DOING BUSINESS

IN UGANDA

The network for doing business

CONTENTS

1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services with offices in over 330 major business centres across 100 countries.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering a business operation in Uganda has been provided by the office of UHY's representative there:

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Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at August 2022.

We look forward to helping you do business in Uganda.

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2 – BUSINESS ENVIRONMENT

BACKGROUND

Uganda is uniquely located at the heart of Sub-Saharan Africa within the East African region and lies astride the equator. The country is bordered by South Sudan in the North, Kenya in the East, the United Republic of Tanzania in the South, Rwanda in the South West and the Democratic Republic of Congo in the West. This land linked position gives the country a strategic commanding base for regional trade and investment.

Although Uganda is on the equator, its climate is warm rather than hot, and temperatures vary throughout the year. The country is sunny most of the year and average annual temperature stands at 26 degrees Celsius (78° Fahrenheit). The rainy season is from March till May and Mid-September to November. Light rain season falls in November and December. Dry seasons are from December to February and June to July

Summary of Annual mean Climate: mean sun hours are 240 hrs; mean precipitation rainfall 140 mm; mean rain days are 15 although It can rain any time anywhere; mean minimum temperature is 18 degrees centigrade, maximum is 25 degrees centigrade and average humidity is at 79%.

Impact of COVID-19 to the Economy: Uganda's economy rebounded strongly as domestic economic conditions improved following the easing of mobility restrictions during the period October 2021-February 2022. The third wave of Covid-19 infections was also milder and is now over. With about 30% of the 22 million target population (aged 18+) fully vaccinated by late February 2022 (The World Bank in Uganda, April 2022), the objective of fully vaccinating the majority of the population will likely be reached by end of the year.
Institute of Health and Metrics has estimated that 95% of the people in Uganda have been infected by Covid-19 at-least once by July 11, 2022 and this has contributed to a slowed growth in the economy.

Impact of Russia-Ukraine War to the Economy: World Bank provides a further insight on how Uganda's economy has been affected by the war in Ukraine. The resulting economic sanctions mainly have mainly affected Uganda through commodity prices, which were on the raise. Real GPB growth could fall below the recovery path that had been expected, to average 4.7% in FY22.
With lower consumption growth due to reduced remittances, limited credit, and job losses, poverty increased from 27.5 - 32.7% after the first lockdown in 2020. Employment rates fell again after the second lockdown in 2021.Employment rates fell again after the second lockdown in 2021.
Given a more positive Covid-19 and vaccine outlook, and the recent signing of the final investment decision in the oil sector, the economy was expected to continue gaining buoyancy. However, risks are tilted downwards. The worsening global environment, following Russia's invasion of Ukraine could reduce Uganda's growth to below 6% in FY23 and FY24 because of trade disruptions, higher commodity prices and increased risk aversion that may slow investments.
Costlier inputs (eg fertilizers and transport) will also pose challenges for agricultural production, food security and household incomes that are still recovering.

Accelerating Economic Recovery: Uganda Development Bank recently approved Ushs. 402 Billion and had disbursed Ushs. 257 Billion by June 2022, they are on track to deploy targeted Ushs. 612 Billion by end of year. The figures reflect the Bank's full commitment to supporting the Country's economic recovery and are indeed a testament that Uganda's economy is on track to full recovery. The lesson that can be drawn from the impact of the Covid-19 pandemic and the associated disruption of global supply chains is that local production in strategic commodities, as well as national self-supply to meet demand in certain commodities, can sustain economic production, job creation, utilization of domestically sourced raw materials, efficient use in technology and the deepening of market access within the East African Community COMESA.
The evidence of recovery is in the response of strategic sectors such as primary agriculture, Agro processing and manufacturing.

POPULATION

With the population increasing at a rate of at least 3% per annum, per capita income growth decelerated from a rate of 3.6% recorded in the decades of 1990s, to about 2%. Uganda ranks number 31 in the list of countries by population with the current population at 48,822,447 as of Monday, August 22, 2022, based on the Worldometer elaboration of the latest United Nations data. Uganda population is equivalent to 0.59% of the total world population. The population density in Uganda is 229 per Km^2 (593 people per mi^2) and total land area is 199,810 Km2 (77,147 sq. miles). 17.5 % of the population is urban (7,993,711 people in 2019) with a median age of 15.9 years.

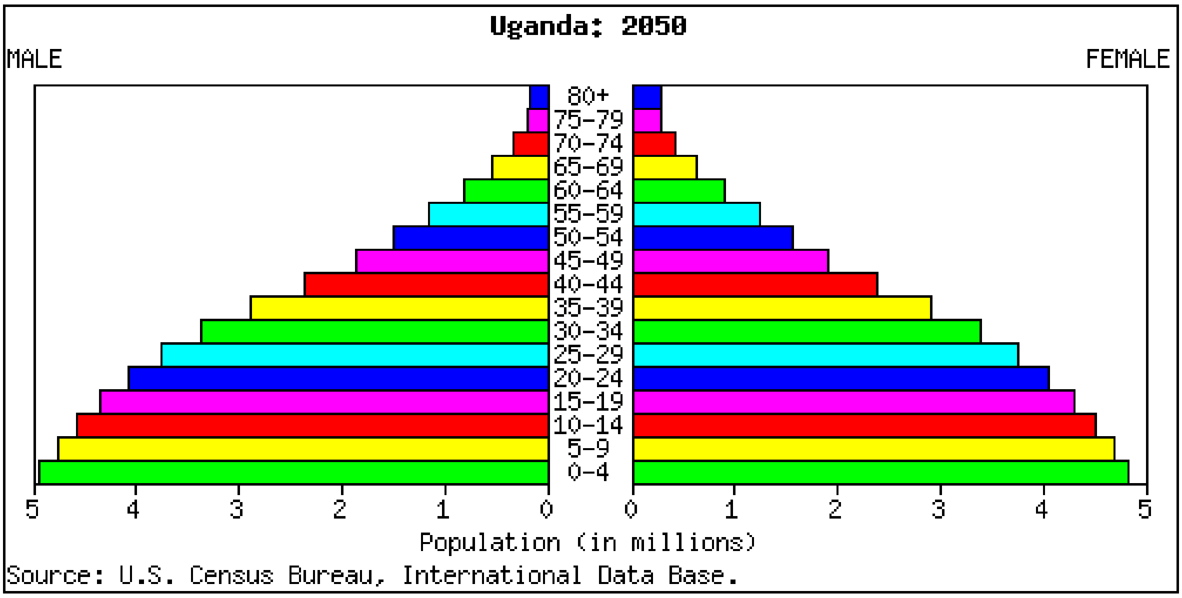
Uganda's current population is

- 4,746 live births average per day (197.76 in an hour)
- 1,113 deaths average per day (46.36 in an hour)
- 90 emigrants average per day (-3.76 in an hour)

49.9	- percentage of population under 15
48.1	- percentage of population between 15 and 64 years old
2.1	- percentage of population 65+

The value of 108 % in the dependence ratio indicates that the pressure on productive population in Uganda is very high.
Total life expectancy (both sexes) at birth for Uganda is 62.5 years.
This is below the average life expectancy at birth of the global population which is about 71.
Male life expectancy at birth is 60.2 years, while male life expectancy at birth is 64.8 years.

Projections for 2050:



This notwithstanding, the effects of a volatile global economy on demand for Uganda's exports and timing of key infrastructure projects in the country's oil sector could offset any benefits of improved terms of trade due to low oil prices. Under these circumstances, the Ugandan economy grew at a rate of 6.5% in financial year 2019/2020, and thereafter stay on an upward trajectory into the medium term, if major infrastructure projects are implemented as planned, and private investment intensifies with oil-related activities.

Uganda has substantial natural resources including fertile soils, regular rainfall, copper, gold, cobalt, and recently discovered oil reserves. Oil production is expected to change Uganda's economic outlook, but production which was expected until the close of 2020 was delayed due to the COVID-19 pandemic and the long-awaited Final Investment Decision (FID) was signed on Sunday 11th April 2021 at Statehouse, Entebbe. This will mark the start of the construction of East Africa Crude Oil Pipeline this financial year. Agriculture is the dominant sector, employing over 80% of the work force. The main agricultural products are coffee, tea, cotton, potatoes, corn, flowers, beef, goat meat, milk, and poultry as well as fish and fish products.

A 'wind of change' blew through Africa in the early 1960s and Uganda became independent from Britain on 9 October 1962. Uganda is a small, open economy, thus the 2022 World Bank Ease of Doing Business Report ranked Uganda as the 116th among the 190 countries in ease of doing business. Notably, business and financial innovations hold the promise of tremendous opportunity for businesses in Uganda.

GEOGRAPHY

Uganda is a land locked country lying on the equator in East Africa. It shares borders with South Sudan, the Democratic Republic of Congo, Rwanda, Tanzania, and Kenya.
20% of the country is covered by inland lakes. The rest ranges from tropical rain forests to the savannah. It is in the heart of the Great Lakes region, and is surrounded by Lake Edward, Lake Albert, and Lake Victoria. While much of its border is lakeshore, Uganda is landlocked with no access to the sea. The country is mostly plateau with a rim of mountains.

Uganda has a total area of 241,550.7 (sq. km), of which 41,027.4 sq. km is open water bodies cover 36,527.4 Square kilometres, Wetlands cover 4,500 square kilometres while 200,523.2 (sq. km) is land. Uganda is replete with water and contains many large lakes. The altitude above sea level ranges from 620 metres (Albert Nile) to 5,111 metres (Mt. Rwenzori peak). Uganda shares Lake Victoria with Kenya and Tanzania and Lakes Albert and Edward with the Democratic Republic of Congo (DRC). Within its boundaries are lakes; Wamala, Bunyonyi, Katwe, Nakivale, Mburo, Kyoga, George and Bisina.

Both Eastern and Western borders are marked by mountains; The Rwenzori Mountains (often called the Mountains of the Moon) form about eighty kilometers of the border between Uganda and Congo. Further south, most of the Mufumbiro volcanoes reach 4,132 meters and mark the border with Rwanda and Congo. In Eastern Uganda, the border with Kenya is also marked by volcanic hills including Mount Elgon, which rises to reach a height of 4,324 meters. North East of the country is Mount Moroto with 3,085 meters, the Imatong Mountains with 3,029 meters above sea level mark the border with South Sudan.
Land area estimates as of 2020 indicate that agricultural land occupies the largest proportion of land cover area (38 percent), followed by grassland (22 percent) and then water (15 percent).
However, the land area for water bodies and forest land keeps reducing significantly.

Uganda averages about 1,100 metres (3,609 ft.) above sea level, and while much of its border is lakeshore, the country is mostly plateau with some rolling hills and low mountains. Grassland and tropical forest dominate the central region, with volcanic foothills in the East.

Lake Kyoga and the surrounding basin dominate Central Uganda. Additional lakes of note include Lake Kwania, Lake Bugondo, Lake George and Lake Opeta.

The Nile River leaves Lake Victoria near Jinja, as the Victoria Nile. It flows for approximately 300 miles (500 km) further, through Lake Kyoga, until it reaches Lake Albert. After leaving Lake Albert, the river is known as the Albert Nile. It then flows into Sudan, where it is known as the Bahr al Jabal, or the Mountain Nile.

CURRENCY

The Ugandan Shilling is the currency of Uganda. The currency code for Shillings is UGX, and the currency symbol is (/=). Currently 1 USD – 3,819.0578 UGX 1 EURO – 3,799.0403 according to Xe currency converter as of Wednesday, August 24, 2022 at 09:56 UTC.

LANGUAGE

Uganda’s official language is English. Other languages spoken include; Swahili, Luganda, various Bantu and Nilotic languages.

MAJOR EXPORTS

The main exports are coffee, fish and fish products, tea, cotton, tobacco, flowers, sim-sim, beans, maize, cocoa beans, hide and skin other livestock, dairy, horticulture products, minerals.

MAJOR IMPORTS

Uganda’s major imports include capital equipment, vehicles, petroleum products, medical supplies, and cereals.

STOCK EXCHANGE

Uganda has two stock exchanges i.e. Uganda Securities Exchange (www.use.or.ug) established in 1997 currently with 18 listed companies and Altx East Africa Limited (www.altxafrica.com) that was established in 2013 and mainly deals in financial Derivatives, structured and unstructured securities.

EDUCATION – PRIMARY AND SECONDARY

It is estimated that 73.87% of the adult population in Uganda is able to read and write. Accordingly, the literacy rate in Uganda is 56.5% and 30.7% for females and males respectively. The rates for primary school enrolment is rather high, with 63% for females and 79% for males. This percentage drastically drops to 10% for females and 17% for males for secondary school enrolment.
The education system of Uganda consists of 7 years of primary school, 6 years of secondary school (a 4-year cycle of lower secondary school followed by a 2-year cycle of upper secondary school), and then 2-5 years of tertiary education.

Since the Universal Primary Education Programme’s initiation in 1997, gross primary school enrolment increased. In 2007, Uganda became the first sub-Saharan African country to spearhead Universal Secondary Education. Within a year after the secondary school program’s introduction, secondary education enrolment increased from 50% to 69%.
With both of the programs, the UPE Programme and the Universal Secondary Education scheme, the gender gap in education has grown narrower where girls’ enrolment into primary schools increased from 45% in 1993 to 49% in 2003 and girls’ enrolment into secondary school increased from 10.6% in 2005 to 15% in 2009, 2020 was interrupted by the COVID-19 pandemic and therefore no increase was registered.

TERTIARY EDUCATION

The tertiary education sector in Uganda, including both private and public, and enrols thousands of students. It includes 16 licensed public and private universities, 10 National Teachers’ Colleges, 68 Business Colleges, 7 Technical Colleges, 1 Forestry College, 2 Co-operative Colleges, 3 Hotel and Tourism Institutes, 12 Management Institutes, 19 Health and Medical Schools, 3 Agricultural and Animal Husbandry Colleges, 1 Fishery Training Institute, 1 Meteorological School, and 12 Theological Colleges.

HEALTHCARE SYSTEM

As a Developing Country, the health care system in Uganda lags behind many other countries but is at par with the countries in the World Health Organization's (WHO) Africa region. As of today, life expectancy at birth in Uganda is 62 years, lower than any other country in the East African Community, except for Burundi. The probability of a child dying before reaching age five is 5.5 percent (55 deaths for every 1,000 live births).

Uganda's health system, like other systems, aims to achieve and sustain good health for its people. The Health system has been evolving over the last 3 to 4 decades to handle emerging concerns and challenges to the health situation in the country. Health Care Delivery has mostly been through modern and traditional practices through a decentralised framework.

The Ministry of Health coordinates the drafting of bills to promote and regulate health services. Government has put in place policy analysis units to support sectors in this area. Various bills such as the Pharmacy Profession and Practice Bill, Uganda Medicines Control Authority Bill, Food and Nutrition Bill, Food and Drug Act, National Health Insurance Bill and the Traditional and Complementary Medicines Bill are at different National Health Policy stages of development.

Gaps still exist in the legal framework for the adaptation of new health technologies and practices. The process of reviewing legislation and policies has been slow. Financial and human resources allocated for these processes have been inadequate. Structures mandated to enforce the health regulatory framework such as the Health Professional Councils and the National Drug Authority have limited capacity, consequently, enforcement of legislation and policies remains a major challenge.

COMMUNICATIONS

Postal Service As of 2004, Uganda Post Limited was the only postal service licensed by the Uganda Communications Commission in Uganda. The Uganda Posts and Telecommunications Corporation had a monopoly over Uganda's communications sector until the Uganda Communications Act was enacted in 1997. The act created the Uganda Communications Commission, the current regulator of communications in Uganda. As of 2010, Uganda Post Limited had changed its name to Posta Uganda.

Telephone: As of June 2020, the telephone communications system was described by the CIA factbook as developed through private partnerships with over 1,800 kilometres (1,118 mi) of fibre optics, and 4G network available in most major cities and national parks, and 3G service available in second-tier urban centres. As of 2004, Uganda Telecom Limited (UTL), Celtel(now airtel) and MTN Uganda Limited were the three telecommunications operators licensed by the Uganda Communications Commission.

In 2018, there were 368,243 main telephone lines in use in Uganda, making Uganda one-hundred and eighth in terms of countries having the most main telephone lines. In 2016, there were 22,838 million mobile telephones in use, making Uganda fifty fourth in terms of countries having the most mobile telephones in use. This was an increase from 2006 when there were 108,600 main telephone lines in use in Uganda, and from 2007 when there were 4.195 million mobile telephones in use.[2] By June 2018, the total number of mobile telephone users in Uganda, was 23.6 million, or 57.6% of the 41 million population, according to the Uganda Communications Commission.[3] As of March 2010, telephone traffic within is carried by wire. Microwave radio relay, and radiotelephone communication stations are used in domestic telecommunications as well, and fixed and mobile cellular systems are used for short range traffic.

As of March 2010, international telephone communication is catered for by an Intelsat and an Inmarsat satellite earth station, along with analogue links to Kenya and Tanzania. The international calling code is 256

Internet The top-level domain for Uganda is ".ug" In 2018 Uganda had 18.149 million Internet users, or 45.9% of the population (52nd in the world). This is up from 2.5 million users in 2008 (64th in the world). In 2012, Uganda had 36,332 fixed broadband subscriptions (119th in the world) or 0.1% of the population (165th in the world)[4] and 2.5 million wireless broadband subscriptions (58th in the world) or 7.6% of the population (99th in the world). In 2006, Uganda had 18 Internet service providers. Mobile network operators provide internet services to Ugandans alongside fixed-line internet providers. Orange Uganda was the first mobile operator to popularize mobile internet services when it joined the market in 2008. With a mixture of affordable USB internet dongles and reliable fast 3G Internet, Orange instantly captured the data market. Orange Uganda was purchased by Africell Uganda in 2014. MTN Uganda, the largest mobile operator in Uganda later on joined the mobile internet market following decreasing revenues in Voice and SMS services. The carrier currently sells smartphones, USB dongles and Mi-Fi's to increase of data usage of its network. Smart Telecom later on joined the market with super low data prices compared to the competition.[7] Vodafone Uganda is the latest entrant in the Telecom market in Uganda. Fixed-line internet providers have also increased in Uganda. These mainly offer premium dedicated internet services to business customers. Some of the notable ISPs for business include Roke Telecom, One solution, Smile Communication, Data net, Liquid Telecom, Africa Online among others. These offer high speed internet services for enterprise services with speeds ranging from 0.5Mbit/s to 5Mbit/s offering 4G LTE, Wimax, Fibre connectivity solutions. In December 2015, Google launched its first wi-fi network in Kampala.

Internet censorship and surveillance In September 2009 the Open Net Initiative found little or no evidence of Internet filtering in all four areas (political, social, conflict/security, and Internet tools) for which it tests. Though Uganda has made great technological strides in recent years, the country still faces a number of challenges in obtaining affordable, reliable Internet bandwidth. This, rather than a formal government-sponsored filtering regime, is the major obstacle to Internet access. Just prior to the presidential elections in January 2021, the Uganda Communications Commission (UCC) shut down internet for 4 days and on restoration certain anti-government Web sites and social media continued to be blocked for about 1 month. In July 2018, Uganda instituted a tax on "over the top" messaging and voice services, which includes social networks. Users must pay a fee of 200 shillings (approx. $0.06 USD) daily in order to use these services. The stated purpose of the law is to provide additional government revenue, and to control "gossip" being spread over these platforms. VPN services have also been blocked, after they were used by citizens to circumvent the tax. Amnesty International condemned the tax as being "a clear attempt to undermine the right to freedom of expression Internet usage fell significantly after the tax was introduced.

Radio and television The Uganda Broadcasting Corporation is the public broadcasting station. The 2004 Uganda Broadcasting Corporation Act stated that the UBC should be funded by the levying of a television licence fee. Collection of a licence fee set at USh20,000 (around €8.40 or US$10.80) started in 2005. However, collection was subsequently halted by President Yoweri Museveni. There has since been pressure to reinstate the licence fee to maintain UBC's independence.

Newspapers Daily newspapers in Uganda include The New Vision, Sunday Vision, The Daily Monitor, The Sunday Monitor, The Red Pepper, The Sunday Pepper, The Uganda Observer, and The East African Business Week. The East African Procurement News is a weekly business newspaper and The Independent

Blogs in Uganda Blogs are increasingly being used as a medium of communication in Uganda. Affordable data rates, increasing internet penetration and free blogging platforms such as Word press and Blogger are making internet users turn to blogging platforms to creatively express themselves, comment on current affairs, inform the public among other reasons.

The current telecommunications policy and regulatory environment in Uganda was established through the telecommunications sector policy framework of 1996, the Uganda Communications Act of 1997 (Laws of Uganda Cap 106), and the licenses that were issued to the two National Telecommunications Operators. Key components of the policy strategy were the creation of an independent regulator, implementation of a limited competition period (specifically in basic telephony services, cellular telecommunications services and satellite services) and the unbundling of the Uganda Posts and Telecommunications Corporation. Following the end of the exclusivity regime, the Uganda Communications Commission developed a new Telecommunications Licensing Regime upon the issuance of Ministerial Policy Guidelines. The new regime is based on a distinction between infrastructure provision and service provision. There are more than seven telecommunications companies serving over 21 million subscribers. More than 95% of internet connections are made using mobile phones. To provide telecommunication services in Uganda, one must obtain one or more of the following: service licences; Public Service Provider (PSP) Licence, Public Voice and Data Licence, Capacity Resale Licence, Public Infrastructure Provider License (PIP) and a General License. Various analyses on sector performance have shown that Uganda has one of the best regulatory environments in Africa and that the key objectives set out have been exceeded several times over.

The policy takes into consideration the communications Act Cap 106 (Laws of Uganda), the electronic media Act Cap 104 (Laws of Uganda), the National Information Technology Authority- Uganda Act, and all the regulations promulgated under these acts. The policy also proposes legal framework changes, among others, to harmonise the current communications Act and the electronics media Act to provide for a single regulatory body.

Over 99% of the Telecommunication equipment is digital. This has resulted into digital efficiency hence reduced tariffs to the customer. Value Added Services have been developed and a telephone is now a major tool not only for communication but also for business transactions. Broadband infrastructure is in the major towns of the country and voice spurns even a greater part of the country. Services like e-commerce such as e-tax, e-banking, e-education and e-health, are now accessible. Currently, there is a migration of broadcasting technology from analogy to digital.
It is important to note that employment in the sector grew by about 30% over the last one year.

BANKING AND FINANCIAL SERVICES

Uganda's banking sector has evolved over time from a period of "financial repression" during the 1970s and 1980s to a period of liberalisation that started in the late 1980s. The reforms were initiated with a view of addressing major misalignments in the financial sector that were believed to hamper economic growth through inefficient performance of the banking sector. Accordingly, the financial sector reforms Uganda implemented were aimed at achieving efficiency in financial intermediation on the one hand and strengthening the banking sector through efficient and effective supervision by the central bank study on the other.

The Bank of Uganda supervises Banks and some non-Bank institutions in the country.
These include: Commercial Banks; Credit Institutions; Forex Bureaux; Money Remitters; and Microfinance Deposit-taking Institutions. Other Financial Institutions in Uganda which are not supervised by the Bank of Uganda include: Insurance Companies; Insurance Brokers; Leasing Companies and Development Banks.

TRANSPORTATION LINKS

Uganda’s transport encompasses road, rail, air and water.

Air Transport
The country has one international airport-Entebbe, Entebbe International Airport is situated on the outskirts of Entebbe, on the shores of Lake Victoria, around 40km from the capital of Uganda, Kampala. Several international airlines fly to and from Entebbe namely: Uganda Airways, Emirates, British Airways, KLM, Sabena, South African Airways, Kenya Airways, Ethiopian Airways, Air Tanzania and Egypt Air, among others. The country has the following domestic airstrips: Arua, Gulu, Pakuba, Kidepo, Kasese. The country has the following airfields: Soroti, Mbarara, Lira, Masindi, Jinja, Moroto, Tororo, Kisoro. It is important to note Uganda is constructing a second airport (Hoima International Airport). This new airport is expected to facilitate mobilization of equipment for construction of the Uganda Oil Refinery and assist in the development of agriculture and tourism in Uganda's Western Region.

Road Transport
As of 2017, according to the Uganda Ministry of Works and Transport, Uganda had about 130,000 kilometres (80,778 mi) of roads, with approximately 5,300 kilometres (3,293 mi) (4 percent) paved. Most paved roads radiate from Kampala, the country's capital and largest city.
The road network is the mostly used form of transport, carrying about 95% of the country’s goods and 99% of traffic. A holder of a valid driver license issued by his country of residence is permitted to drive in Uganda for three months if the driver’s license is in English. After that period, one will be required to obtain a Ugandan driving license. In general, major transport undertakings in Uganda include; Kampala-Jinja Expressway; Central Route (Tanga-Arusha Musoma); Rehabilitation of Portbell, Jinja Piers and Gulu-Atiak –Nimule Railway among others.

Water Transport
Uganda has substantial proportion of the surface area as water i.e. lakes and rivers. The water transport is generally dilapidated, with recent efforts being made to improve the sector. The major means of transport on water are boats and ferries.

Railways
A new railway route linking Uganda, Kenya and Sudan is set to improve trade amongst East African nations. The proposed rail link estimated to cost US$25 billion is aimed at boosting trade ties in the eastern African region. The new railway link will be the first-ever stable link between Sudan and its neighbours and ease the delivery of essential services in the vast region.
This will enable Sudan to export oil from the south through a pipeline via Port Sudan to Mombasa, from where it can be distributed to Rwanda, the Democratic Republic of the Congo, Uganda and Tanzania.

Kenya - yes - same gauge 1,000 mm (3 ft 3 $\frac{3}{8}$ in)
Transport in South Sudan -proposed- break of gauge 1,000 mm (3 ft 6 in)
Democratic Republic of Congo - no - break of gauge 1,000 mm (3 ft 6 in)
Rwanda - no railways yet
Tanzania - no direct connection except via train ferry - same gauge 1,000 mm (3 ft 3 $\frac{3}{8}$ in)

LAND AND BUILDING

The Ministry of Lands and Urban Development is mandated "to ensure a rational, sustainable and effective use and management of land and orderly development of urban and rural areas as well as safe, planned and adequate housing for socio-economic development."

Land in Uganda is under four (4) major land tenure systems which may be available for investment purposes. These include:

Leasehold tenure; where one-party grants to another the right to exclusive possession of land for a specified period, usually in exchange for the payment of rent;

Freehold tenure; may involve either a grant of land in eternity, or for a lesser specified time period. Only citizens of Uganda are entitled to own land under freehold tenure. Non-citizens may lease it for a period of up to 99 years;

Mailo Land tenure; registered land can be held in perpetuity and a mailo land owner is entitled to enjoy all the powers of a freehold owner;

Customary tenure; in some places the land is held communally, in some it belongs to a particular clan while in others it is held by individuals.
The government promotes foreign investments in Uganda and foreigners have civil liberties to own properties up to 100% under a leasehold land tenure system.
The Uganda property registration system is effective and safe. At the registry, the property details regarding the size of the property, the land tenure system, the full names of ownership, the address of the property (Region, district, county, Sub County and the village) are clearly indicated.

It is prudent to engage a competent lawyer so that you entirely get to know all the legitimacy and guidelines followed when buying Ugandan property. The charges rest on the involvedness of the property purchase and the value of the sale.

When buying property in Uganda, your lawyer will cross-check and ascertain that the present owner(s) have the right title to the property in question; find out if there are any liabilities and charges still unsettled on the property due for buying; draft a sales agreement /contract and also give advice on the obligations for both parties in the transaction; help through the process of payment and funds transfer at the execution of the agreement; as well as ensure that the property is completely registered in your full name or the names of a company that you provide. Uganda Investment Authority has secured land that it can lease out to investors for setting up of processing plants. To date, a number of these pieces of land have been developed into industrial parks in Wakiso and Mukono districts a range of about 15 to 30 km from the Kampala city centre, with all the basic infrastructure (power, water sewerage disposal and road networks) established.

HOLIDAYS IN UGANDA

These include, but are not limited to the dates below, as per the national calendar:

- January 1: New Year's Day
- January 26: NRM Liberation Day
- February 16: Archbishop Janan Lawum Day
- Date variable: Good Friday
- Date variable: Easter Sunday
- Date variable: Easter Monday
- March 8: International Women’s day
- Date Variable: Mothers’ Day UK
- May 1: Labour Day
- Date Variable: Mothers’ Day US
- June 3: Martyr's Day
- June 9: National Heroes Day
- Date Variable: Fathers’ Day
- Date variable: Eid al-Fitr (End of Ramadan)
- October 9: Independence Day
- Date variable: Eid al-Adha (Feast of the Sacrifice)
- December 25: Christmas Day
- December 26: Boxing Day

3 – FOREIGN INVESTMENT

Uganda has emerged as a favourite destination for foreign investors in the East African region. Its land locked position, gives the country a strategic commanding base to be a regional hub for trade and investment. Uganda enjoys pivotal trade partnerships that create a viable market for business.

A potential investor considering investing in Uganda, will find a well-regulated highly liberalised economy in which all sectors are open for investment and there is a free movement of capital to and from the country.

To sum it up:

- Uganda attained and has had political and social stability since 1986.
- Effective macro-economic policies that maintained economic growth at an average of 6.5% and enabled the country to withstand external economic shocks during the global economic downturn from 2008 to 2011 during which the economy still grew by 3%
- Natural resource rich country (Human and Minerals).
- Totally liberalised foreign exchange regime.
- Consistently improving infrastructures.
- Trainable and fast adaptable workforce from over 30 universities.
- Welcoming population.
- No labour tensions.
- Dedicated Commercial and Industrial courts for quick resolution of business disputes
- A unique multi climate varies from winter on the snow-capped Mountain Rwenzori in the west, to the temperate highlands of Western Uganda and tropical forests of the Central region as well as the semi-arid North Eastern Uganda.

Uganda also has market access through Treaties and Agreements such as;

- The Common Market for Eastern and Southern African (COMESA), a region with a market of about 400 million people in 19 countries.
- The East African Community (EAC) population of over 140 million people.
- Uganda is part of the Free Trade Area of EAC, COMESA and SADC and has applied to join OPEC.
- Uganda has a population of 46,994,167 million people with a growing middle-income class with reasonable expendable income. Uganda is a signatory to major international investment and business protocols

- Multi - lateral Investment Guarantee Agency (MIGA).
- Overseas Private Investment Corporation (OPIC) of USA
- Convention on the Recognition and Enforcement of Foreign Arbitral Award (CREFAA)
- Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)
- International Centre for Settlement of Investment Disputes (ICSID)
- Agreement on Trade Related Investment Measures (TRIMS),
- General Agreement of Trade in Services (GATS), and
- Agreement on Trade related Aspects of Intellectual Property Rights (TRIPS)
- Duty and quota free access into China (quota free access for over 650 products)
- The USA (AGOA)
- Generalized System of Preferences (GSP) scheme with European Commission
- EU (Everything but Arms) markets

The 2019 Index of Economic Freedom ranked Uganda, the 95th most liberal economy. Its overall score has decreased by 2.3 points because of a sharp drop I fiscal health and lower scores for trade freedom, government integrity, and government spending, Uganda is ranked 8th among 47 countries in the Sub Saharan Africa region, and its overall score is above the regional average but below the world average.

The minimum capital investment required for a foreign investor to be eligible to invest in the country in virtually any sector, apart from those that may compromise the country's security, is US$100,000 whereas for local investments, the minimum planned investment requirement is US$50,000.

Uganda's labour is highly trainable, English speaking and the cost compares favourably in Africa.

Return on investment is about 5% projected to increase to about 7% due to on-going and planned infrastructural (roads, railway, energy) development that will ensue from the developments in the oil sector (refinery and crude oil export). Uganda's GDP is between US$25 billion to US$26 billion, with stable economic growth averaging 5 to 7%.

Inflation has now stabilized to 4.7 % after the global economic downturn against which the Ugandan economy was resilient and continued to attract foreign direct investment during the period.

Security of investment is guaranteed under the Constitution of Uganda and the Investment Code 1991, as well as the major international investment related agreements / treaties to which Uganda is signatory.

Uganda's priority sectors for investment comprise;

Agribusiness; Uganda is among the leading producers of coffee, bananas and oil seed crops (sesame (sim-sim), soybean, sunflower, etc.). It is also a major producer of other crops like tea, cotton organic cotton, tobacco, cereals, fresh fruit & vegetables and nuts, essential oils, flowers, poultry, fresh water fish, to mention but a few. Opportunities for investment exist in Commercial farming in crop and animal industries, as well as aquaculture, Value addition (Agro-industries -Agro-food industries, Manufacturing of inputs (fertilizers, pesticides etc.), Cold storage facilities and logistics, Farm Machinery manufacturing and assembly, Packaging and Irrigation Schemes.

The country has been zoned into specific production areas and in order to ease logistics and supply of Agricultural products / source of raw materials, all these areas are well linked to a good national road grid network.

Energy, Oil and Gas; according to the Petroleum Exploration and Production Department, 21 oil and/or gas discoveries have been made in the country to date. 87 oil wells have been drilled and there are 21 fields in existence. Currently, over 3.5 billion barrels of STOIIP have been discovered with over 1.2 billion barrels of oil equivalent estimated as recoverable. However, appraisal of the discoveries is still on-going. Less than 40% of the Albertine Graben has been evaluated.

Investment opportunities available in upstream activities include: Licensing for petroleum exploration and production; Joint Ventures and farm-in arrangements in existing licenses; Heated crude oil pipelines to refinery; Environmental services; Service provision and contracts in the fields of Engineering, Procurement, Construction, Environmental consultancy, drilling services, down-hole services etc.

Information Communication Technology (ICT); Uganda's ICT sector is one of the most vibrant within the region and fastest growing sector in the economy. This vibrancy hinges largely on the good legal and regulatory frameworks. The supportive investment climate therein has exposed numerous opportunities in ICT innovation services leading to maximum utilisation of the existing youthful human resource base as quite suitable for the ICT work. The newly developed and highly qualitative ICT infrastructure is also ready to accommodate more future investments. As of today, Uganda is now connected to three marine fibre optic cables.

Numerous investment opportunities exist in the local, regional and international markets. Information Technology Enabling Services Industry opportunities are within agriculture, health, tourism, banks insurance and public administration. Domestic opportunities have been identified in the areas of: Digitalisation of services; Healthcare services; Productivity Solutions; Web applications; Software Development; and Network Integrations.

Tourism; "The Pearl of Africa", a coined phrase that depicts Uganda today. Uganda is home to the source of the Nile, the longest river in the world and around Jinja. The Nile offers the best white-water rafting experience globally. Lake Victoria, which is shared with Tanzania and Kenya, is the 2nd largest fresh water lake in the world, while Lake Bunyonyi in South Western Uganda is the 3rd deepest in the world. It is estimated that 50% of the world's population of mountain gorillas' lives in Uganda inclusive of 11% of the world's bird's species (a total of 1060 bird species) which offers a wide range of bird species.

Potential areas for investment in this sector include: establishment of a white sand resort beaches; domestic air transport; establishment of a tourism & hospitality training institute; construction of a wild life/forest lodge, among other leisure provisions.

Mining; over 80% of the country has been surveyed for mineral quantities and locations. New geo-data shows that Uganda has large under-exploited mineral deposits of gold, oil, high grade tin, tungsten/wolfram, salt, beryllium, cobalt, kaolin, iron-ore, glass, sand, vermiculite, phosphates (agricultural fertilizer), Uranium and rare earth elements. There are also significant quantities of clay and gypsum.

Investment opportunities exist in mining and mineral processing. Uganda provides special incentives to the mining sector with some capital expenditures being written off in full.

The Uganda Mining Act of 2021 (recently passed by Cabinet in May 2021) and Mining Regulation 2018 grant five types of mining rights. These include: Prospecting License; Exploration License; Retention License; Mining Lease, and Location License.

Renewable Energy Power Potential; Uganda has considerable unexploited renewable energy resources for energy production and provision of energy services. The overall government policy for the role of renewable energy in the national economy is to make modern renewable energy a substantial part of the national energy consumption. The goal of Uganda Renewable Energy Policy is to increase the use of modern renewable energy from below 5% in 2007 to 61% of the total energy consumption by 2017.

Manufacturing; Uganda's manufacturing sector presents various opportunities in virtually all areas ranging from beverages, leather, tobacco-based processing, paper, textiles and garments, pharmaceuticals, fabrication, ceramics, glass, fertilizers, plastic / PVC, assembly of electronic goods, hi-tech and medical products.

Infrastructure; although significant efforts have been made to develop and rehabilitate the existing physical and non-physical infrastructure, potential investment opportunities exist in all national grids. These include; Airports and Airdromes; Railways Roads and bridges; Urban Transport; Power Generation; Power Transmission; Power Distribution; Water and Sewage; as well as Irrigation Schemes.

Services; Financial services opportunities for investment exist for international multinational banking groups particularly promoting new or innovative financial products (i.e. Mortgage finance, venture capital, merchant banking and leasing finance) and also micro finance saving institutions, especially to operate in rural areas. Insurance in particular, is still a relatively young sector and offers several opportunities for investment.

Education; Uganda runs high quality courses in English at relatively cheaper costs than other education destinations and is dedicated to making investment in the country's knowledge hub a unique experience and a win-win situation for both investors and students. Investment opportunities therefore exist in Uganda for setting up public and independent private universities, branch universities and offshore campuses. Other areas of investment include technical & vocational training, distance learning and student financing, research centres in tropical medicine and medical tourism.

Health; The public health care delivery system in Uganda is organised in tiers, where the Village Health Teams/ Health Centres I, II, III and IV and the General Hospitals form the frontline and primary care, the Regional Referral Hospitals secondary care and the National Referral Hospitals and specialised institutes of cancer and heart, form tertiary care. The national and regional referral hospitals are semi-autonomous institutions, while the district health services and general hospitals are managed by the local governments. A good percentage of health facilities are privately owned and the private sector provides a recognisable output especially in services delivered. Uganda has a growing population, which has therefore increased investment needs in the health sector.

Uganda's government has completely stripped itself from these sectors and private investment is thriving in the mentioned areas as Uganda.

As an investor, you will have to review the cost implications of these projects depending on the time at which you decide to take on a project in Uganda

4 – SETTING UP A BUSINESS

In Uganda, foreigners are allowed to wholly own companies or partly own companies with Ugandans. The laws that govern foreign investments are the Investment Code Act, the Foreign Exchange Act, Citizenship and Immigration Control Act, Land Act among others.

(a) Entry requirements
Foreign investors are required to incorporate a company and provide evidence of investment of at least USD$ 100,000 to be issued with an investment license. They must apply and obtain the relevant license of the sector it intends to invest and apply for a work permit.

(b)Protection of investments
The Investment Code Act provides that the business enterprise of an investor which is licensed shall not be compulsorily taken possession of or acquired except in accordance with the Constitution of Uganda.
The Constitution of the Republic of Uganda, 1995 provides for the right to property and adequate compensation where an individual has been denied of his property rights. Compensation is at fair market value with respect to the enterprise acquired and therefor shall not be subject to exchange control restrictions.

(c) Transfer of invested funds
Under the Investment Code Act, an investor is entitled to externalise his funds for the purposes of; repayment of foreign loans or interest on those loans, payments of dividends of shareholders who are not citizens of Uganda or to citizens of Uganda residing abroad, payment of royalties or fees in respect of an agreement for the transfer of foreign technology, payments of emoluments and other benefits to foreign staff employed in Uganda in connection with the business enterprise, among other instances.

(d) Land ownership
Under the Land Act as amended in 2010, foreign companies and individuals can only acquire leasehold land as opposed to Ugandans who can acquire freehold and land under different land tenures.

Company Registration

Company registration is the first step to formalising a business in Uganda. The Uganda Registration Services Bureau is mandated by the Registrations Services Act to register all business entities in Uganda. The Business Registry is responsible for the registration of:

- Public /Private Companies
- Legal Documents (e.g. Constitutions, Agreements Deeds, Powers of Attorney etc.)
- Security Documents (e.g. Mortgages, Personal property, Debentures etc.)

A Registration Services Bureau Officer is at hand to assist and offer advice to prospecting investors. The applicable forms and information on registration fees charged by the URSB for the formation of a company can be downloaded from www.ursb.go.ug. Alternatively, drop us a line and we can handle all your registration requirements for you through our affiliated companies.

Investment License Issuance

After a company has been incorporated in Uganda, it is eligible for an investment license, provided its capital investment exceeds US$ 100,000 (Foreign firms) and US $ 50,000 (Local firms). Application for an investment license from Uganda Investment Authority can be carried out on line. After all required documentation is submitted along with the filled form, the license is issued for free in 2 days or less.

Documentation required includes:
1. Copy of the Certificate of Incorporation
2. Copy of the Memorandum and Articles of Association
3. A brief business plan
4. Proof of financial ability to implement proposed project i.e. bank statement or letter project support from a bank
5. Proof of proposed physical location of project

Secondary Licenses

There are some sectors that need regulatory approvals from the relevant entities and these include: energy generation, mining, banking, air transport, pharmaceuticals production, education and health. The regulatory approvals/permits/or licenses must be acquired before applying for the Investment License.

Environmental Compliance

The National Environment Management Authority (NEMA) is a Government institution established as the principal agency in Uganda charged with the responsibility of coordinating, monitoring, regulating and supervising environmental impact/mitigation compliance and management. In this regard NEMA is responsible for regulating the impact of all investment on the environment. NEMA grants certificates of environmental clearance, following review and approval of environmental audits, Environment Impact Assessment (EIA) reports and Resettlement Action Plans (RAP).

Immigration Services

The Directorate of Citizenship and Immigration Control is represented to fast track the necessary immigration documentation required for foreign investors. A Principal Immigration officer is always at hand to handle the processes of visa extensions, special passes, dependent passes and their extension, work permit issuance and renewal, and certificates of residency to qualifying investors and their overseas staff, among others.

Visiting Uganda for Business

Travel Visa to Uganda can be obtained at all Uganda Missions and Consulates or Ports of Entry. e.g. Entebbe International Airport.

Underlying, the indicators below show a set of specific procedures; the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm.

No.	Procedure	Time to Complet	Associated Costs
1	Submit the Name Reservation Form to the assessment w Uganda Registration Services Bureau (URSB) and obtain the ba slip	1 day	USH 20,000 + USH 2,200
2	Pay the name reservation fees at the bank	1 day	Included in previous proc
3	Reserve the company name	between 1-3 days	No charge
4	Sign the declaration of compliance before a Commissior	1 day	USH 2,000-10,000
5	Obtain the slip-in for the payment of the registration fee and the stamp duty from URSB	1 day	No charge
6	Pay the registration fees at a designated bank	1 day	No charge
7	File the registration documents at the Office of the R Obtain the Certificate of Incorporation	between 3-5 days	see comments
8	Obtain a Tax Identification Number (TIN) and Register for taxes at the Uganda Revenue Authority	between 2-7 days	No charge
9	Receive inspection of the business premises by the Uganda Revenue Authority (URA)	1 day	No charge
10	Obtain the application forms for the trading license	1 day	No charge
11	Receive inspection of the business premises by the licensing officer and Obtain the assessment form	1 day	No charge
12	Pay the license fee at the bank	1 day	included in the following p
13	Obtain the trading license	3 days	USH 210,000
14	Register with the National Social Security Fund (NSSF)	4 days	No charge
15	Make a company seal	1 day	USH 225,000

TYPES OF PARTNERSHIPS

A partnership arises whenever two or more people co-own a business and share in the profits and losses of the business. Where a partnership is formed for the purpose of carrying on a profession, the number of professionals, which constitutes the partnership shall not exceed fifty.

General Partnerships

This involves two or more owners carrying out a business purpose. General partners share equal rights and responsibilities in connection with management of the business, and any individual partner can bind the entire group to a legal obligation. Each individual partner assumes full responsibility for all of the business debts and obligations. Although such personal liability is daunting, it comes with a tax advantage: partnership profits are not taxed to the business, but pass through to the partners, who include the gains on their individual tax returns at a lower rate. Any profits and losses of a general partnership are divided amongst its members in proportion to their capital contribution as stipulated by the deed.

Limited Partnerships

These consist of not more than twenty persons, and have one or more persons called general partners who shall be liable for all debts and obligations of the firm. A limited liability partnership shall, in addition to general partners have one or more persons called limited liability partners who shall contribute a stated amount of capital to the firm, and shall not be liable for the debts or obligations of the firm beyond the amount of capital contributed. A limited liability partner shall not, during the continuance of the partnership, either directly or indirectly, draw out or receive back any part of his or her contribution to the partnership, and if a limited liability partner draws out or receives back any part of his or her contribution, he or she shall be liable for the debts and obligations of the partnership up to the amount so drawn out or received back.

Limited liability partnerships (LLP)

These retain the tax advantages of the general partnership form, but offer some personal liability protection to the participants. Individual partners in a limited liability partnership are not personally responsible for the wrongful acts of other partners, or for the debts or obligations of the business. Due to the LLP form changes, some of the fundamental aspects of the traditional partnership, the state tax authorities may subject a limited liability partnership to non-partnership tax rules. The internal revenue service views these businesses as partnerships, however, and allows partners to use the pass-through technique.

Existing partnerships that wish to take advantage of LLP status do not need to modify their existing partnership agreement, though they may choose to do so. In order to change status, a partnership simply files an application for registration as a limited liability partnership with the appropriate state agency. It is required that there is a disclosure of the partnership's name and principle place of business, among other things, identification of the number of partners, a brief description of the business as well as statement that the partnership will maintain insurance, and written acknowledgment that the limited liability status may expire.

COMPANY CAPITAL

In the case of a company having a share capital—

(a) the memorandum must also, unless the company is an unlimited company, state the amount of share capital with which the company proposes to be registered and the division of that share capital into shares of a fixed amount;

(b) A subscriber of the memorandum may not take less than one share; and

(c) Each subscriber shall write opposite his or her name the number of shares he or she takes.

Notwithstanding subsection (1)(c), where the company's memorandum states that the object of the company is to carry on business as a general commercial company the memorandum shall state that—

(a) The object of the company is to carry on any trade or business whatsoever; and

(b) The company has power to do all such things as are incidental or conducive to the carrying on of any trade or business by it.

In the case of an unlimited company, the articles must state the number of members with which the company proposes to be registered and, if the company has a share capital, the amount of share capital with which the company proposes to be registered.

In the case of a company limited by guarantee, the articles must state the number of members with which the company proposes to be registered.

Where an unlimited company or a company limited by guarantee has increased the number of its members beyond the registered number, it shall, within fourteen days after the increase was resolved on or took place, give to the registrar notice of the increase and the registrar shall record the increase.

Where default is made in complying with subsection (3), the company and every officer of the company who is in default is liable to a default fine of twenty-five currency points.

TYPES OF COMPANIES

An investor in Uganda has various options to choose from for the form of his/her business enterprise. The law allows for registration of companies limited by shares, limited by guarantee and unlimited liability companies. The main types of company are set out below:

Limited Liability Company

In Uganda, a limited liability company's registered capital is divided into a certain number of shares of a specific nominal value. A company's authorised capital is made up by par values of its members' equity stakes. If the company is incorporated by more than one person, the authorised capital is divided into equity stakes of a certain size. A company's authorised capital determines a minimum size of company property, which guarantees the interests of its creditors. Members of limited liability companies are not liable for its obligations beyond the size of their capital contribution and any unpaid amounts on issued capital.

A limited liability company is the legal form preferred by state authorities for joint ventures.

The registered capital of the company must be subscribed by the shareholder(s) and at least 30% of monetary contributions and all in-kind contributions must be paid up before the company is registered by the Registrar of companies.
Any company profit gained as a result of its business activity should be distributed among members in the proportion to their equity stakes in the authorised capital. The distributable profit is subject to withholding tax.
A limited liability company may either be a private or a public company.

Public Limited Company

This is formed by a minimum of 51 members and has the power to invite public subscription for its shares. Subscription of shares must be made upon incorporation of the company. To this end, a general meeting must be held by the subscribers on the establishment of the company, unless the founder(s) agree in the memorandum of association to pay the total registered capital of the company themselves to a certain ratio.

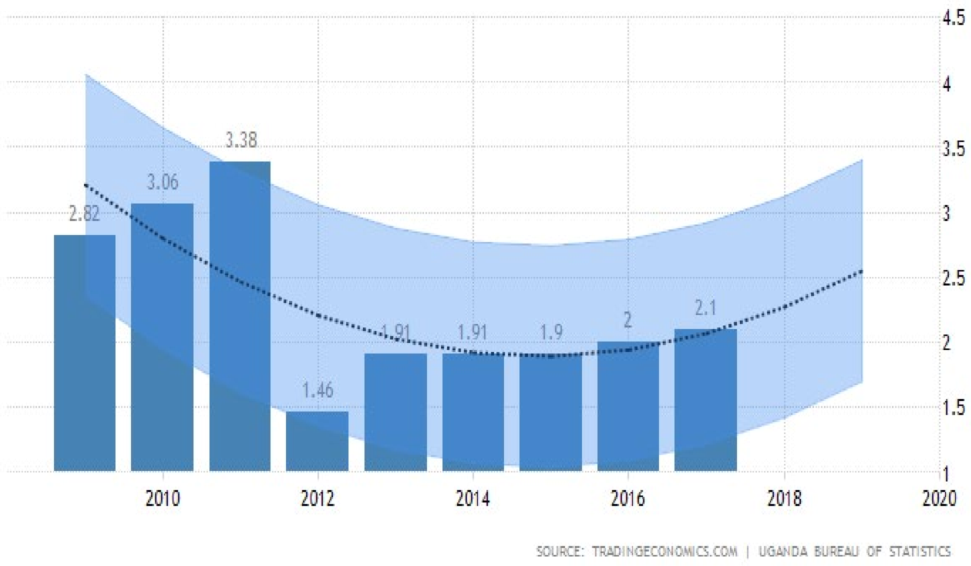
If the shares of the company are subscribed through a public offering of shares, then a prospectus must be approved by the Capital Market Authority prior to publication of the announcement on the public offering. This must be published concurrently with the public offering. Where the company is listed in the securities exchange, the approval of the securities exchange is also needed. The payment of dividends or profit shares is not restricted, provided the company has sufficient distributable profits.

Private Limited Company;

In contrast to a public company, a private company must have a minimum of two shareholders but should not exceed 50 shareholders.
Furthermore, it cannot invite public subscriptions for its shares; the transfer of shares is restricted in that the consent of other shareholders is required before the transfer of private subscriptions is allowable.

5 – LABOUR

Unemployment Rate in Uganda currently stands at 9 percent of the currently working population, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Uganda Unemployment Rate is projected to trend around 13 percent in 2022, according to our econometric models.



Uganda Labour	Last	Q2/19	Q3/19	Q4/19	Q1/20	2020
Unemployment Rate	2.1	2.2	2.2	2.2	2.3	2.4
Population	42.86	42.8	42.79	44.23	45.6	46.97
Wages High Skilled	1216600	1628290	1697802	1817300	1817300	1957168
Wages Low Skilled	412400	479510	494774	440000	440000	452000
Living Wage Family	1368500	1368500	1368500	1368500	1368500	1608900
Living Wage Individual	652200	652200	652200	652200	652200	652200
Employment Rate	47.8	46.65	47.84	49.04	80.91	73.88

The provisions regulating employer-employee relationships are laid out in the Employment Act. 2006, which is the binding law in Uganda.

The employer-employee relationship stems from the agreement signed between an employer and an employee. The agreement contains the terms of reference for the employee, detailing their specific duties and responsibilities, the terms of employment, including hours of work, salary and other benefits, period of paid leave and other entitlements as well as the respective rights and obligations of both the employer and employee.

The minimum period of annual leave is 21 days per annum, maternity leave is sixty (60) working days and paternity leave is four (4) working days. The employment agreement can, however vary.

Social Security

Under the National Social Security Fund Act, Cap 222 (Laws of Uganda) to provide social security, the only social security issues in Uganda are pensions and compensation for injuries sustained in the course of employment and loss of earning capacity.

Article 1(XIV) of the Constitution of Uganda provides that the State shall endeavour to fulfil the fundamental rights of all Ugandans to social justice and economic development and shall, in particular, ensure that—

(a) All developmental efforts are directed at ensuring the maximum social and cultural well-being of the people; and

Article 23 of the Universal Declaration of Human Rights affirms that every "everyone has the right to work, to free choice of employment, to just and favourable conditions of work and protection against unemployment." It further states that everyone without any discrimination has the right to equal pay for equal work.

The Minister may, by statutory order, vary the rate of special contribution and may, in that order, apply different rates of contribution to different classes of employers and employees.

6 – TAXATION

The Uganda Tax System can be summarised within Six (6) major Elements;

- Individual and Corporate income tax,
- Value added tax (VAT) on goods and services,
- Import and Excise duties, and
- Stamp duty.
- Pay As You Earn (PAYE) for employees
- Rental Tax for rental property owners

Articles 152 (i) of the Uganda constitution provides that "no tax shall be imposed except under the authority of an act of parliament." Therefore, the Uganda Revenue Authority Act Cap 196 was put in place to provide the administrative framework in which taxes under various acts are collected. The Uganda Revenue Authority administers the tax laws (acts) on behalf of the Ministry of Finance, Planning and Economic Development under the following legislation regulating taxes:

(i) Customs Tariff Act. Cap 337.
(ii) East African Customs Management Act
(iii) Excise Tariff Act Cap 338.
(iv) Income Tax Act Cap 340
(v) Stamps Act Cap 342
(vi) Traffic and Road Safety Act Cap 361
(vii) Value Added Tax Act Cap 349
(viii) The Finance Acts.
(ix) Gaming and Pool Betting (Control and Taxation) Act, Cap.292;
(x) All other taxes and non-tax revenue as the Minister responsible for Finance may prescribe.

INCOME TAX LAW

Income tax is imposed on a person's taxable income at specific rates. A person includes an individual, company, partnership, trustee, Government and sub divisions of Government. Income tax is charged on every person who has chargeable income for each year of income. Income tax is administered under the Income Tax Act (1997) Cap 340. The scope of liability to tax depends on a person's residence status. Income tax is imposed on Income from business, employment and property. For a resident person, income tax is charged on gross income from all over the world. The tax for a non-resident person is only charged on income derived from sources within Uganda.

1.1 Employment Income.

According to the Income tax Act cap 340, Employment income includes: wages, salaries, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, allowances (entertainment, duty, utility, welfare, housing, medical, or any other allowances). This is taxed under the PAYE (Pay As You Earn) structure. Employment is defined by:

1. The position of an individual in employment of another person.
2. The directorship of a company.
3. The position entitling the holder to a fixed or ascertainable remuneration.
4. The holding or acting in a public office.

Resident Individual

Chargeable income (Shillings)	Rate of tax (Shillings)
Up to 235,000	Nil
235,000 - UGS335,000	10% of the amount by which chargeable income exceeds 235,000
335,000 - 410,000	10,000 plus 20% of the amount by which chargeable income Exceeds 335,000
Exceeding UGS 410,000	25,000 plus 30% of the amount by which chargeable income Exceeds 410,000 plus 10% of chargeable income exceeding 10,000,000

Non-Individuals

Chargeable income (Shillings)	Rate of tax (Shillings)
Not exceeding. 335,000	10%
335,000 - 410,000	33,500 plus 20% of the amount by which chargeable income exceeds 335,000
Exceeding 410,000	UGS 48,500 plus 30% of the amount by which chargeable income exceeds UGS 410,000 plus 10% of chargeable income exceeding UGS 10,000,000

An individual will be regarded as resident in Uganda if he or she:

- Has a permanent home in Uganda.
- Is present in Uganda for a period of, or periods amounting in aggregate to 183 days or more in any 12-month period that commences or ends during the year of income
- Is present in Uganda during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income
- Is an employee or official of the government of Uganda posted abroad during the year of income

NOTE: Income tax is levied on the worldwide income of resident individuals and on the income of non-resident individuals from sources in Uganda.

Taxation of other Employment benefits.

1. Motor vehicle

A car provided wholly or partly for an employee's private use is a taxable benefit, calculated according to the formula:

(20% x A x B/C) – D

***where**:*

A is the market value of the car at the time it was first provided for private use;
B is the number of days the car is available for private use in the year of income;
C is the number of days in the year of income; and
D is any payment made by the employee for the benefit.

2. Housing

The taxable value of accommodation or housing provided by an employer for an employee is the lower of:

a. the market rent of the accommodation/ housing less the employee's contribution; or
b. 15% of employment income including market rent.

3. Interest on Soft Loans

Where an employer grants a loan exceeding UGX. 1,000,000 and repayment is over 3 months at a rate of interest below the statutory rate (Bank of Uganda discount rate at the start of the year), the value of the benefit is the difference between the interest payable had the loan been at the statutory rate and the interest actually paid.

4. Other benefits

Other taxable benefits include leave passage tickets, club subscriptions and school fees for dependents. The value is the cost of providing the benefits is taxed.

5. Tax free employment benefits

a. Benefits provided whose total value is less than UGX 10,000 per month.
b. Meals and refreshments provided to employees on the employer's premises, and which are available to all full-time employees on equal terms.
c. Employer's contribution to a pension or provident fund
d. Insurance premiums paid on the life of the employee.
e. Reimbursement or discharge of the employee's medical expenses; a non-accountable medical allowance is taxable.
f. International passage costs paid by an employer for a non-citizen employee recruited outside Uganda. This exemption only applies during commencement and termination of the contract; annual leave passage is taxable.

NOTE: Contributions to the retirement fund (National Social Security Fund (NSSF) is based on gross cash emoluments (inclusive of cash allowances) as follows: -Employee's contribution 5%
- Employer's contribution 10%

1.2 Corporations tax:

This is payable on the adjusted profit of the company**.**

Nature of Entity	**Corporate income tax rate (%)**
Resident companies	30
Trusts and retirement funds	30
Non-resident companies	30
Repatriation of profits by branches of non-resident companies	15
Mining companies 25-45	25 - 45

A company is required to submit 2 types of returns.

1. **Provisional return** – submitted to URA before the end of the 1st six months of the financial year of the company based on the estimated income of the company. This provisional return can be amended before the year-end by submitting a revised or amended provisional return.

A penalty is imposed for underestimation of the provisional tax payable by more than 10%.

2. **Final income tax return** – submitted 6 months after the end of the company's financial year. This is based on the actual income of the company. This is also called a self-assessment form. The amount that may be due, after deducting the provisional tax and any tax credits, should be paid by the end of this sixth month. Penalties are imposed on late submission of the return as well as late payment of the tax due.

Special rates of tax apply to income from small businesses (i.e. those businesses where the income does not exceed UGS 150m per year).

Tax rates under the presumptive structure.

TURN OVER	RATE OF TAX
0 – 10 Million	Nil
10 Million - 30 Million	0.4% in excess of turnover of ugx 10 million
30 Million – 50 Million	80,000/- plus 0.5% annual turnover in excess of 30,000,000
50 Million -80 Million	180,000/- plus 0.6% of the annual turnover in excess of 50,000,000
80,000,000 but does not exceed 150,000,000	360,000/- plus 0.7% of the annual turnover in excess of ugx 80,000,000

NOTE: Assessed losses are allowed to be carried forward and allowed as a deduction in determining the taxpayer's chargeable income in the following year of income. These are allowed to be carried forward indefinitely.

Capital Allowances:

Commercial Building Allowance	5%
Computer and Data Handling Equipment	40%
Plant and machinery used in farming, manufacture and mining	30%
Automobiles; buses, minibuses, goods and vehicles, construction and earth moving equipment, specialised trucks, tractors, trailers and trailer mounted containers, rail cars, locomotives, and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft; specialised public utility plant, equipment, and machinery; office furniture, fixtures, and equipment; and any depreciable asset not included in another class.	20%
Farm works	20%
Mineral exploration expenditure	100%
Start-up costs	25%

1.3 Capital gains tax

Capital gains rises from the disposal of a business asset that is not depreciable such as land and buildings. This is taxed at 30% for companies.

1.4 Property Tax

Property income means:

1. any dividends, interest, annuity, natural resource payments, rents, royalties and any other payment derived by a person from the provision, use or exploitation of property;
2. the value of any gifts derived by a person in connection with the provision, use or exploitation of property;
3. the total amount of any contributions made to retirement fund during a year of income by a tax-exempt employer

Computation of property tax for resident individuals

- ✓ Gross on all rents earned during the year.
- ✓ Deduct 75% statutory expenses on the gross rent.
- ✓
- ✓ Apply a rate of 30% on the chargeable income to get the tax.

For companies, rental income is taxed separately from other business income. The applicable tax rate is 30% on the taxable income (rental income less directly related rental expenses).

1.5 Withholding tax

Withholding tax is a final tax on:

- ✓ Interest paid by a financial institution to a resident individual
- ✓ Interest paid to any person on treasury bills by the Bank of Uganda
- ✓ Dividends paid to a resident individual.

PAYMENT	RESIDENT	NON-RESIDENT
Dividend - Unlisted companies	15	15
Dividend - Listed companies	15	10
Interest	15	15
Management / professional fees	6	15
Interest on Bonds (Tenure of 10 plus years).	10	20
Interest on T/bills & bonds (Tenure of less then 10 years)	20	20
Purchase of asset from non-resident	10	N /A
Winnings; sports & Pool betting	15	15
Payment of re-insurance premiums	15	
Royalties	N/A	15
Sporting or entertainment	N/A	15

Natural resource payment	N/A	15
Leasing Equipment	N/A	15
Rents	N/A	15
Payment by Government entities	6	-
Mineral, oil and gas Contracts	-	10

NOTE: Lower rate may apply where there's a tax treaty in force. Uganda has signed Double Taxation Agreement (DTAs) with United Kingdom, Denmark, Norway, South Africa, Netherlands, Mauritius, Italy, Zambia and India. Treaties with Egypt, China, UAE, Sudan, Belgium and Seychelles have been negotiated but not yet signed while a treaty with the EAC is yet to be ratified by all countries. Withholding Tax is payable by the 15th day of the month following the month of deduction.

Value-added tax (VAT)

VAT is governed by the VAT Act and administered by the URA. VAT is charged at the rate of 18% on the supply of most goods and services in the course of business in Uganda. Specified goods and services, as well as exports outside of Uganda, attract a zero rate of tax.

Some supplies are exempt from VAT, the main categories being government subsidies, some unprocessed foodstuffs, financial services, health and life insurance, agriculture insurance policies, re-insurance services, unimproved land, leases and sale of certain residential properties, betting and gaming, education, medical and health services, social welfare services, pesticides, and petroleum products subject to excise duty.

Zero rating is preferable to exemption because the VAT on costs incurred in making a zero-rated supply can be recovered while those incurred in making an exempt supply cannot be recovered.

The zero-rated supplies include the supply of goods and services exported from Uganda; the supply of drugs and medicines; the supply of seeds, fertilisers, pesticides, and hoes; and the supply of leased aircraft, aircraft engines, spare engines, spare parts for aircraft, and aircraft maintenance equipment.

Besides the exempted and zero-rated supplies, there is a deemed VAT regime that applies to the upstream and midstream operations in the oil and gas sector, mining operations, as well as aid-funded projects. The tax payable on a taxable supply made by a supplier to a contractor executing an aid-funded project and by a contractor to a licensee to undertake mining or petroleum operations is deemed to have been paid by the supplier (in the case of the aid-funded projected) or the contractor (in the case of mining and petroleum operations) provided the supply is for use by the contractor solely and exclusively for the aid-funded project or the petroleum/mining operations.

The annual threshold for VAT registration is UGX 150 million. Persons who make supplies that are Vatable and whose turnover exceeds UGX 150 million are required to register for VAT with the URA. VAT-registered persons are required to:

- Charge VAT whenever they make supplies that are Vatable.
- File monthly returns before the 15th day of the month following the reporting month.

Stamp duties

Stamp duty is charged on a number of transactions at varying rates. Stamp duty is charged at 1% of the total value for a number of instruments, including hire purchase agreements, composition deeds, leases, conveyance, transfers, share warrants, gifts, and agreements relating to deposit of title deeds.

Stamp duty of 0.5% is incurred on formation of a company, capital-raising activities (e.g. increase of share capital), debentures, equitable mortgages, and mortgage deeds.

Stamp duty of 1.5% applies on all transfers, including transfer of shares and property.

Stamp duty of 2% applies on exchange of property.

No stamp duty is charged on the increase of share capital where it is in fulfilment of a condition precedent for acquiring loan funds for a development project or where it is made on becoming public through the stock exchange.

Stamp duty of UGX 15,000 is also charged in a number of various other instruments.

CUSTOMS LAW

Many goods imported into Uganda are subject to customs duties. However, exemptions are available to various classes of plant and machinery imported into Uganda. The rates of duty are provided by the East African Community common external tariff code. Certain products imported from the East African Community and the Common Market for Eastern and Southern Africa (COMESA) region enjoy special custom duty rates. Imported items are classified according to the nomenclature established under the international convention on the harmonised commodity description and coding system. Duties range from 0% to 60%, depending on the item imported.

The common external tariffs are as below.

Nature of products	**RATE (%)**
Basic raw materials,	0
Intermediate goods	10
Finished goods	25
Sensitive items	35-100

Environmental levies

Environmental levies are charged on every person who imports motor vehicles that are eight years old or older. Levies are also imposed on the importation of used household appliances. The levy on motor vehicles is 20% of the value of the vehicle as determined for customs duty purposes. Levies on electrical appliances range from UGX 20,000 to UGX 50,000 per item, depending on the nature of the item.

ITEM	**RATE**
Motor vehicles (5 -10) years	35 % of CIF
Motor vehicles (more than 10 Years)	50 % of CIF

Note: Names of taxes have been standardised, such as income tax, profit tax, tax on company's income are all named corporate income tax in this table.
The hours for VAT include all the VAT and sales taxes applicable.
The hours for Social Security include all the hours for labour taxes and mandatory contributions in general.

Credit for input tax

A person making exempt, zero-rated, and standard supplies can recover all the input VAT if the exempt supplies are less than 5% of the total supplies. However, if the exempt supplies are more than 5% but less than 95%, the person is required to recover only a portion of the VAT input tax corresponding to the percentage of the taxable supplies. If the exempt supplies exceed 95%, the person cannot recover any input VAT.

Imported services

The VAT Act defines a supply of service to mean any supply that is not a supply of goods or money, including the performance of services for another person.

There is no definition of imported services in the local legislation. However, the tax authorities generally consider an imported service to be one provided by a person normally resident outside Uganda who is not required to register for VAT in Uganda. According to Regulation 14 of the VAT Regulations 1996, any person who imports a service into the country must account for VAT on such a service. The Regulations require the person importing the service to account for the VAT at the time when performance of the service is completed, when payment for the service is made, or when the invoice is received from the foreign supplier, whichever is earliest.

The tax on such imported services is computed at the rate of 18% of the cost of the service. VAT-registered companies are no longer required to prepare self-billed tax invoices; thus, they are unable to claim the VAT paid as input tax; however, a contractor or licensee in the petroleum and mining industry is able to claim an input tax credit for the reverse-charge VAT paid on imported services. Also, persons providing business process outsourcing (BPO) services are allowed to claim credit for input tax for VAT paid on imported services. Further, if the importer of the services is not registered for VAT, the importer is required to calculate and pay the VAT to the URA.

Failure to pay VAT on non-exempt imported services is tantamount to lack of compliance with the law, and a penalty of 2% per month, compounded, may apply.

Interest payable on late payment of VAT is capped to a maximum of the aggregate of the principal tax and penal tax.

Excise duties

Excise duties are imposed on goods considered luxuriant. Examples include locally manufactured soft drinks, cigarettes, alcoholic drinks, and spirits. A schedule of some of the rates is provided below:

Goods	Excise duty
Soft cap cigarettes:	UGX 75,000 per 1,000 sticks

Goods	Excise duty
	s
Hinge lid cigarettes:	UGX 120,000 per 1,000 sticks
Cigars, cheroots, and cigarillos containing tobacco	200%
Smoking tobacco whether or not containing tobacco substitutes in any proportion	200%
Homogenised or reconstituted tobacco or other tobacco	200%
Beer made from malt	60% or UGX 2,050 per litre, whichever is higher
Beer made from local raw material and opaque beer	30% or UGX 790 per litre, whichever is higher
Beer produced from barley grown and malted in Uganda	30% or UGX 1115per litre, whichever is higher
Un-denatured spirits made from locally produced raw materials	60% or UGX 2,000 per litre, whichever is higher
Un-denatured spirits	100% or UGX 2,500 per litre, whichever is higher
Ready-to-drink spirits	80% or UGX 1,700 per litre, whichever is higher
Non-alcoholic beverages (excluding fruit or vegetable juices)	12% or UGX 500 per litre, whichever is higher
Fruit and vegetable juice (except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda)	13% or UGX 2500 per litre, whichever is higher
Powder for reconstitution to make juice or dilute-to-taste drinks, excluding pulp	15% of the value
Wine produced from local raw materials	20% or UGX 2,300 per litre, whichever is higher

Goods	Excise duty
Air time applicable to mobile cellular, landline, and public pay phones	12%
Fuel and oils	Between UGX 200 and UGX 1,200 per litre, depending on the type of fuel/oil. Nil for gas oil and thermal power generation to the national grid.
Motor spirit (gasoline)	UGX 1,350 per litre
Gas oil (automotive, light, amber for high speed engine)	UGX 1,030 per litre
Motor vehicle lubricants	15%
Chewing gum, sweets, and chocolates	20%
Other furniture	20%
Specialised hospital furniture	0%

Other goods and services	Excise duty
Banking fees	15% of the fees charged
Money transfers (other than transfers by banks)	15% of the fees charged
Over-the-top services	UGX 200 per user per day of access
Mobile money transactions of withdrawal of cash	0.5% of the value of the transaction
Cosmetics and perfumes (except creams used by persons with albinism in the treatment of their skin, which attract no excise duty)	10%
Incoming international calls (other than calls from the Republic of Kenya, the Republic of Rwanda, and the Republic of South Sudan)	USD 0.09 per minute
Cement	UGX 500 per 50 kg
Cane or beet sugar and chemically pure sucrose in solid form	UGX 100 per kg

Payroll taxes

The employer is required to withhold tax on employment income from their employees and pay it to the tax authorities. The tax is normally borne by the employee. Where the employer fails to withhold tax as required, the employer becomes liable for the taxes but may recover the same from the employees.

Local service tax ranging between UGX 5,000 and UGX 100,000 *per annum*, subject to an individual's employment income bracket, is payable to the local municipal councils of the individual's area of residence. The tax is withheld and paid by the employer.

7 – ACCOUNTING & REPORTING

All commercial enterprises are required to prepare accounts for the determination of corporate taxes payable.
The income of not-for-profit organisations is not taxable. However, these organisations have a requirement (set out in their constitutive documents) to prepare accounts, showing funds received and their application.
The Companies Act also lays out requirements which must be met in order for organisations to satisfy reporting requirements. In this regard, accounts must comprise the following:

- Statement of Financial Position
- Statement of Profit or Loss and other comprehensive Income
- Statement of Cash flows.
- Statement of Changes in equity

In addition, financial statements must comply with International Financial Reporting Standards (IFRS). This means that, in addition to the four requirements above, companies must prepare:

- Explanatory notes to the financial statements
- Disclosures as required by the IFRS and International Accounting Standards

Financial statements are required to be prepared every 12 months.

Audit Requirements

An individual asked to sign an audit opinion should meet the requirements laid out by the Institute of Certified Public Accountants of Uganda (ICPAU). Only registered auditors with the The Institute of Certified Public Accountants of Uganda (ICPAU).) can express audit opinions on any set of accounts required by legislation or regulation for audit.

Audit examinations are either obligatory or initiative in nature. Obligatory audit examinations are established by law and are conducted for:

- Joint stock companies
- Banks, insurance companies and investment institutions.

Obligatory audit examinations should be conducted in accordance with standards approved by the IFRS and sector-specific regulations.

8 – UHY REPRESENTATION IN UGANDA

UHY THAKKAR & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTANTS UGANDA

UHY

CONTACT DETAILS

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SOCIAL MEDIA CONNECTIONS

- Facebook: UHY Thakkar & Associates
- Google+: UHY Thakkar
- LinkedIn: UHY Thakkar & Associates
- Twitter: UHY Thakkar and Associates

Year established:	2014
Number of partners:	1
Total staff:	8

ABOUT US

We are an Audit Firm delivery professional accounting, auditing and business advisory services with optimal business solutions tailored to meet the diverse needs of our cleints.

BRIEF DESCRIPTION OF FIRM

UHY Thakkar & Associates has been in operation since 2014 and is currently one of the fastest growing Certified Public Accountants and management consultancy firms in Uganda. We offer a wide range financial consulting services all intended to assist clients to undertake and run successful business and development initiatives in Uganda and other countries of East and Central Africa as well as across the globe.

The firm joined UHY in 2015.

SERVICE AREAS

- Audit
- Accountancy
- Taxation
- Tax News on monthly basis
- Internal audit
- Risk-based audit
- Payroll processing
- Company formations
- Investigations

SPECIALIST SERVICE AREAS

- Receivership and liquidations
- Company valuations
- Due Diligence assignments

The network for doing business

UHY THAKKAR & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTANTS UGANDA

- Tax planning
- Investment appraisals
- Filing of annual returns
- Risk base auditing
- Audit of Oil and Gas sector

PRINCIPAL OPERATING SECTORS

- Oil and Gas
- Construction
- Transport
- Mining
- Transport and logistics

LANGUAGES

English

CURRENT PRINCIPAL CLIENTS

Meera Investments Ltd, Crane Paper Bags Ltd, Altx East Africa Limited, East African Cranes Ltd, Kibimba Limited, Strategic Logistics Ltd, Speke Hotel 1996 Ltd

BRIEF HISTORY OF FIRM

UHY Thakkar & Associates is an Audit and Consultancy firm in Uganda certified by the Institute of Certified Accountants if Uganda. Established in 2014 as ST & Associates, and in September 2015 it was confirmed by UHY International as a member firm.

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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