



Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

1. WHAT IS WITHHOLDING TAX?

Withholding tax is a form of income tax. This tax is deducted at source by one person upon effecting payment to another person. The person making payment is obliged to withhold tax and is referred to as a withholding agent and the person receiving payments from which tax is required to be withheld is the payee. The law stipulates the persons who are required to withhold the tax and the persons from whom the tax is withheld. This depends on the nature and the circumstances of the transaction.

Withholding tax should be considered when making the following payments:

- Employment income (PAYE)
- Goods and Services
- Imports
- Professionals fees
- Interest
- Dividends
- Rent
- Natural resource payments
- Royalty
- Management charge
- Ugandan-source services contract
- 10% should be withheld by Resident persons who purchase assets from nonresident persons

2. WITHHOLDING TAX ON EMPLOYMENT INCOME (SEC.116 ITA)

Employment income consists of emoluments both in cash and benefits in kind. Income tax on employment income (commonly known as Pay As You Earn) is deducted by the employer

WITHHOLDING TAX UNDER THE INCOME TAX ACT, CAP 340



from the employment income of every qualifying employee on a monthly basis and remitted to Uganda Revenue Authority.

The tax for resident persons is calculated as follows:

MONTHLY CHARGEABLE INCOME	RATE OF TAX
Not exceeding Shs. 235,000	Nil
Exceeding shs. but not exceeding Shs. 335,000	10% of the amount by which chargeable income exceeds Shs. 235000
Exceeding Shs. 335,000 but not exceeding Shs. 410,000	Shs. 10,000 plus 20% of the amount by which chargeable income exceeds Shs. 335,000
Exceeding Shs. 410,000	<p>(a) Shs. 45,500 plus 30% of the amount by which chargeable income exceeds Shs. 410,000</p> <p>(b) Where the chargeable income of an individual exceeds 10,000,000 per month, an additional 10% is charged on the amount by which the chargeable income exceeds shs. 10,000,000 per month</p>

For non-resident persons, the tax is calculated as follows:

MONTHLY CHARGEABLE INCOME	RATE OF TAX
Not exceeding Shs. 33, 500	10%
Exceeding Shs. 335,000 but not exceeding Shs. 410,000	Shs. 33,500 plus 20% of the amount by which chargeable income exceeds Shs. 335,000
Exceeding Shs. 410,000	(a) Shs. 48,500 plus 30% of the amount by which chargeable income exceeds Shs. 410,000 (b) Where the chargeable income of an individual exceeds 10,000,000 per month, an additional 10% is charged on the amount by which the chargeable income exceeds shs. 10,000,000 per month

3. WITHHOLDING TAX ON GOODS AND SERVICES (SEC. 119 ITA)

Where Government of Uganda; a Government institution; a local authority; a company in which Government has interest or any person designated in a notice issued by the Minister of Finance, pays amounts in aggregate exceeding one million shillings to any person in Uganda for the supply of goods, materials of any kind or services, the payer is required to withhold tax at a rate of 6 percent of the gross amount paid.

It is important to note that this tax is imposed on any part payments for the contract if all payments for this contract when aggregated exceeds the threshold of one million shillings.

4. WITHHOLDING TAX ON IMPORTS (SEC.119 ITA)

Every person who imports goods into Uganda is liable to pay withholding tax at the time of importation on the Customs Value of the good at 6%.

5. WITHHOLDING TAX ON PROFESSIONAL FEES (SEC.118A ITA)

A resident person who pays management or professional fees to a resident person is required to withhold tax at a rate of 6 percent of the gross amount of the payment.

6. EXCEPTIONS TO 3, 4 AND 5 ABOVE

- i. Provisions 3 and 4 above do not apply to the following categories of supplies and imports:-
- Petroleum or petroleum products including furnace oil, other than lubricants, cosmetics and fabrics or yarn manufactured out of petroleum products,
 - Plant and machinery
 - Human and animal drugs
 - Scholastic materials
 - Imports or supplies by organizations/persons exempt from income tax
 - Raw materials imported by a manufacturer solely for generating finished products
- ii. Also note that the provisions 3, 4 and 5 above do not apply to suppliers or importers and resident persons whom the Commissioner General is satisfied have regularly complied with the obligations imposed by the Income Tax Act.

7. WITHHOLDING TAX ON INTEREST PAYMENTS (SEC. 117 ITA)

A resident person who pays interest to another resident person is required to withhold tax at 15% of the gross amount of the interest paid.

This withholding tax is not applicable where:

- Interest is paid by a natural person
- Interest, other than interest from government securities, paid to a financial institution.
- Interest is paid by a company to an associated company.
- Interest paid is exempt from tax in the hands of the recipient.

Please note that withholding tax on interest is a FINAL TAX where it has been withheld on:-

- i. Payments of interest on treasury bills or other government securities by the Bank of Uganda to any person
- ii. Payment of interest by a financial Institution (e.g. a Bank) to a resident individual, other than in the capacity of trustee
- iii. Payment of interest by a financial Institution (e.g. a Bank) to a resident retirement fund

- iv. payment of interest by a financial Institution (e.g. a Bank) to an exempt organization

Final tax means:

- a. The interest and dividend will not be subjected to further tax;
- b. That income is not aggregated with the other income of the taxpayer for the purposes of ascertaining chargeable income;
- c. No deduction is allowed for any expenditure or losses incurred in deriving the income and;
- d. No refund of tax shall be made in respect of the income.

8. WITHHOLDING TAX ON DIVIDENDS (SEC.118 ITA)

A resident Company which pays a dividend to a resident shareholder is required to withhold tax at 15% of the gross amount of the dividend paid, except where the dividend income is exempt from tax in the hands of the shareholder. Where the shareholder is a natural person (resident individual), the tax withheld on such dividend income is final.

9. WITHHOLDING TAX ON INTERNATIONAL PAYMENTS (SEC.83 ITA)

Tax is imposed on every non-resident person who derives any dividend, interest, royalty, rent, natural resource payment or management charge from sources in Uganda. The tax is withheld by the payer at a rate of 15% of the gross amount before payment/remittance of the amount is made. However, this does not apply to amounts from activities of a Ugandan branch of the Non Resident.

However interest paid abroad by a resident person is exempt from tax if:

- i. Borrowing is through debentures which were widely issued for purposes of raising loan capital to carry out business in Uganda; and
- ii. Borrowing is made from a financial Institution of a public character

10. WITHHOLDING TAX ON PAYMENTS TO NON – RESIDENTIAL ENTERTAINERS OR SPORTS PERSONS (SEC. 84 ITA)

Tax is imposed on the income derived in Uganda by every non-resident entertainer, sports person, or theatrical, musical or other related groups of entertainers. The tax is charged at a rate of 15% of the gross amount of the remuneration derived by the public entertainer/sports person. Where the tax is levied on a group, every member of the group is jointly and severally liable for payment of the tax.



The obligation to withhold the tax under this provision is placed with the person making the payment e.g. promoter, agent, or such similar person. The tax is payable before the person leaves the country.

11. WITHHOLDING TAX ON PAYMENTS TO CONTRACTORS OR PROFESSIONALS (SEC.85 & 121 ITA)

Withholding tax is also imposed on every non-resident person deriving income under a Ugandan - source service contract.

This is a contract under which the principle purpose is the performance of services which gives rise to income sourced in Uganda, and any goods supplied under the contract are only incidental to the purpose.

A Ugandan-sourced service contract does not include an employment contract. The tax is charged at a rate of 15% of the gross amount of any payment to the non-resident under the Ugandan sourced service contract.

Any person who enters into any service contract with a non-resident is required, within 30 days of entering into the contract, to notify the Commissioner of the nature and duration of the service contract, and disclose the particulars of the non-resident to whom the payment is to be made, as well as the full contract value. Basing on this, the Commissioner may require the payer to withhold the relevant tax at a rate specified in the Commissioner notice

Note that failure to notify the Commissioner makes that person personally liable to pay the tax that should have been paid by the non-resident person. And the person is entitled to recover this amount from the non-resident.

12. PROVISIONS RELATING TO ACCOUNTABILITY FOR WITHHOLDING TAX (SEC. 123, 125 & 126)

The withholding agent is required by law to remit to URA the tax withheld (or that should have been withheld), within 15 days after the end of the month in which the payment was made. Where tax is withheld from non-resident entertainers/sports person, the promoter/agent/similar person shall remit the money to URA within five days of the performance or by the day before the day the non-resident leaves Uganda whichever is earlier.

The agent is further required to maintain and keep available for inspection by URA records of all payments to the payee(s) and the corresponding tax withheld for 5 years after the end of the year of income to which such records relate.

Except where it is a final tax, tax withheld is a credit against the tax assessed on the payee for the year of income in which the payment is made.

Please note that the TCCs will not be issued where tax withheld is a final tax.

13. FAILURE TO WITHHOLD AND/OR REMIT THE TAX (SEC. 123 & 124 ITA)

A withholding agent who fails to withhold tax is personally liable to pay to the Commissioner the amount of tax which has not been withheld and/or remitted to URA. The agent, however, is entitled to recover the amount from the payee thereafter.

14. PRIORITY OF TAX WITHHELD (SEC. 127 ITA)

Like any other Government tax, the tax withheld is held by a withholding agent in trust for the Government of Uganda. It is therefore not subject to attachment in respect of a personal debt or liability of the agent and it does not form part of the estate of the agent in event of liquidation or bankruptcy and the Commissioner shall have a first claim before any distribution of property is made.



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