



## These tax tips could help you save millions

### About the Writer

*D E Wasake (FCCA) is a principal at Inachee.com a thought leadership firm in Uganda.*

*I have collected this information from my experience with clients in Uganda, review of tax laws in Uganda as well as from insights from an associate of ours, an experienced officer currently working with Uganda Revenue Authority (URA).*

How can you avoid or reduce tax payment? This is the objective of this article. It provides tips to reduce your tax exposure including through tax avoidance, which is not illegal and therefore acceptable by URA provided you have documentation to support your basis.

On the other hand we do not advocate tax evasion. We are an ethical firm which encourages regulatory compliance. Besides tax evasion is punishable in addition to stringent penalties.

### General

1. **Get a Tax Identification Number (TIN) NOW.** It is FREE and should be provided for all your imports or tax related items. It saves you costs. As an example, there is no tax charged on import of laptops and computers but if you provide no TIN then you will be charged Withholding Tax (WHT). You don't only pay WHT if you are registered for corporate tax, a TIN will just help you track your taxes paid/payable by notification on your email.

When you have a TIN then you can recover all WHT during submission of tax returns. You can only recover WHT if you have evidence that you have been double taxed, for example if you bought a car using a salary loan, because salary is taxed, then you can claim for WHT which is a % of the value of the item.

In addition all payments to URA are carried out via banks and the advantage of having a TIN is that an assessment message is relayed to your email you gave when registering, thus providing you with information on the payment and potentially you are avoiding extra costs and elevated taxes.

*P.S In applying for a TIN, all members and directors of the NGO of the company should have TIN numbers before the company or NGO itself can get a TIN number.*

2. **Check that your Tax agent is approved by URA.** They have a list of approved agents on their website. Do not throw your money to waste. Arm yourself with this FREE information.
3. **Review the documents your Agent supplies to you.** You should carry out due diligence on any third party hired to carry out tax work particularly because in case of any wrong declarations both you (client) and the agent (third party) are held liable for penalties but in many cases, agents will make you incur the penalty for their mistakes and not reveal this.

This is because all payments are made in the bank to URA irrespective of reason for payment.

A common area to look out for during importing are the CPC and HSC codes listed by the agent. These are codes that describe the goods being imported. If your agent gets these wrong, then URA will typically penalize you. The agents will however often pass this penalty to you despite it being a cost that should be borne by them (or shared at the very least if you provided wrong information).

#### 4. **Take advantage of Tax Incentives especially for NGOS and investors.**

There are many exemptions available to NGOS and it is worth ensuring that you are fully aware of all those available to you. An NGO by its nature is not set up for profit making purposes and so the bulk of its activities including imports and items should be exempt from taxes (including Income and VAT). You should be aware of these or ask your tax consultant. Examples include:

- Items related to persons with disabilities;
- Items for relief aid (e.g for victims of floods, internal displacement etc),for NGOs with MOUs with government.
- Scholastic materials like rulers and geometry sets (as listed in the Florence agreement)
- The supply of specialized vehicles, plant and machinery, feasibility studies, engineering designs, consultancy services and civil works related to Hydro electric power, roads and bridges, construction, public water works, agriculture, education and health sector

*Investors.* For investors, there are numerous incentives available. You can see these on the Uganda Investment Website. [Click here to see a summary of these incentives.](#)

*Imports.* Similarly imports within the East African region including Kenya enjoy a number of incentives under the EAC Customs Management Act (5<sup>th</sup> Schedule, S. 114). You should obtain a certificate of origin so as not to pay import duty (25%). Your agent should be aware of this and ensure you ask.

*VAT.* There are also numerous items that are exempt from VAT. These are included in the VAT ACT (Section 19 and the Second Schedule). Ask your tax agent for a copy of these items. It is worthwhile being aware of them as sometimes your agent is not fully aware of your circumstances.

5. **Take advantage of “FREE” imports when travelling.** Once you/ (NGO) have been out of the country for more than 24 hrs, one is allowed goods worth \$500 but consideration should be noted that goods should not be for trade. Among the key exceptions in this instance are mosquito nets, seeds for sowing, fertilizers, exhibits and museum equipment, diapers, urine bags and hygienic bags, diagnostic reagents etc.

*P.S These exceptions do not apply to alcoholic beverages of all kinds, perfumes, spirits and tobacco and other manufacturers thereof.*

### **Income tax**

6. **Use an automatic PAYE calculator.** If you want to know how much Pay As You Earn (PAYE) tax should be charged to you and your employees (or check that it has been calculated correctly) then there is a very simple tax calculator you can use. You simply enter the Gross salary and it gives you the tax payable. Simple! To view or download) the calculator [Click here](#)

**7. Instead of giving staff allowances..... try these:**

- a. *Provide all staff with meals.* This is a business deductible expense whereas allowances to staff are taxable. This therefore means the staff in essence has got the meal for “Tax free” as the same level of allowance will attract tax (up to 30%)
- b. *Provide a benefit in Kind.* Small Benefits in Kind (BIK) less than Shs. 10,000 a month are exempt from income tax. An example of such a benefit could be vouchers.
- c. *Provide insurance benefit.* Payment of medical insurance on behalf of employees to a scheme rather than providing medical allowance will have the same effect as providing the employee with a “tax free” expense whereas the allowance will attract tax (up to 30%).

**8. Prepare annual accounts and submit them to URA from day one because....**

Tax losses you make in a year are allowed be carried forward to the next year to partially offset the profit you make in another year.

So without doing the accounts and the tax computation, you will lose the “benefit” of losses you incurred especially in the first years of starting your company.

**Action points**

**1. Obtain a copy of the various laws governing tax.** These include the following key ones:

- a. Income tax act
- b. VAT act and
- c. East African Customs Management Act

*P.S These acts are written in simple to understand language and you can use the table of contents to browse to sections of interest or focus to you. They are commonly available in bookshops like Aristoc and Mukono bookshop.*

*Alternatively; the latest versions are freely available online (but may take time to download) at the URA website: <http://ura.go.ug/> . If you have difficulty accessing them, speak to us to provide you with our copies.*

**2. Speak to us about getting a “Tax health check”.** The large savings you can potentially make coupled with the peace of mind from a review of your tax affairs is definitely something worth considering. We work with an associate firm whose partners are chartered accountants with significant experience with tax matters including from URA.

In addition, our sub consultant associate works with URA but their role in this case would be advisory not penalties. In addition we provide them with no names to protect your identity. If this is of interest you, please contact me at [dwasake@inachee.com](mailto:dwasake@inachee.com) to discuss how we might help you.