 or 85” the words “section 83, 85 or 86”.

10. Amendment of First Schedule to principal Act.

The First Schedule to the principal Act is amended by inserting the following institutions in their appropriate alphabetical order—

“International Centre for Research in Agroforestry (ICRAF);
International Potato Centre”.

11. Amendment of Second Schedule to principal Act.

The Second Schedule to the principal Act is amended in Part II, paragraph 1—

- (a) by repealing the word “clinics” and the corresponding tax payable in respect of that business or trade;
- (b) by substituting for the tax payable in the third column, by drug shops, the amount of Shs. 250,000;
- (c) by substituting for the words “with turnover between(UGX 35,000,000-50,000,000)” the words “ where the gross turnover exceeds Shs. 35,000,000 but does not exceed Shs. 50,000,000”;
- (d) by substituting for the words “with turnover between(UGX 20,000,000-35,000,000)” the words “ where the gross turnover exceeds Shs. 20,000,000 but does not exceed Shs. 35,000,000”;
- (e) by substituting for the words “with turnover between(UGX 10,000,000-20,000,000)” the words “where the gross turnover exceeds Shs. 10,000,000 but does not exceed Shs. 20,000,000”.

Cross References

Petroleum (Exploration, Development and Production) Act, 2013, Act No.3 of 2013.

Petroleum (Refining, Conversion, Transmission and Midstream) Act, 2013, Act No.4 of 2013

BILLS SUPPLEMENT

to the Uganda Gazette No. 15 Volume CIX dated 4th March, 2016.

Printed by UPPC, Entebbe by Order of the Government.

Bill No. 4

Income Tax (Amendment) Bill

2016

THE INCOME TAX (AMENDMENT) BILL, 2016

MEMORANDUM

The object of this Bill is to amend the Income Tax Act Cap.340 to provide for carry forward of losses in respect to mergers and acquisitions; to provide for the rate of tax payable by a non-resident person deriving rent from Uganda; to exclude public listed companies from the shareholding requirements as regards accessing benefits provided in an international agreement; to amend the definition of petroleum taxation; to impose an obligation on persons employed by diplomatic institutions and institutions with diplomatic privileges to file returns of income with URA; to provide for any person making payments to non-residents to withhold tax from the payments; to add the International Centre for Research in Agro-Forestry (ICRAF) and the International Potato Centre to the listed institutions; and to amend the Second Schedule to the Income Tax Act to remove clinics from the businesses or trades paying tax and to revise the tax payable relating to drug shops.

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Minister of Finance, Planning and Economic Development.