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## **Doing Business in Uganda**

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# Doing business in Uganda



**MSI's guide on Doing Business in Uganda provides current information about the financial, regulatory and legal considerations that could affect business dealings within Uganda. For further assistance please contact our MSI member firm in Uganda.**

## Country overview

### Population

The population of the Republic of Uganda currently stands at 41.1 million inhabitants. (March 2018)

### Government

Uganda is a presidential republic in which in which the President of Uganda is both the head of state and head of government who is democratically elected to serve under a 5 year term. The current President of Uganda is His Excellency Yoweri Kaguta Museveni.

The government is structured into 3 arms; the Executive, the Legislature and the Judiciary.

The country operates under the decentralised system of government.

### Languages

The national language is English but various communities and regions have their tribal languages that are commonly used in the regions and communities. Luganda is commonly used especially amongst the business community. Being an East African Country, Kiswahili is the second national language.

### Currency

The national currency is the Uganda Shilling.

### Economic summary

GDP: UGX 32.7 trillion (USD 27.9 billion)

Income per capita: UGX 2,684,000 (USD 711.34)

Inflation: 3.6%

### Main sectors of the economy

Agriculture is the backbone of Uganda's economy and it directly and indirectly employs almost 70% of the labour force in the country.

The Government of Uganda has also made strides in encouraging growth and development in the Industrial sector though the said sector is still relatively small but is gradually expanding. Most of the industries in the country are agro-based and primarily process raw-materials such as coffee, cotton, tea which they in turn export to various countries regions and countries like the EU, Kenya, Rwanda UAE, Italy etc.

Other sectors of Uganda's economy include the tertiary sector, services sector and informal sector

### Regional Integration and its impact on businesses and investors

Uganda is a member of the East African Community which comprises other countries such as Kenya, Tanzania, Rwanda, Burundi as well as South Sudan. Under the EAC, free movement of goods, people, labour, services and capital from one partner state to another is encouraged as well as the rights of establishment and residence without restrictions. It is however important to note that the above measures have not yet been fully implemented by all the countries in the Community.

The Customs Union which has been in force since 2005 was the first regional integration milestone under which the EAC Partner States agreed to establish free trade (or zero duty imposed) on goods and services amongst themselves and further agreed on a common external tariff (CET) whereby imports

from countries outside the region are subjected to the same tariffs throughout the region.

## Setting up a business

Under Ugandan law, a foreign individual or company may operate in Uganda through an incorporated or unincorporated entity. Our statutes recognise the principles of corporate law that separate the incorporated entity from its shareholders and directors or members.

Uganda's laws also provide a framework for the operation of franchises, subsidiaries, distributorships, Partnerships, joint-ventures, sole-proprietorships and cooperatives among others.

Our statutes do not place special restrictions for a foreigner to do business in the Uganda save for the following; a foreign company or individual can only purchase leasehold interest in land, a foreign company has to obtain an investment licence from Uganda Investment Authority prior to commencing operations and any foreigner is required to obtain and possess a valid work permit to legally work in Uganda.

In determining what amounts to a foreign company regard is had to; place of incorporation of the company, nationality of the majority shareholders of the company or domicile of the holding company in regard to decision making of such company.

**Legal types of business entities**

1. Branch
2. Sole proprietorship,
3. Partnership,
4. Limited Liability partnerships,
5. Private limited liability company,
6. Public limited liability company,
7. Cooperative,
8. Foundations/Trusts/NGO's

**Process of how to set up a business**

Uganda Registration Services Bureau is mandated with the registration of any business entity in Uganda. The Bureau has its Headquarters located in Kampala while maintaining regional offices across the country.

A company is incorporated through reserving its name and thereafter duly filing its memorandum and articles of association upon which it will be issued with a Certificate of incorporation.

Whereas a partnership is registered through reserving the name, filing a statement of particulars accompanied with a copy of the partnership deed upon which a certificate of registration will be issued.

Upon incorporation/ registration, all entities are required to obtain Tax Payer Identification Numbers issued by Uganda Revenue Authority and also obtain a trading license from the relevant local government.

Foreign companies are further required to obtain an Investment license from Uganda Investment Authority.

**Financial year of taxes and financial accounts**

The financial year runs from the 1<sup>st</sup> July to the 30<sup>th</sup> June the following year.

However can apply to the Commissioner General of Uganda Revenue Authority and seek her consent to operate under a different year of income to wit; a substituted year of income.

Corporate entities are subject to corporation income tax according to the Income Tax Act.

**Accounting and auditing**

There is no criterion established as to when a statutory audit is required. However, the Uganda Revenue Authority is vested with the discretion to audit and inspect books of accounts of any tax payer for a period of up to 5 years from the date it seeks to inspect or audit the said individual.

Thus it is the obligation of the tax payer to maintain and have proper books of accounts at all times.

**Economic and fiscal incentives for foreign investors/local investors**

The government of Uganda offers a number of incentive schemes in various sectors to promote both local and foreign investment in the country. For example tax holidays, withholding tax exemptions, Value Added Tax exemptions among others. However the nature of exemptions varies largely and depends on the scope of investment and sector of the economy.

As part of the incentives, through the Uganda Investment Authority investors can also obtain free land from the Government to establish industries and manufacturing plants.

**Taxation**

The tax regime is primarily established under the Income Tax Act. Taxation is based on whether a person is a resident or non-resident for tax purposes. Residents are taxed on their worldwide income whereas non-residents are only taxed on income sourced in Uganda.

All persons are required to file their returns of income; both presumptive income tax returns and final tax returns. Provisional returns are filed at the beginning of the financial year whereas final tax returns are filed after the close of the financial year.

Uganda has also signed Double Tax Agreements with some countries to prevent the occurrence of double taxation.

**VAT**

The standard VAT rate is 18%.

However there are also VAT exempt and zero rated supplies under the VAT regime.

**Income tax**

For income tax purposes, the tax base is classified into the following areas;

1. Business income
2. Employment Income
3. Property income

Each has a different tax rate applied to it.

**Corporate income tax**

Corporate entities are subjected to corporate tax of 30% of their profit.

**Registration procedures**

Every taxpayer i.e. any person who is in business is expected to register with URA for tax purposes. Registration enables URA to issue the taxpayer with a Taxpayer Identification Number (TIN) which is the key identifier of the taxpayer.

Communication with the revenue authority is electronic by way of tax returns and tax assessments.

**Wage tax**

All employers while effecting payment of wages to their employees are mandated to withhold tax on the stated income of the employee and remit the same to the revenue authority. However this obligation does not apply in instances where an employee's earnings fall below the income tax threshold.

**Withholding taxes**

The most common withholding tax is the Pay As You Earn from employment income.

Withholding tax is also imposed on international payments, payments to non-resident contractors or professionals, payments on dividends, payment for goods and services by Government, Government institutions and designated withholding agents, payments on professional fees and payment on imports among others.

The rate applied depends on the nature of the transaction and in some instances; it may be a final tax on the tax payer.

This tax is deducted at source by a withholding agent upon making payment to another person.

## HR/ Labour Law

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### **Employment law**

Under our statutes, an employment agreement need not be written. The existence of an employee-employer relationship can be inferred/ maybe implied from the conduct of the 2 parties.

A few issues to note regarding labour laws are as follows;

1. Child labour is prohibited
2. All employees are entitled to annual leave of 21 working days
3. Termination of contracts has to be with notice or payment in lieu of notice

An employment agreement may either be for an indefinite or fixed period of time.

### **Social security**

Social security is managed by the National Social Security Fund (NSSF) and participation is compulsory for all eligible persons.

All employers with more than 5 employees are mandated to register with the Fund. However, an employer with less than 5 employees may voluntarily attain membership of the fund.

Under the Social Security fund, an employer is mandated to remit 15% of the employee's gross pay to the fund per month. Of this 15%, 10% is met by the employee while the employer covers 5%.

### **Pension**

Pension only applies to public service officers employed directly under the government of Uganda.

### **Payroll**

For tax purposes as well as social security purposes, an employer is required to maintain and update its payroll.

Given the fact both PAYE (pay as you earn) as well as the contributions to NSSF

have to be remitted on a monthly basis to the 2 authorities.

### **Visa and work permits**

All foreign nationals intending to work in Uganda must ensure that they are in possession of the relevant work permit from the Ministry of Internal Affairs.

All foreigners are required to obtain a work permit prior to commencing/ taking employment in Uganda.

## Contact us

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The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Uganda should seek professional advice from our member firm before making any business or investment decision.

### Contact our member firm in Uganda to discuss your requirements:

**Kaddu & Partners Advocates**  
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