

## Overview:

This newsletter provides a concise summary of important amendments to tax laws in Uganda. These changes encompass the Income Tax Act, Tax Procedures Code, and VAT Tax Act, addressing various aspects of taxation. Key highlights include the introduction of withholding tax on capital asset sales, exemptions for certain asset transfers, and adjustments to tax procedures and penalties. The newsletter also covers VAT changes, such as taxation of electronic services and updates to exemptions.

## Amendments to the Income Tax Act:

- 1. Disposal of Capital Assets:** The proposed amendment introduces a 5% withholding tax on the sale price of capital assets, making all capital asset disposals taxable. Deductions for improvements, modifications, or repairs are no longer allowed, and losses on asset sales are not deductible.
- 2. Transfer of Assets:** Certain asset transfers, such as those between spouses or due to inheritance, will not attract tax.
- 3. Employee Share Acquisition:** Income from the disposal of rights or options under an employee share acquisition scheme will no longer be taxable, benefiting MSMEs in talent retention.
- 4. Taxation of Collective Investment Scheme Profits:** Dividends/profits from collective investment schemes will be taxable via withholding tax. The threshold for filing tax returns varies based on contributions.
- 5. Interest Deductions:** Taxpayers obtaining credit from micro-finance institutions can now deduct the entire interest accruing for the year of income.
- 6. Sale of Assets:** The sale of assets beyond their Net Book Value will no longer be included in business income.
- 7. Initial Allowances:** Initial allowances on plant and machinery or industrial buildings will no longer be claimable.
- 8. Taxation of Industrial and Intellectual Property:** Income arising from the disposal of industrial property or intellectual property used in Uganda will be taxable.

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**9. Taxation of Digital Services:** The amendment explicitly imposes a 5% tax on various digital services, including online marketplaces, cloud computing, and more.

### **Amendments to the Tax Procedures Code:**

**1. Interest Capping:** Interest payable under a tax law after July 1, 2017, is capped at the principal and penal tax aggregate.

**2. Penalty and Interest Waiver:** Taxpayers can enjoy a waiver of penalties and interest for tax outstanding as of June 30, 2023, if paid by December 31, 2023.

**3. Compliance with Information Requests:** Taxpayers must comply with information requests from the Uganda Revenue Authority as it is a legal obligation.

**4. Tampering with Tax Stamps:** Tampering with digital tax stamp machines is now a criminal offense, punishable by imprisonment and fines.

### **Amendments to the VAT Tax Act:**

**1. VAT on Auction Sales:** Auctioneers are now responsible for charging and remitting VAT on goods sold by auction.

**2. Taxation of Electronic Services:** Digital services supplied from outside Uganda to recipients in Uganda are subject to VAT.

**3. Non-Resident Service Providers:** Non-resident service providers can make payments in US dollars.

**4. Amendments to VAT Exemptions:** Several amendments have been made to VAT exemptions, including changes in the taxation of baby diapers and various production inputs.

We encourage you to review these amendments carefully, as they may have significant implications for your tax obligations and business operations. Should you have any questions or require assistance in navigating these changes, please do not hesitate to reach out to our expert team at SRSRobert and Associates.

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