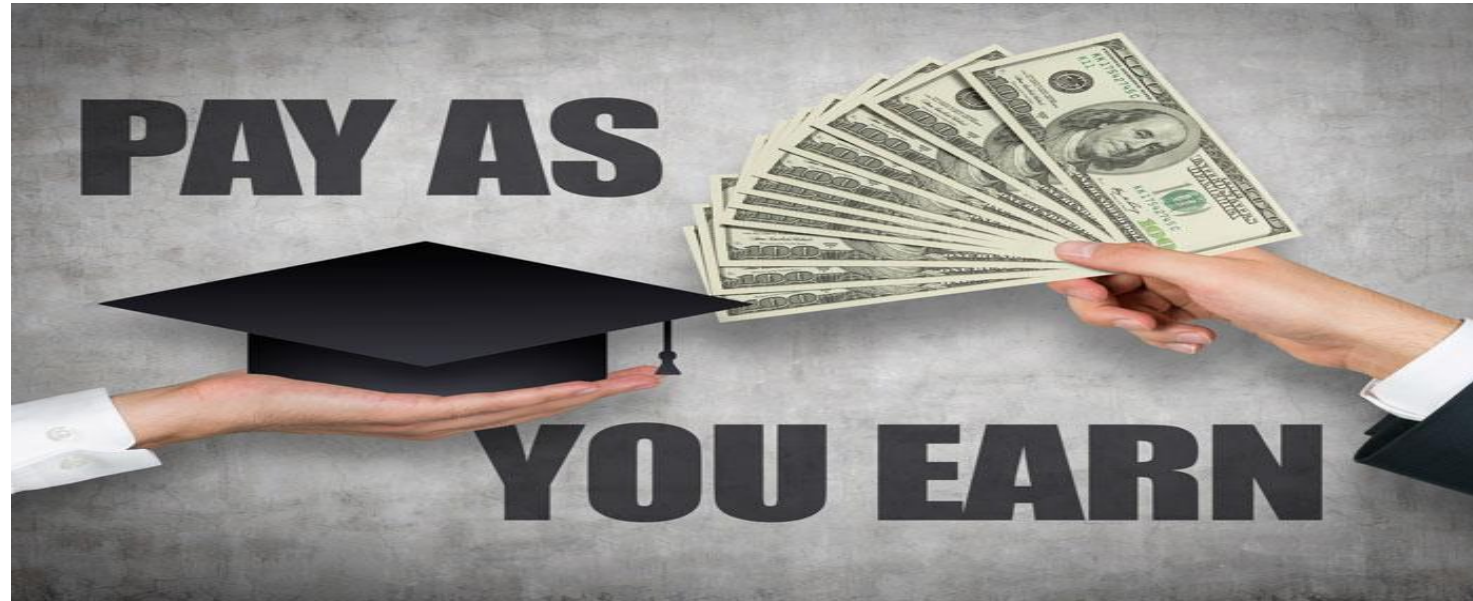




**BASIC TAX POLICY AND COMPLIANCE TRAINING TO  
USEA EXECUTIVE COMMITTEE MEMBERS, SECRETARIAT  
AND USEA MEMEBRS  
FEBRUARY 2019**

**PRESENTED BY: KALOKWERA MORIS**





# COMPLIANCE ISSUES

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- ◆ Key definitions;
- ◆ Income included for PAYE;
- ◆ Exempt income under PAYE;
- ◆ Resident Status;
- ◆ PAYE Bands;
- ◆ Employer's obligation;
- ◆ Assessment and Objection & Appeal;
- ◆ Salient Issues;
- ◆ Q & A.



# Key definitions

## ❑ Employment means;

- ✓ the position of an individual in the employment of another person;
- ✓ a directorship of a company;
- ✓ a position entitling the holder to a fixed or ascertainable remuneration; or
- ✓ the holding or acting in any public office

# Key definitions cont'd...

- ❑ **Employment income** is any income derived by an employee from any employment and this includes amounts of revenue or capital nature (*Refer to section 19 (1) of Income Tax Act (ITA)*)

# Key definitions cont'd...

- ❑ **Employee means;** an individual engaged in employment



- ❑ **Employer means** a person who employs or remunerates an employee

# Resident status

*Who is a resident employee?*

# Resident status

An individual is a resident for a year of income if that individual;

- i) has a permanent home in Uganda;
- i) is present in Uganda;
  - ✓ for a period of, or periods amounting in aggregate to 183 days or more in any twelve-month period that commences or ends during the year of income; or
  - ✓ during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income; or



## Resident status cont'd...

iii) is an employee or official of the Government of Uganda posted abroad during the year of income



*Who is a non-resident employee?*

A person (an individual) is a non-resident person for a year of income if the person is not a resident person for that year.

*What constitutes employment income  
(sec.19(1))?*

# Employment Income (Section 19 (1))

- Any wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, or the amount of any travelling, entertainment, utilities, cost of living, housing, medical, or other allowance.
- The value of any benefit granted (*for valuation purposes, please refer to fifth Schedule of the ITA*) e.g. Valuation Motor Vehicle benefit, accommodation, loan benefit, waiver of an obligation, provision of utilities, etc.
- The amount of any discharge or reimbursement by an employer of expenditure incurred by an employee, other than expenditure incurred by an employee on behalf of the employer which serves the proper business purposes of the employer

## Employment income cont'd...

- Any amount derived as compensation for the termination of any contract of employment



- Any amount paid by a tax-exempt employer as a premium for insurance on the life of the employee and which insurance is for the benefit of the employee or any of his or her dependants

*Benefits excluded from employment Income  
(Exempt Income of an employee)*

# Employment income exempt from PAYE

- ✓ the cost incurred by the employer of any passage to and from Uganda in respect of the employee's appointment or termination of employment where the employee -
  - i) was recruited or engaged outside Uganda;
  - ii) is in Uganda solely for the purpose of serving the employer; and
  - iii) is not a citizen of Uganda; or
  
- ✓ any reimbursement or discharge of the employee's medical expenses

# Employment income exempt from PAYE cont'd...

- ✓ any allowance given for, and which does not exceed the cost actually or likely to be incurred, or a reimbursement or discharge of expenditure incurred by the employee on;
  - i) accommodation and travel expenses; or
  - ii) meals and refreshment,

while undertaking travel in the course of performing duties of employment;

- ✓ the value of any meal or refreshment provided by the employer to the employee in premises operated by, or on behalf of the employer solely for the benefit of employees and which is available to all full-time employees on equal terms;

# Employment income exempt from PAYE *cont'd...*

- ✓ any benefits of the value less than Ushs. 10,000 granted by the employer to the employee during a month.
- ✓ any contribution or similar payment by the employer made to a retirement fund for the benefit of the employee or any of his or her dependents.
- ✓ the value of a right or option to acquire shares granted to an employee under an employee share acquisition scheme.



# PAYE bands

*As an employee, where do I belong?*



# PAYE bands for resident employees

CHARGEABLE INCOME	RATE OF TAX
Not exceeding Ushs.2,820,000 (235,000 pm)	Nil
Exceeding Ushs.2,820,000 (235,000 pm) but not exceeding Ushs.4,020,000 (335,000 pm)	10% of the amount by which Chargeable income exceeds Ushs.2,820,000 (235,000 pm)
Exceeding Ushs. 4,020,000 (335,000 pm) but not exceeding Ushs.4,920,000 (410,000 pm)	UShs.120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Ushs.4, 020, 000 (335,000 pm).
Exceeding Ushs.4,920,000 (410,000 pm)	(a) UShs.300,000 (25,000 pm) plus 30% of the amount by which chargeable income exceeds Ushs.4,920,000 (410,000 pm); and  (b) Where the chargeable income of an individual exceeds Ushs.120,000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds Ushs.120,000,000 (10,000,000 pm)

# PAYE bands for non-resident employees

CHARGEABLE INCOME	RATE OF TAX
Not exceeding Ushs. 4,020,000 (335,000 pm)	10%
Exceeding Ushs. 4,020,000 (335,000 pm) but not exceeding Ushs. 4,920,000 (410,000 pm)	Ushs.402,000 (33,500 pm) plus 20% of the amount by which chargeable income exceeds Ushs.4, 020, 000 (335,000 pm).
Exceeding Ushs. 4,920,000 (410,000 pm)	(a) Ushs.582,000 (48,500 pm) plus 30% of the amount by which chargeable income exceeds Ushs. 4,920,000 (410,000 pm); and  (b) Where the chargeable income of an individual exceeds shs.120,000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds Ushs.120,000,000 (10,000,000 pm)

# PAYE Computation

Guiding provisions for PAYE computation;

- ❖ Section 116;
- ❖ Part 1 of the third schedule;
- ❖ Fifth schedule; and
- ❖ Withholding tax regulation, 2000 provided for under section 164.



# PAYE Computation cont'd...

Mr. Ocol Oculu a resident of Nakawa division earns a monthly salary of Ushs. 217,000, transport allowance of Ushs. 15,000. In this month of February 2019, he incurred medical expense of Ushs. 45,000 which was reimbursed by his employer.

What is Mr. Ocol' PAYE liability for the month of February 2019?

- a) 9,300
- b) 8,700
- c) Nil
- d) 10,500
- e) None of the above

What is my obligation as an employer?

# Return & payment

Employers are required to file the PAYE return and make payment by the 15th day of the month following [the month in which payment was made](#)

A simple interest of 2% is be charged on the amount unpaid after the due date.

Guiding provisions for PAYE compliance;

- ❖ *sec. 16 (7g) of the Tax procedure Codes Act, 2014;*
- ❖ *sec. 123 of the Income Tax Act (ITA); and*
- ❖ *Sec. 136 of the ITA*



# Assessments and Objections & Appeals





# Assessments and Penalties

- ❖ Tax Procedure Code Act, 2014, is the legal framework intended to consolidate tax procedures.
- ❖ Self assessments- voluntary compliance.
- ❖ Administrative assessments- failure to furnish a self assessment, possible non-compliance, additional assessment amending a tax assessment.

# Objections & appeals

- ❖ A person who disputes an assessment may by notice in writing to the Commissioner, object to the assessment.
- ❖ The notice should state precisely the grounds of objection to the assessment.
- ❖ It should be received by the Commissioner within 45 days after the date of service of the notice of assessment.

# Objections & Appeals Cont'd...

- ❖ The Commissioner may;
  - amend the assessment in accordance with the objection; or
  - amend the assessment in the light of the objection according to the best of his/her judgement; or
  - refuse to amend the assessment.

# Objections & Appeals Cont'd...

In-other words, the Commissioner may allow or disallow the objection and must communicate the objection decision within 90 days of receipt of the objection lest the tax payer elects to treat the Commissioner as having made a decision to allow the objection as lodged.

- ❖ A taxpayer can apply for review of the objection decision to the Tax Appeals Tribunal (TAT) within 30 days after being served with the objection decision. Decision of the TAT may be appealed to the High Court within 30 days after service of the decision.

# Salient issues

What we need to know as employees and employers...

# Salient issues

## i) Accounting for PAYE on payment for termination of employment contract.

Where an amount is paid by an employer to an employee who has been in the employment of the employer for ten years or more, 25% of the amount is exempt from PAYE. Sec. 19 (1d) and 19 (4).

This should be accounted for in schedule 3 of the URA online form DT-2008.

## Salient issues cont'd...

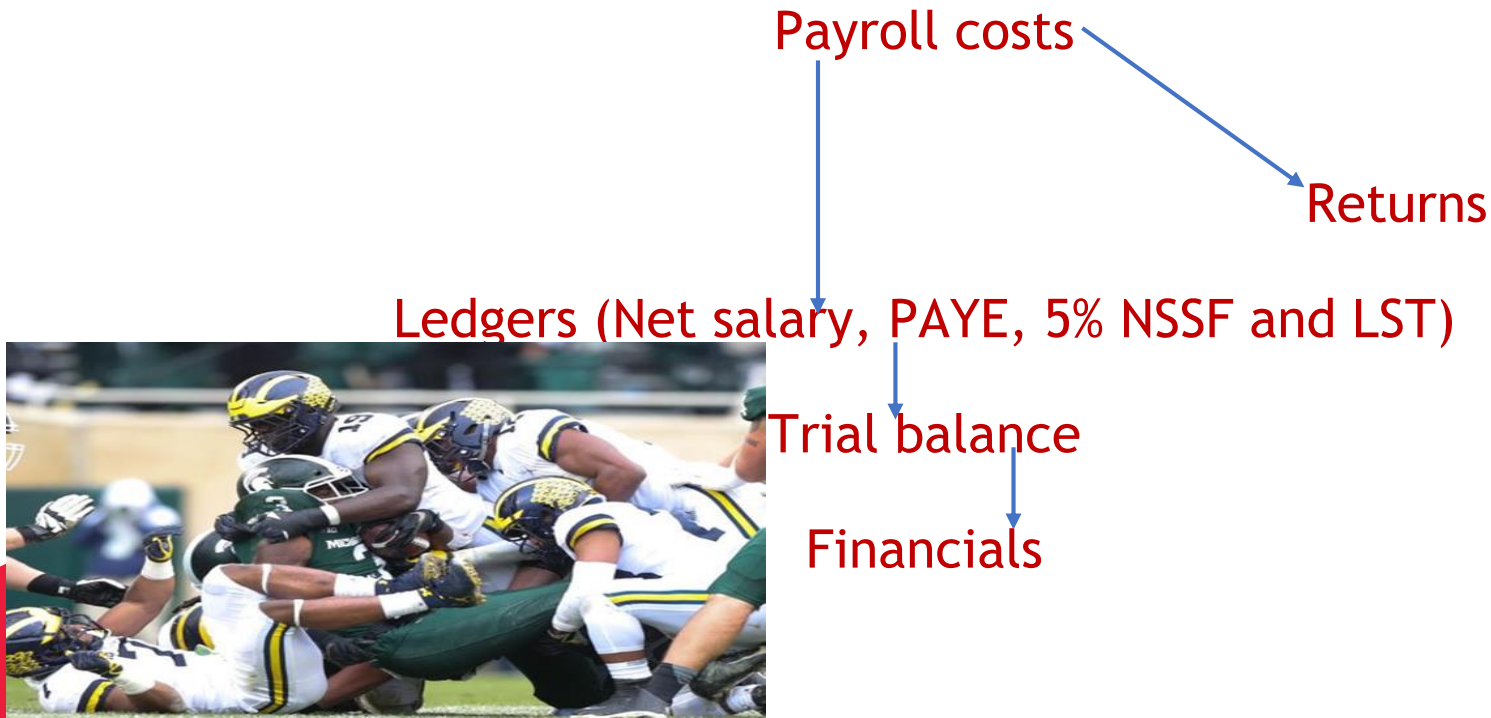
### ii) PAYE on Annual/irregular/bonus lump sum payment

This should be accounted for in schedule 4 of URA online form DT-2008.

# Salient issues Cont'd...

## iii) Reconciling payroll costs to Financials.

At the end of the year the employment costs (salary, wages, other allowances and taxable benefits declared in the PAYE returns should agree to the figures reported in the audited financials.







# Disclaimer



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavored to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation