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**BILLS****SUPPLEMENT No. 4****27th March, 2019****BILLS SUPPLEMENT***to The Uganda Gazette No. 13, Volume CXII, dated 27th March, 2019*

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**Bill No. 6***Income Tax (Amendment) Bill***2019****THE INCOME TAX (AMENDMENT) BILL, 2019****MEMORANDUM**

The object of this Bill is to amend the Income Tax Act, Cap. 340 to provide for the definition of beneficial owner; to reduce the threshold required for a tax exemption; to provide for withholding tax by a seller of a business or business asset; to provide for an offence and a penalty for failure to obtain a taxpayer identification number from a licensee; and for other related matters.

**MATIA KASAIJA (MP),**  
*Minister of Finance, Planning & Economic Development.*

*Hand on table by  
Hon. Matia Kasaija  
on 28/3/2019  
Pma*

**Bill No. 6**

*Income Tax (Amendment) Bill*

**2019**

THE INCOME TAX (AMENDMENT) BILL, 2019

ARRANGEMENT OF CLAUSES

*Clauses*

1. Commencement
2. Amendment of Income Tax Act, Cap. 340
3. Amendment of section 5 of principal Act
4. Amendment of section 21 of principal Act
5. Amendment of section 25 of principal Act
6. Amendment of section 38 of principal Act
7. Amendment of section 88 of principal Act
8. Amendment of section 118B of principal Act
9. Amendment of section 135 of principal Act
10. Amendment of Third Schedule to principal Act

A Bill for an Act

ENTITLED

**THE INCOME TAX (AMENDMENT) ACT, 2019**

**An Act to amend the Income Tax Act, Cap. 340 to provide for the definition of beneficial owner; to reduce the threshold required for exemption; to provide for withholding tax by a seller of a business or business asset; to provide for an offence and a penalty for failure to obtain a taxpayer identification number from a licensee; and for related matters.**

BE IT ENACTED by Parliament as follows:

**1. Commencement**

This Act shall come into force on 1<sup>st</sup> July, 2019.

**2. Amendment of Income Tax Act, Cap. 340.**

The Income Tax Act, in this Act referred to as the principal Act, is amended in section 2 by—

(a) inserting immediately after paragraph (e) the following —

“(ea) “beneficial owner” means a natural person who owns or has a controlling interest over a legal person other

than an individual and who exercises control over the management and policies of a legal person or legal arrangement, directly or indirectly whether through ownership or voting securities, by contract or otherwise;”

(b) inserting immediately after paragraph (l) the following—

“(la) “citizen” means—

- (a) a natural person who is a citizen of a Partner State of East African Community;
- (b) a company or a body of persons incorporated under the laws of a Partner State of the East African Community in which at least fifty-one percent of the shares are held by a person who is a citizen of a Partner State of East African Community;”

**3. Amendment of section 5 of the principal Act**

Section 5 of the principal Act is amended by inserting immediately after subsection (2) the following—

“(2a) For purposes of subsection (2) (b), a person who earns rental income from more than one rental property shall account for the income and expenses of the properties and shall pay tax for each of the properties separately.”

**4. Amendment of section 21 of the principal Act**

Section 21 of the principal Act is amended—

(a) in subsection (1) by substituting for paragraph (ae) the following—

“(ae) the income derived by a person from letting or leasing facilities whose investment capital is at least fifty million United States Dollars in an industrial

park or free zone for a period of ten years from the date of commencement of construction or in the case of an existing developer, from the date on which the developer makes an additional investment equivalent to fifty million United States Dollars;”

- (b) in subsection (1) by substituting for paragraph (af) the following—

“(af) the income of an operator in an industrial park or free zone or other person carrying on business outside the industrial park or free zone whose investment capital is at least ten million United States Dollars in the case of a foreigner or two million United States Dollars in the case of a citizen for ten years from the date of commencement of business or, in the case of an existing operator, from the date on which the operator makes an additional investment equivalent to ten million United States Dollars in the case of a foreigner or two million United States Dollars in the case of a citizen;

- (c) in subsection (1) by inserting immediately after paragraph (af) the following—

“(ag) income of an operator within an industrial park, free zone or an operator who owns a single factory or other business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case of a foreigner or two million United States Dollars in case of a citizen, who uses at least seventy percent of the raw materials that are locally sourced, subject to their availability and employs at least sixty percent citizens, who—

- (i) processes agricultural goods;

- (ii) manufactures or assembles medical appliances, building materials, automobile, house hold appliances;
- (iii) manufactures furniture;
- (iv) establishes or operates vocational or technical institutes; or
- (v) carries on business in logistics and ware housing, information technology or commercial farming.”

(ah) interest paid on infrastructure bond;”

(d) in subsection (2) by inserting immediately after paragraph (c) the following—

“(d) infrastructure bond” means all listed bonds, notes or other similar securities used to raise funds for public infrastructure and other social services, if those bonds have a maturity period of at least five years”

**5. Amendment of section 25 of principal Act.**

Section 25 of the principal Act is amended by substituting for subsection (3) the following—

“(3) The amount of deductible interest in respect of all debts owed by a taxpayer who is a member of a group, other than a financial institution or person carrying on insurance business, shall not exceed thirty per cent of the tax earnings before interest, depreciation and amortization.”

**6. Amendment of section 38 of principal Act.**

Section 38 of the principal Act is amended by inserting immediately after subsection (5), the following—

“(5a) A taxpayer who has carried forward assessed losses for a consecutive period of seven years of income shall pay a tax at a rate specified in Part XIII Third Schedule.”

**7. Amendment of section 88 of principal Act**

Section 88 of the principal Act is amended in subsection (5) (a) by repealing the words “within the meaning accorded to that term by the relevant international agreement and”.

**8. Amendment of section 118B of principal Act**

Section 118B of the principal Act is amended—

- (a) by renumbering the current section as subsection (1); and
- (b) by inserting immediately after subsection (1) the following—

“(2) A resident person who purchases a business or business asset shall withhold tax at a rate specified in Part VIII of the Third Schedule.”

**9. Amendment of section 135 of principal Act**

Section 135 of the principal Act is amended by substituting for subsection (3), the following—

“(3) A local authority, Government institution, or regulatory body shall not issue a licence or any form of authorization necessary for purposes of conducting any business in Uganda, to any person without a taxpayer identification number.”

**10. Amendment of Third Schedule to principal Act**

The Third Schedule to the principal Act is amended—

- (a) in Part IV by substituting for paragraph 2 the following—

“2. The withholding tax rate for interest payments on government securities to a non-resident person under section 83—

- (a) is 20 percent for government securities whose period of maturity does not exceed ten years; and

(b) 10 percent for government securities whose period of maturity is at least ten years.”;

(b) in Part V by substituting for paragraph 3 the following—

“3. The withholding tax rate for interest payments on government securities to a resident person under section 117 is—

(a) 20 percent for government securities whose period of maturity does not exceed ten years; and

(b) 10 percent for government securities whose period of maturity is at least ten years.”;

(c) In Part VIII by inserting after paragraph 2 the following—

“3. The withholding tax rate for purposes of section 118B (2) is 6% of the gross payment.”

(d) by inserting immediately after Part XII the following—

***“PART XIII***

***Tax rate for tax payers with carried forward losses for seven consecutive years***

0.5% of the gross turnover for every year of income in which the taxpayer continues to carry forward the assessed losses after the seventh year.”





THE REPUBLIC OF UGANDA

Hand on table by  
Hon. Matia Kasaija  
on 28/3/2019  
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## CERTIFICATE OF FINANCIAL IMPLICATIONS

(Made under Section 76 of Public Finance Management Act 2015)

**THIS IS TO CERTIFY** that the Bill entitled, the INCOME TAX (AMENDMENT) BILL 2019, has been examined as required under Section 76 of the Public Finance Management Act 2015. I wish to report as follows:

**a) That the Bill has the following objective:**

1. To provide for the definition of beneficial owner;
2. To reduce the threshold required for a tax exemption;
3. To exempt infrastructure bonds
4. To provide for withholding tax by a seller of a business or business asset and;
5. To provide for an offence and a penalty for failure to obtain a taxpayer Identification Number from a licensee.

**b) That it is expected to achieve the following outputs:**

1. To facilitate and promote business and investments.
2. To enhance tax compliance and ease tax administration.

**c) That the expenditure plan by major components for the next two years.**

Since this is an amendment to the existing tax provisions, there is no expenditure plan specifically different from the overall allocation of Shs. 431.255 billion for 2019/20 Financial Year to Uganda Revenue Authority.

**d) That the funding and budgetary implications are the following:**

Funding is going to be through overall Government budgetary allocations to Uganda Revenue Authority.

**e) Expected savings and/or revenue to Government:**

Revenue expected from tax measures on Income Tax is UShs. 39 billion.

Submitted to Parliament under my hand.

  
Matia Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**