



Uganda Revenue Authority

DEVELOPING UGANDA TOGETHER



WHAT IS VALUE ADDED TAX (VAT)

?

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VAT is a tax on consumption. In Uganda, VAT is imposed on the supply of goods and services (taxable supplies) made by a taxable person, other than exempt supplies; and imports other than exempt imports.

WHO IS REQUIRED TO REGISTER FOR VAT?

1. A person who carries on business activities or intending to carry on business activities is required to apply to be registered for VAT, if the turnover of taxable supplies of the enterprise for three consecutive calendar months exceeds or is likely to exceed Shs12.5 million. The annual registration threshold is 50 million shillings.
2. A person being a national, regional, local or public authority or body which carries on business activities or intending to carry on business activities is required to apply to be registered for VAT regardless of the turnover.

WHAT IS A TAXABLE SUPPLY?

This is a supply of goods or services made by a taxable person, that are not exempted from VAT. These fall in two categories namely; standard rated supplies (at 18%) and zero rated supplies at (0%)



Examples of zero rated supplies listed in the third schedule to the VAT Act include the following:

- all exports
- the supply of international transport of goods or passengers and tickets for their transport
- the supply of drugs and medicines
- the supply of educational materials and the supply of printing services for educational materials
- the supply of seeds, fertilizers, pesticides, and hoes
- the supply of machinery, tools and implements suitable for use only in agriculture
- Passenger transportation services (other than tour and travel operators) and
- Petroleum fuels,
- Educational services,
- New computers and hotel accommodation outside Kampala District.

A person dealing only in exempt supplies is not expected to register for VAT while one dealing in zero rated supplies is expected to register. In case they meet the registration requirements.

WHO IS A PERSON?

The term person for purposes of VAT registration includes:

- An individual,
- A Company
- A partnership
- A trust
- A Government
- Any public or local authority

WHAT IS EXEMPT FROM VAT?

Exempt supplies are supplies of goods and services which do not attract VAT. These are specified in the second schedule to the VAT Act.

Examples of exempt supplies include;

- Financial services, insurance, medical, dental, nursing services,

WHO IS A TAXABLE PERSON?

A taxable person is:

1. A person who is registered for VAT.
2. A person who is not registered but is required to register or pay VAT.

WHAT IS INPUT TAX?

Input tax means the tax paid or payable in respect of a taxable supply to or an import of goods or services by a taxable person.

WHAT IS OUTPUT TAX?

This is the VAT charged to the customer by a taxable person making taxable supplies. When you are registered, you charge VAT on all the taxable supplies you make. This VAT is your output tax.

WHAT OTHER TAXABLE SUPPLIES MAY BE LIABLE TO VAT?

- a) Sales of business assets (e.g. equipment, furniture, commercial vehicles);
- b) Hire or loan of goods to someone else for consideration;

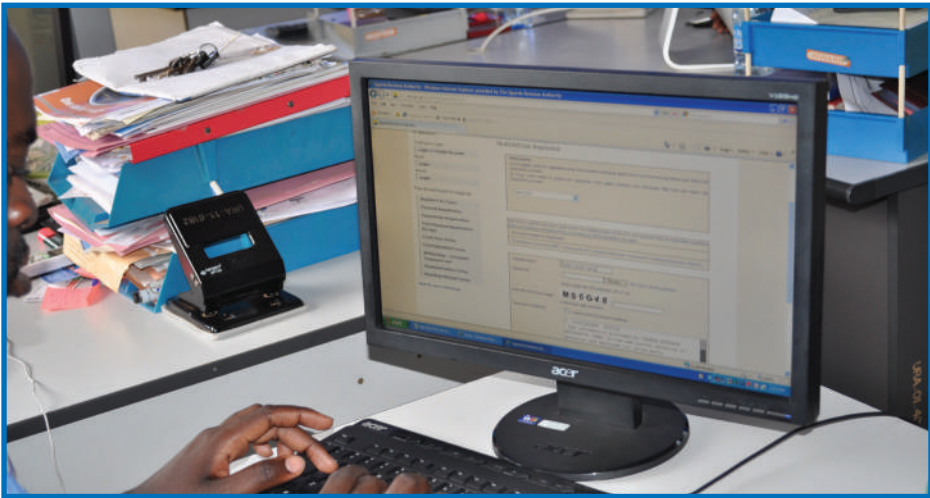
- c) Gifts to friends or business representatives;
- d) Goods which you or your families have taken from the business for own use;
- e) Commission received in return for selling something on behalf of someone else.
- f) Sales to your staff or relatives (e.g. your products supplied free of charge, or at reduced prices);
- g) Sales from vending machines;

HOW DO I ACCOUNT FOR VAT IF NO MONEY IS PAID?

VAT on any goods or services where no money will be paid or received should be accounted for basing on the fair market value at the time the supply is made; e.g. barter trade, gifts, own use.

WHAT I NEED TO CONSIDER BEFORE REGISTERING?

If during the past 3 calendar months you made **taxable supplies** whose gross value, exclusive of any tax, exceeded Shs.12.5 million then you have to register for VAT immediately. Or, if you reasonably expect that during the next 3 calendar months the total value of your **taxable**



supplies is likely to exceed Shs.12.5 million then you must register for VAT.

Remember that even if you don't qualify to register at present, and in future **your taxable turnover** increases to the level mentioned above, you must register at that point as required by the law.

Please note that your taxable turnover is the total value of all your taxable supplies (including exports) made in Uganda. They include zero-rated and standard-rated supplies (sales – not profit)

HOW DO I CALCULATE MY TURNOVER?

Your turnover is calculated on an ongoing basis. Two periods should be considered - the past 3 calendar

months and the next 3 calendar months, on a month by month basis.

You should ascertain at the end of each calendar month the total value of **taxable goods and services** supplied by each of your businesses (if you have more than one business) for the past 3 months. Where the total exceeds Shs12.5 million you are required to register for VAT. Or If after estimating the total value of supplies for the next 3 months you expect your turnover to exceed Shs12.5 million then you are required to register.

CAN I BE REGISTERED IF MY TURNOVER IS BELOW THE LIMIT I.E. VOLUNTARY REGISTRATION?

Yes, if your taxable turnover is below the 12.5 million limit in any 3 calendar months of business activity, you may



apply for **voluntary registration**. You will, however, have to satisfy the Uganda Revenue Authority that you make taxable supplies.

Voluntary registration is at the discretion of the Commissioner General. In case your application is rejected, you will be notified and the reasons for the refusal given. The Commissioner General can refuse to register any person who:-

- Has no fixed place of abode or business;
- does not keep proper accounting records;
- Has no bank account.
- Has previously been registered for VAT purposes but failed to perform his duties under the VAT law.
- Is not a fit and proper person to be registered

AFTER I HAVE BEEN REGISTERED FOR VAT, WHAT ARE MY OBLIGATIONS?

- Charge and collect VAT on your supplies by issuing a Tax Invoice
- To file a VAT return within 15 Days after the end of the month.



- Pay VAT due as assessed in your return within 15 days after the end of the month.
- To Maintain Proper Records.
- Avoid making reckless, false and misleading statements.

NB: *Failure to comply with the above culminates into Penalties and Interest under (Sec.65) of the VAT Act.*

It is important to note; that if you are liable to register but you do not apply for registration at the right time, you will have committed an offence under section 51 of the VAT Act and you would be liable to a penalty of up to Shs. 500, 000 or imprisonment for a period not exceeding 2 years or both. Your registration shall be deemed to have taken effect from the beginning of the month immediately following the month in which the duty to apply for registration arose.



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