Kingdom of the Netherlands

ASSESSMENT OF THE AGRICULTURAL TAX REGIME IN UGANDA

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Foreword

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One of the core mandates of the Netherlands Embassy Kampala is the facilitation of bilateral business for Dutch companies. As a country with a strong focus on Agriculture, Uganda has always been attractive for Dutch based agriculture companies. Indeed, the agriculture sector is one of those sectors that has received the most investment from Dutch businesses. Many Dutch firms appreciate that investing in the Ugandan market can offer them enormous opportunities for diversification and high returns. However, they are also keen to understand the available tax incentives and the overall conduciveness of the country's tax regime for foreign direct investments.

One of the duties of EKN therefore is to guide these enterprises to ensure that they understand the tax implications of their operations, familiarize themselves with the incentive regime, appreciate their compliance and reporting obligations and optimize their tax situation. Unfortunately, Uganda, just like many developing countries is complex, always evolving and difficult to navigate. To this end, the LNV regional office, executed an agricultural tax assessment for Uganda. The report describes the existing agriculture tax regime in Uganda, interprets the relevant tax statutes and guides companies on what to do.

We are excited to share this report with the wider Netherlands private sector, that are transacting or wish to transact with and in Uganda. Besides enhancing the Embassy's Agro-diplomacy services, we are confident that Dutch companies now have a reference point for routine tax assessment and processing. This is a first step in our quest to build a comprehensive and annually updated knowledge base on Agriculture taxation in Uganda and the EAC in general.

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This report comprehensively analyses the tax regime for the Agricultural sector in Uganda. It is aimed at informing Dutch companies doing or intending to do business in Uganda. The study was commissioned by the Embassy of the Kingdom of the Netherlands in Kampala. The Consultant would like to acknowledge Mr. Frank Buizer, the Agricultural Counsellor and Mr. Stephen Bayite Kasule, Senior Advisor Private Sector Development & Economic Diplomacy, at the Embassy of the Kingdom of the Netherlands in Kampala who supervised this study.

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Abbreviations and Acronyms

URA	Uganda Revenue Authority
EKN	Embassy of the Kingdom of the Netherlands
VAT	Value Added Tax
EU	European Union
FAO	Food and Agriculture Organization
EAC	East African Community
CET	Common External Tariff
GOU	Government of Uganda
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
UIA	Uganda Investment Authority
MTIC	Ministry of Trade, Industry and Cooperatives
MoFPED	Ministry of Finance, Planning and Economic Development
TMA	TradeMark Africa
ASSP	Agriculture Sector Strategic Plan
NDP III	National Development Plan III
GOU	Government of Uganda
SRHR	Sexual & Reproductive Health and Rights
PSD	Private Sector Development
WHT	Withholding Tax
OECD	Organization of Economic Cooperation & Development
DTS	Digital Tracking Solution
ICT	Information & Communication Technology

EXECUTIVE SUMMARY

This study was commissioned by the Embassy of the Kingdom of the Netherlands in Kampala to comprehensively analyze the tax regime for the Agricultural sector in Uganda. It is aimed at informing Dutch companies doing or intending to do business in Uganda, by developing an updated information report on agricultural tax incentive schemes and associated tax administrative processes and strengthening future tax-related engagements between EKN and URA. Whereas it was conducted primarily using secondary data sources; occasionally, information was gathered from primary data sources, namely- Key Informant Interviews. The study found that there is policy consensus on the important contribution that the agriculture sector makes to Uganda's economy. Therefore, the Government of Uganda has put in place several policy instruments to support its development. Despite these policy measures, Uganda's agricultural potential, although enormous, remains under-exploited. This presents enormous opportunities for Dutch companies to contribute to the Uganda's agro-commercialization ambition along different segments of the agricultural value chain.

All taxes in Uganda are self-assessed. The major taxes include Income tax payable by all persons who derive income, whether from business, employment or property, Value Added Tax that is charged at a rate of 18%, Stamp duty that is charged on any instrument listed in schedule 2 of the Stamp Duty Act, 2014 as amended, Excise duty that is charged on certain imported or locally manufactured goods and services and Customs duties.

Comparatively across the East African region, Uganda's tax regime is high. With budget readings in each progressive financial year, Uganda appears to have resorted to charging more tax on the same taxpayers or items[1]. This gives it limited room to increase these tax rates in the future, without fundamentally distorting the business environment. That said, Uganda's tax regime is heavily dependent on indirect taxes such as: VAT, excise duties[2] and customs duties. Inevitably, this tax structure tends to burden the poor more than the well to do.

All taxes in Uganda are assessed and collected by the Uganda Revenue Authority, which is a semi-autonomous agency established in 1991 by the Uganda Revenue Authority Act, Cap 196 with the mandate of assessment, collection and administration of taxes, fees, and non-tax revenue in Uganda. URA has developed a Taxpayers' Charter[3] which spells out the rights and obligations of the taxpayer, guides URA in upholding these rights and facilitates the taxpayer to meet his or her obligations.

[1] PwC Uganda, 2023
[2] USAID, 2015
[3] It was launched in 2002 and was first revised in April 2006 to accommodate new developments in URA and later in December 2006 to align with the Public Service Client Charter then in June 2011 and the latest revision in 2015.

Turning to the taxation of the agriculture sector, it has been observed that whereas the main players in the agriculture sector tend to be tax compliant, the other players in the industry i.e., the farmers, transporters, and others in the chain, have not been compliant. This may be caused by a misconception that "AGRICULTURE IS TAX-EXEMPT". Whereas Agriculture is shielded from the payment of consumption taxes on inputs e.g., machinery and livestock which are exempted from VAT, seeds, fertilizers, and pesticides which are zero-rated; agricultural income in Uganda is subject to the same tax instruments as other sectors of the economy. Section 35 of the Income Tax Act, advises on the treatment of farming expenditures when computing chargeable Income.

Dutch companies operating in Uganda's agricultural sector face several risks in the area of taxation, namely: a dynamic and unpredictable tax regime, the challenge of dealing with unregistered and informal raw material suppliers, the possibility of reintroducing Withholding tax for agriculture suppliers, the potential reinterpretation of the Income Tax Act and the tax procedures Act by URA to the disadvantage of Dutch companies, difficulties in making investment in capital intensive ventures that are unlikely to be profitable within five years due to the capping of carrying forward of losses to five years and failure to pay WHT of 5% on the disposal of assets, whether business or personal.

In conclusion, it is recommended that: EKN should jointly with URA organize regular tax education sessions for Dutch companies, the Government of Uganda should be encouraged to create a conducive business environment and ensure that the tax regime is predictable, Dutch businesses should be encouraged to keep proper records, be tax compliant and avoid tax evasion, the new Double Taxation Agreement between the EU and the Government of Uganda should be expeditiously concluded, a futuristic study on the impact of withholding taxes on the agriculture sector should be conducted and Dutch companies (especially the VAT registered ones) need to ensure that their raw material suppliers are registered with URA and are tax compliant.

1.0 INTRODUCTION

1.1 BACKGROUND AND CONTEXT

Uganda is endowed with a warm climate (it has low temperature variability), abundant rainfall (it enjoys two rainy seasons) and fertile soils which are conducive for agricultural production[4]. No wonder many investors consider it to be among a few African countries with great agricultural potential. Indeed, the United Nation's Food and Agriculture Organization (FAO) has estimated that Uganda has the potential to feed 200 million people[5]. Therefore, Agriculture is the backbone of Uganda's economy, and the main source of livelihood for most Ugandans[6]. It employs 72% of the population, contributes to almost half of Uganda's export earnings and accounts for at least a quarter of the country's Gross Domestic Product. Uganda is one of the leading producers of coffee, bananas, and oil seed crops (sesame, soybean, sunflower etc.), tea, cotton, organic cotton, tobacco, cereals, fresh foods and vegetables, nuts, essential oils, flowers, poultry, and freshwater fish, among others[7].

Unfortunately, Uganda's agricultural production is still at less than 40% of its potential. First, the adoption and usage of modern agricultural inputs such as fertilizer and quality seeds are low, there is a dependance on rain-fed agriculture and the use of irrigation technology is limited, which exposes farmers to the vagaries of adverse weather conditions and climatic extremes. The growth of the sector is further hampered by lack of quality packaging materials, poor storage facilities, poor post-harvest handling practices, insufficient agricultural credit, poor feeder road network, a complicated land tenure system characterized by land fragmentation, as well as limited knowledge and skills in modern farming and agribusiness practices.

Because of the above, over the past ten years, the sector has underperformed the industry and services sector. It also makes a meagre contribution to the country's tax base, only accounting for about 1% of the country's Annual Revenue Collections. It further only accounts for 4% of the URA's register, i.e., only 38,528 agricultural actors are currently registered for taxes, of which 96% are engaged in crop and animal production, 2% in forestry and 2% in fishing and aquaculture.

Owing to its importance, the Government of Uganda (GoU) has attempted to put in place various tax incentives and exemptions including zero-rating of Value Added Tax (VAT) on various inputs and services to accelerate the commercialization of the sector.

[4] PricewaterhouseCoopers, 2022
[5] United States of America Department of Commerce, 2022
[6] The World Bank, 2018
[7] Uganda Investment Authority, 2023

In FY 2022/23, Dairy and Meat Products benefitted from the new Common External Tariff (CET) of 35% agreed upon by the EAC Council of Ministers. These efforts have boosted demand for modern and state of the art agricultural technologies from all over the world including from the Netherlands. Dutch companies now boast of being preferred suppliers of farm equipment, livestock seeds, medicines, day-old chicks and dairy processing technologies, among others.

At the same time, the Government of Uganda has sought to raise the taxes it generates from the agricultural sector and curb tax avoidance through rationalizing the above incentive regime and eliminating some tax exemptions. For instance, Government of Uganda, in the FY 2014/15, it eliminated tax exemptions on interests earned on agricultural loans and zero-rated on VAT on agricultural loans. However, VAT zero rating on processed milk was eliminated. This trend has continued with each Budget speech introducing new tax measures or eliminating existing tax incentives which increases the Cost of Business and undermines the predictability of the country's business environment. This haphazard reform of tax policy further complicates the Netherlands Embassy in Kampala's ability to effectively advise Dutch companies that wish to do business in Uganda.

1.2 OBJECTIVE OF THE ASSIGNMENT

This assignment was aimed at conducting a comprehensive agricultural tax analysis to inform the Dutch private sector of the latest developments in taxation in Uganda and the implications for their planning, decision making and execution of business.

Specifically, the study was aimed at:

- Developing an updated information report on agricultural tax incentive schemes and associated tax administrative processes, including information on the main contact tax departments.
- Strengthening future tax-related engagements between EKN and URA starting with a stakeholder workshop to present the study findings.

1.3 SCOPE OF WORK

The scope of work for this assignment entailed the following tasks:

Phase 1: Conducting desktop research on the institutional, legal and policy framework of agriculture taxation in Uganda and a review of relevant EAC provisions.

Phase 2: Undertaking desktop profiling and prioritization of key tax incentive schemes and associated administration, benefits, and risks for companies.

Phase 3: Organizing stakeholder interviews with Companies (SMEs & MNCs), URA, MAAIF, UIA MTIC, MoFPED, TradeMark East Africa etc.

Phase 4: Drafting a report on agricultural policy frameworks, agricultural tax-developments and administration measures, major risks, and requisite due diligence by stakeholders (Dutch companies/EKN)

Phase 5: Preparing the final report and submitting it to EKN.

1.4 METHODOLOGY OF THE STUDY

This research primarily relied on secondary data sources, and where possible, and occasionally gathered from primary data sources, through Key Informant Interviews. Below is a detailed description of the research methods used:

Literature/Document Review: Firstly, several key publications, reports, websites, books that deal with taxation of the agriculture sector were reviewed. These include Vision 2040, the National Development Plan III, the National agriculture Policy 2013, the Income Tax (Amendment) (No.2) Act, 2023, the taxation handbook, a guide on tax exemptions/incentives, the incentive guide for FreeZone investors, Taxation rulings by the East African Court of Justice, The EAC Customs Valuation Manual, The Income Tax Act 1997, and tax exemptions for agriculture. Through this document review, the consultant was able to conduct a comprehensive assessment of Uganda's agricultural tax regime that will better inform Dutch companies doing/intending to do business with Uganda.

Key Informant Interviews: In addition to the review of documents, Key informant interviews were organized with several individuals in the public and private sectors who possess an in-depth understanding of the agriculture sector in Uganda. These were selected from the following institutions: The Uganda Revenue Authority, Ministry of Finance, Planning and Economic Development, the Uganda National Farmers Federation, Uganda Agribusiness Alliance, Uganda Poultry Association, Parliament of Uganda, Trademark East Africa, SEATINI, Oxfam, among others.

Focus Group Discussion: These were held with 20 companies (both Dutch and Ugandan companies) that are active in Uganda's Agriculture sector.

1.4 LIMITATIONS OF THIS STUDY

A key limitation of this study was the limited availability of data on agricultural taxation in Uganda. Concrete and up-to-date data on the tax revenue that the Government of Uganda generates from the Agricultural sector and the key taxpayers is not published in the mainstream. This is on account of the traditional tax exemptions which the sector has enjoyed for quite some time. Secondly, the frequent annual tax law amendments make it difficult to track and keep up-to-date information on the current state Taxes in agriculture.

2.0 AGRICULTURAL POLICY FRAMEWORK IN UGANDA

2.1 LINKING NATIONAL POLICIES AND TAXATI

The link between national economic policies and taxation needs no emphasis, as both play a significant role in shaping the national economy. The design and implementation of both the economic policies and taxation, determine the country's fiscal strategy. In their entirety, they interact and influence the extent of attainment of economic goals such as revenue generation, poverty alleviation, economic stability and fostering a stable, and conducive business climate for investment and growth. The Agro-economic diplomacy function of the Embassy takes a keen interest in Uganda's economic policies and taxation measures and their implications for Netherlands businesses operating and/or interested in doing business in Uganda.

2.2 UGANDA'S ECONOMIC PERFORMANCE

The economic growth for 2023/24 is projected at 5.5 percent in real terms compared to 4.6 percent in the previous financial year. Over the next 5 years, the economy is projected to grow at an average of 6.5-7.0 percent per year on account of: (i) Economic stability due to low inflation; (ii) Establishment of more manufacturing plants; (ii) Continued implementation of the Parish Development Model; (iii) Support to Small and Medium-Scale Enterprises ; (iv)Savings and Credit Cooperative Organizations (SACCOs); (v) Increased Oil and Gas Sector activities and; (vi) Growth in regional and international trade. Because of the above objectives, the Government of Uganda seeks to stimulate economic activity and increase domestic revenue collections from UGX 25.55 trillion (2022/23) to UGX 29.67 trillion (2023/24) which is estimated at approximately 13.7 percent of Gross Domestic Product (GDP).

Export earnings from goods and services contribute significantly to Uganda's national income. In 2022/23, Uganda earned US$ 6.0484billion, out of which export of goods merchandise accounted for US$ 4.272 billion. The main exports were coffee, fish, beans, sugar, maize, and industrial products. Many of these products were exported mainly to regional markets. Uganda's GDP is projected to grow to UGX.207.22 trillion (US$ 55.17 billion) in the FY 2023/24, translating to US$ 156.76 billion in PPP terms. This in turn is projected to grow the GDP per capita to US$ 1,186, up from US$ 1,096 in FY 2022/23.

2.3 UGANDA'S AGRICULTURAL POLICIES

Uganda's agriculture policies aim to enhance farmer incomes and boost overall economic development. They seek to achieve this through:(i) Promotion of commercialized agriculture; (ii) Enhanced access to improve farm technologies such as seed, irrigation equipment, fertilizers and pesticides supported by public funding (subsidies);(iii) Agribusiness Development to enhance value addition and processing; Environmental sustainability that promotes conservation of natural resource base and prevents and/or mitigates the negative effects of climate change.

Despite the above noble policy goals, Uganda's agriculture is constrained by inadequate infrastructure, under-developed markets with limited interconnectivity and growing negative climate change intensity that outpaces implementation of mitigation and/or prevention strategies. This explains the poor performance of the agriculture sector as indicated by its low contribution to national GDP.

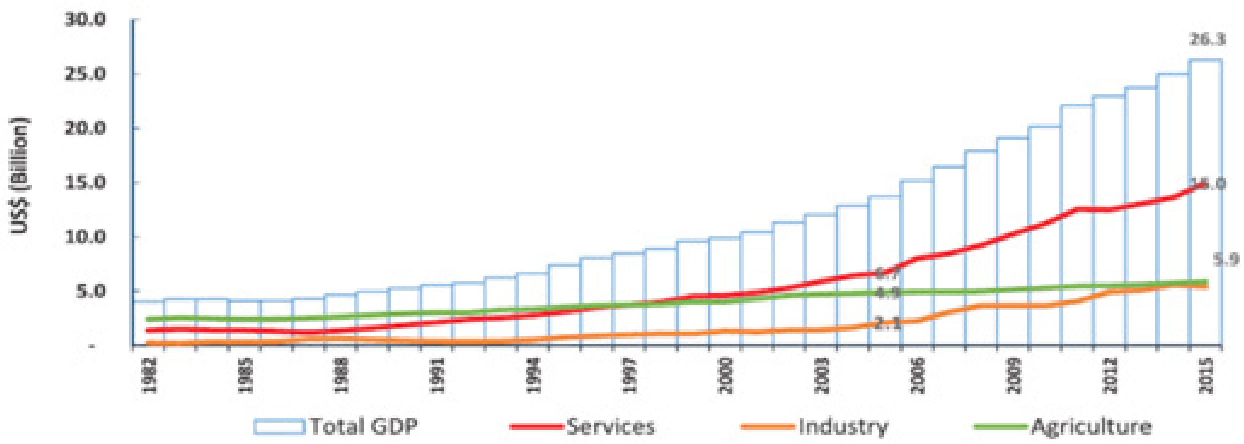
According to IGC, (2017), agricultural productivity in Uganda is below its potential – constrained by limited use of modern farming methods. Weather is increasingly volatile, yet few farmers use irrigation. Modern seed and fertilizers available on the market are of low quality and avoided by farmers. Public agricultural support services can rectify these issues but are understaffed and underfunded. To unlock Uganda's agricultural potential, the government should focus on:(i) improving delivery of agricultural support services; (ii) facilitating farmers' access to price and weather information, and 3) promoting market-oriented production, by improving agricultural markets.

2.4 STATE OF AGRICULTURAL PRODUCTIVITY

Several studies have confirmed that the productivity of Uganda's agricultural sector is below its potential. Some have estimated it to be less than 40 percent of its attainable potential for staple crops[8]. Comparisons with the service and industrial sectors confirm that between 2000-2015, each of these sectors doubled in value, whereas the agriculture sector grew at an annual rate of only 2 percent. Worryingly, the growth of the agriculture sector was overtaken by the growth of the population (3.3 percent), generating a risk of food insecurity.

[8] Fiala & Apell, 2017

Figure 1: Trends in GDP Growth in Uganda (1982-2015)

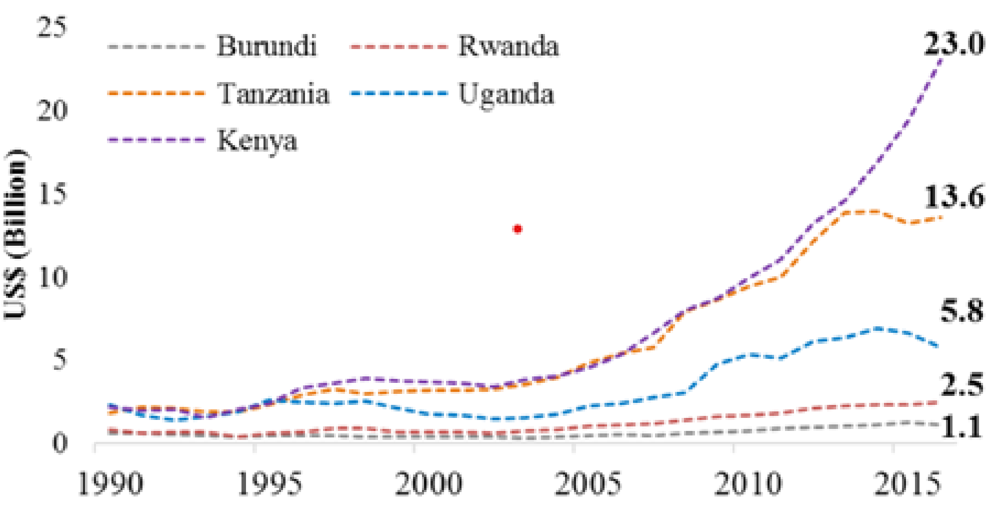


Source: Mwesigye et al. (2017)

However, the low productivity of Uganda's agricultural sector is not unique to Uganda. Indeed, other East African countries are facing a similar dilemma, in part due to changing climatic conditions. Even then, Kenya has demonstrated resilience and its agricultural sector has fared better than its East African counterparts.

Although there is room to raise Uganda's agricultural productivity, several important actions must be taken, including: improving the uptake of agro-inputs, improving the supply and usage of agricultural support services, improving agricultural markets and interactions among value chain actors, making the business environment more conducive, notably, the tax regime. This presents enormous business opportunities for Dutch companies that can leverage their expertise, financing, and technology to contribute to Uganda's efforts in boosting agricultural productivity.

Figure 2: Agricultural GDP Trends in the East African Community



Source: World Development Indicators (WDI) Database

2.5 LIKELIHOOD OF TAXING AGRICULTURE

For several decades, the agriculture sector has been shielded from direct taxation. While some have argued that this promotes food security and shields subsistence farmers from slipping into abject poverty, it is also true, that many influential people-technocrats, politicians, and policy makers are engaged in agriculture directly or indirectly. Anecdotal evidence by the International Centre for Tax and Development (2017) revealed that for Uganda, there is a significant number of high-income earners in agriculture that are sheltered completely from paying any form of tax yet taxing them would generate much needed revenues to bridge the growing budget deficit.

The issue of taxing agriculture is a matter of when and not if. The Permanent Secretary and Secretary to the Treasury has indicated that the Ministry of Finance, Planning and Economic Development is considering the likelihood of taxing agriculture. He argued that "it is unimaginable that a sector which contributes almost a quarter of the national budget contributes almost nothing to the national kitty and stressed that this needs to change to widen the national tax base".

2.6 IMPLICATIONS FOR NETHERLANDS COMPANIES IN UGANDA

A significant majority of Dutch companies in Uganda are engaged in agriculture. They are mostly active in production, processing, agro-logistics, agro-finance, and agri-trade, among others. Increasing regional and international trade is facilitating the transformation of Uganda's agriculture from subsistence to commercial farming. This creates high demand on Government, in terms of making much needed public investments. Inevitably, a growing budget deficit and declining Donor support will result in taxation of agricultural exports and imports.

In anticipation of the likelihood of the institution of more direct taxes in agriculture, the embassy through the LNV office, seeks to create a better understanding of the exiting tax regime and support Dutch companies to be tax compliant. The likelihood of agricultural taxation is compounded by the fact that a substantial number of agricultural suppliers earning high incomes in the sector are either protected by current tax legislation or are not compliant with their existing tax obligations.

[15] Ali & Fjeldstad, 2023
[16] Uganda Revenue Authority, 2020
[17] Uganda Revenue Authority, 2020

3.0 NETHERLANDS-UGANDA AGRO-ECONOMIC TIES

3.1 NETHERLANDS AGRO-FOOD DIPLOMACY IN SUB-SAHARAN AFRICA

Global food security has been a major policy goal for the Netherlands for more than a decade, in accordance with policy letters submitted to the House in 2008, 2011 and 2014[9] and 2022. In the letter of May 2019 from the Minister for Foreign Trade and Development Cooperation and the Minister of Agriculture, Nature, and Food Quality to the House of Representatives on 'Towards a World Without Hunger in 2030: "the Dutch contribution", the Netherlands pledged to continue to work on this issue within the framework of the revised policies on foreign trade and development cooperation (BHOS) and agriculture. This has been reiterated in the 2022 policy note for Foreign Trade and Development Cooperation: 'Do what we do best'

Countries in Africa are disproportionately affected by food insecurity. The world produces enough food, but a third of what is produced is lost. In Africa this usually occurs post-harvest. To reverse this trend and feed a global population of almost 10 billion in 30 years' time, a transition to a healthy, fair, climate-neutral, circular food system, with a 50% increase in net agricultural production, on average, and a more than 100% increase in sub-Saharan Africa and South Asia[10]. Food will have to be produced and distributed sustainably and efficiently. The quality of diets will have to be radically improved. This is an opportunity for food producers and other parties in the food value chain, but it is also a huge challenge, given that we are approaching the social, ecological, and climatological limits of food production.

In sub-Saharan Africa food insecurity is closely related to the lack of structural transformation in the agricultural sector, which means productivity remains low, post-harvest losses remain high, and the rural economy creates few jobs for a growing young population. Africa will need more than fifteen million new jobs a year over the next twenty years to employ all the new entrants to the labor market[11].

The Dutch government is working to consolidate the international position of Dutch knowledge and expertise and connect with local partners, in the interests both of local food security and of Dutch earning potential. The foreign and agriculture ministries, The Netherlands Enterprise Agency, and the embassies, including the network of agricultural counsellors, are working together to achieve this goal. Working on inclusive,

[9] https://www.fao.org/3/I9553EN/i9553en.pdf
[10] http://www.fao.org/3/a-i6583e.pdf, p. 46.
[11] https://www.government.nl/binaries/government/documenten/parliamentary-documents/2019/10/29/food-security-letter-to-the-parliament/Voedselzekerheid+beleidsbrief+Engels.pdf

transparent partnerships based on local policy frameworks and institutions has become the Netherlands' hallmark. It is also often necessary to improve the enabling environment legislation and access to financial and other services, for example – so that companies and civil society organizations can operate more effectively and thus contribute to local development[12].

3.2 ECONOMIC TIES -THE NETHERLANDS AND AFRICA

The Netherlands has developed the first continent-wide strategy for Africa, an integrated vision of political and economic cooperation with the continent of Africa. The fundamental shift in global geopolitical relations implies that more cooperation with Africa is not only necessary but urgent. The Netherlands government encourages economic development founded on equality, reduced poverty, improved respect for human rights and limits irregular migration.

3.2.1 The Africa Strategy of the Netherlands 2023-2032

The collaboration with Africa will be based more on equality than it was in the past. Equality requires an understanding of each other's position, puts the relationship at the heart and seeks collaboration based on mutual interests. A successful, equal collaboration brings together important issues: intensive bilateral and multilateral cooperation, promoting Dutch, African and mutual economic and strategic interests, enhancing (regional) stability, making mobility and migration agreements, achieving the UN's sustainable development goals (SDGs) and the African Union's (AU) Agenda 2063, and enhancing the prosperity as well as the climate resilience of people and communities in Africa and Europe.

The European Union (EU) – African Union joint vision, endorsed in February 2022 sets out a commitment to a prosperous and sustainable Africa and Europe, centering on solidarity, security, peace and sustainable and sustained economic development and prosperity for the citizens of the two Unions.

With this strategy, the Netherlands is striving for effective trade agreements, stronger economic ties, and improved access for Dutch businesses to the African market in combination with support for African partners to gain enhanced access to the European market. Making raw materials and value chains more sustainable should result on the

[12] https://www.government.nl/binaries/government/documenten/parliamentary-documents/2019/10/29/food-security-letter-to-the-parliament/Voedselzekerheid+beleidsbrief+Engels.pdf

one hand, in improved European access to vital raw materials and, on the other, greater added value and employment opportunities in Africa.

3.2.2 The Netherlands Multi-Annual Country Strategy for Uganda

The Multi-Annual Country Strategy (MACS) outlines the areas of international cooperation in which The Netherlands wishes to collaborate with Uganda for the period 2023-2026. It provides policy priority areas, strategic results, and strategic interventions. In the 2022 policy note for Foreign Trade and Development Cooperation 'Do what we do best', Uganda has been designated as a country with which the Netherlands maintains a broad development cooperation relationship, focused on multiple development cooperation themes. Uganda is part of the Great Lakes region and the Horn of Africa, which is one of the three focus regions of the Netherlands for development cooperation.

Building on gained experiences, the Netherlands focuses on fitting Uganda's National Development Plan III (NDP III) and Vision 2040 in the fields of Food and Nutrition Security (FNS), Rule of Law (RoL), Sexual and Reproductive Health and Rights (SRHR), Private Sector Development (PSD), and migration. The Netherlands will continue to support the growing interest in doing business with Uganda, as part of the transition towards a broader relationship whereby development cooperation and government to government cooperation is one pillar, next to business-to-business and people to people relations.

Under the pillar of Sustainable Trade and Investment, the overarching objective is to support the country's economic development and transformation agenda through the fostering of responsible and mutually beneficial trade and investments based on the growth of an empowered, productive, and sustainable SME sector that creates jobs and facilitates responsible business practices. To support this economic transformation, the Netherlands will focus on; (i) Increased bilateral trade and investments between the Netherlands and Uganda: (ii) the Embassy, RVO, Invest International and CBI will support Dutch companies who want to do business in Uganda. On the one hand, this means sharing information and networks (like the Netherlands-Uganda Trade and Investment Platform), on the other hand, this means brokering financial support and using new and ongoing development initiatives to mitigate risks and better position Dutch private sector.

To enhance regional and international exports, the Netherlands continues to support locally established businesses and value chains by connecting them to markets and making them export ready. This will be done using the Private Sector and the LNV networks and by brokering existing and developed financial instruments from partners institutions.

3.2.3 The Role of LNV in Agro-Economic Diplomacy

The Ministries of Foreign Affairs, Agriculture, Nature, and Food Quality (LNV) and Economic Affairs and Climate are represented by Economic Departments at Netherlands Embassies and Consulate Generals around the world. These Economic Departments (sometimes supported by regional Netherlands Business Support Offices promote trade, market access, and policy cooperation, including in the fields of Agriculture (Agricultural Attaché Network –(LAN)), Innovation (Innovation Attaché Network) and attracting foreign investment (Netherlands Foreign Investment Agency).

In Uganda, the Agricultural Attaché[13] and representative of the Agricultural Attaché Network–(LAN) works closely with the Economic Department to offer viable chances for Dutch Agri & Food companies. The LAN[14] represents the Ministry of Agriculture, Nature, and Food Quality (LNV), and to this end maintains intensive contacts with local authorities, Dutch and local businesses and Civil Society Organizations (CSOs).The LAN makes an essential contribution to strengthening the international position of the Netherlands in the areas of agriculture, food, fisheries and nature by: (i) supporting Dutch agri & food businesses in their international endeavors through services and advice; (ii) supporting bilateral and multilateral agro-economic cooperation and supporting the policy development of the Ministry of LNV.

3.2.4 The Netherlands-Uganda Agri-Food Nexus

The Netherlands is a valued partner for Uganda in agricultural development, food security and agri-trade. The level of interaction between the two partner countries has steadily increased over the past years with increasing trade, exchange of innovation, technology, and knowledge. The Ministry of Agriculture and Food Quality (LNV) through the embassy, aims to intensify this relationship to: (i) enhance sharing of solutions; and (ii) facilitation of trade and investment opportunities (regarding sustainable, climate-smart, and circular.

Uganda's economy is based on agriculture and most of her export earnings come from agro-produce. During the last 26 years the exports of Netherlands to Uganda have increased at an annualized rate of 7.54 percent , from $21.5M in 1995 to $142M in 2021. The main products exported from the Netherlands to Uganda were Animal Food ($38.6M), Vaccines, blood, antisera, toxins and cultures ($29.2M), and Laboratory Reagents ($8.7M). Uganda, on the other hand, exported $95.2M worth of goods to the Netherlands. The main products exported were Cut Flowers ($33.1M), Other live plants, cuttings and slips; mushroom spawn ($26.8M), and Cocoa Beans ($18.6M). During the last 26 years the exports of Uganda to Netherlands have increased at an annualized rate of 3.9 percent, from $35.2M in 1995 to $95.2M in 2021.

[13] Covers Uganda and Rwanda
[14] https://english.rvo.nl/partners-network/international-economic-network/netherlands-agricultural-network#

Uganda's agricultural potential, although enormous, remains under-exploited. For instance, 80 percent of Uganda's land is arable but only 35 percent is being cultivated. Dutch companies operate in the Ugandan market directly or indirectly, through local agents/subsidiaries. They are engaged variously in different segments of agricultural value chains and contribute to Uganda's agro-commercialization transition. Maximizing benefits from agriculture implies more investment in technology, knowledge sharing, innovation, and sustainable farming. Dutch companies demonstrate interest in participating in this process.

Meeting the envisaged strategic goal of modernizing agriculture through commercialization, requires adoption of sustainable farming practices. The Netherlands private sector can play a significant transformation role in this regard. Unfortunately, Uganda's business operational context, while offering opportunities, is also derailed by challenges. Agriculture has the potential to increase incomes and reduce poverty, however uncertainty about implementation of the Taxation Act tends to demotivate investments in the sector.

4.0 OVERVIEW OF UGANDA'S TAX REGIME

4.1 HISTORICAL CONTEXT

4.1.1 Taxation in pre-colonial times

The concept of taxation (individual offer for a collective cause) is not new in Uganda. In the earlier years, there was no fixed time for paying taxes and these would only be collected when the ruler deemed it fit[15]. However, by the 19th Century certain Ugandan societies like Buganda had developed a systematic method of tax collection, with taxes being collected twice a year.

4.1.2 Taxation during the colonial period

Tax collections, decreed to be compulsory obligations, were commuted during the colonial period into cash payments. The first formal tax, the hut tax, was introduced in 1900. In the same year, the first common tariff arrangements were established between Kenya and Uganda. Under this arrangement, Ugandans started paying a customs duty as an indirect tax at a rate of 5 percent on all goods entering the country. In 1905, the colonial administration introduced the poll tax, a fixed sum of money that was to be compulsorily paid by every able-bodied male. The goal was to compel these peasants to either sell labor or produce cash crops for export. In 1919, a Graduated Personal Tax was introduced to finance the operations of local governments[16]. Income tax was introduced in Uganda in 1940 by the Protectorate Government and it was initially only payable by Europeans and Asians. However, in 1952, all these ordinances were replaced by the East African Income Tax Management Act, which was later repealed and replaced by the East African Income Tax Management Act of 1958.

4.1.3 Taxation during the post-colonial period

After independence, the administration of both income tax and customs duty continued to rest on the East African Community. After its collapse in 1977, the Income Tax Department was transferred to the Ministry of Finance in 1974, followed by the Customs Department in 1977[17]. In 1991, the responsibility of levying central government taxes was shifted from the Ministry of Finance to the newly established Uganda Revenue Authority (URA). In 1997, a new Income Tax Act (ITA 1997) was passed to consolidate all the existing tax legislation and harmonize its administration. Additionally, tax rates were generally lowered, and the scale of tax exemptions significantly reduced.

[15] Ali & Fjeldstad, 2023
[16] Uganda Revenue Authority, 2020
[17] Uganda Revenue Authority, 2020

A new Income Tax Act was passed in 1997 (hereinafter ITA 1997) to consolidate the tax legislation and assist in administration. The tax system was rationalized by lowering the tax rates and dramatically reducing the scale of exemptions through the repeal of several sections in the Investment Code Act of 1991. One important aspect of the new legislation was the removal of the Minister of Finance's discretionary powers to grant tax holidays and other tax advantages under the Investment Code Act 1991. Instead, a system of allowances and deductions was created to operate across the board. The newly created URA was set a target of increasing the tax to GDP ratio by a percentage point annually. Indeed, this was achieved for several years, but it has stagnated since 2004. This was against the background of an expanded economy. The economic base had, in the 1990s, shifted from largely subsistence agriculture to a mixture of commercial agriculture, industry and services.

4.20 UGANDA'S REVENUE ADMINISTRATION

4.2.1 The Mandate of Uganda Revenue Authority

All taxes in Uganda are assessed and collected by the Uganda Revenue Authority, which is a semi-autonomous agency established in 1991 by the Uganda Revenue Authority Act, Cap 196 with the mandate of assessment, collection and administration of taxes, fees, and non-tax revenue in Uganda[18]. The assessment and collection of taxes is in accordance with the following tax laws:

- Customs Tariff Act, Cap. 337.
- East African Customs Management Act.
- East African Excise Management Act.
- Excise Tariff Act, Cap. 338.
- Income Tax Act, Cap. 340.
- Stamps Act, Cap. 342.
- Traffic and Road Safety Act, Cap. 361.
- Value Added Tax Act, Cap. 349.
- Finance Acts (Various).
- Gaming and Pool Betting (Control and Taxation) Act, Cap.29

4.2.2 Tax Departments within URA

The Uganda Revenue Authority (URA) operates through 8 departments, namely: Legal services and board affairs, Custom services department, Domestic taxes department, corporate services department, Internal audit department, Tax Investigations

[18] Uganda Revenue Authority, 2020

department and Information Technology and Innovation. Within this organizational structure, two operational departments (Domestic Taxes and Customs) headed by Commissioners are solely responsible for the assessment and collection of revenues.

- **The Domestic Taxes department-** has a task of administering all domestic tax affairs such as: registration, receipt of returns, filing, auditing, assessments, collections, and refunds. In addition to tax revenue, it also administers non-tax revenue as mandated by Ministry of Finance, Planning and Economic Development.

- **The Customs Services department-** this department is charged with the handling of all customs issues including assessing and collecting international trade revenues in accordance with the relevant tax laws.

4.2.3 Management of Tax Complaints.

URA has publicly stated its commitment to managing complaints and responding to clients' concerns in a timely manner. Therefore, it has recognized the need to put the customer first and provide instant responses to all complaints through the following feedback tools[19].

- Taxpayer outreach program
- Stakeholder engagements
- The Annual Taxpayers' Appreciation Day
- The Annual Client Satisfaction Surveys
- The Media
- The URA Web portal
- The URA Toll Free line: 0800117000/0800271000
- The URA WhatsApp: 0772140000
- Suggestion boxes
- The Client Feedback Form
- Email: services@ura.go.ug
- Social media e.g., Facebook, Twitter, Instagram, and YouTube
- The Taxman Blog

Unfortunately, these feedback tools are not always effective in addressing concerns of taxpayers. For instance, the recent attempt by URA to levy a 10% import duty on top of the 18% VAT on concentrate feeds, to boost local industry; was not arrived at after thorough consultations with all players in the poultry sub-sector[20].

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[19] Uganda Revenue Authority, 2020
[20] https://nilepost.co.ug/2022/10/10/local-animal-feed-manufacturers-welcome-tax-on-concentrate-feed/

4.3 UGANDA'S TAXATION REGIME

4.3.1 Current Overview

Comparatively across the East African region, Uganda's tax regime is high. With budget readings in each progressive financial year, Uganda appears to have resorted to charging more tax on the same taxpayers or items[21]. This gives it limited room to increase these tax rates in the future without fundamentally distorting the business environment. Therefore, Government's efforts of expanding the tax base by having more people in the informal sector contributing to the national purse is a welcome development. Moreover, Uganda's revenue collection is low compared to its neighbors. Its tax to GDP ratio is 13.9 percent[22].

Globally, however, Uganda's tax rates do not diverge much from those of comparator countries or international averages. For instance, corporate income tax rate of 30 percent is slightly below regional and income group averages of 32.8 and 31.9, respectively. Personal Income Tax is progressive, with individual income taxed at rates from 0 to 40 percent. Annual income more than UGX 4.92 million is taxed at 30 percent, and monthly income over UGX 10 million is taxed at 40 percent. This is below the income group average of 39.9 percent. Uganda's standard VAT rate of 18 percent is however higher than low-income and middle-income averages.

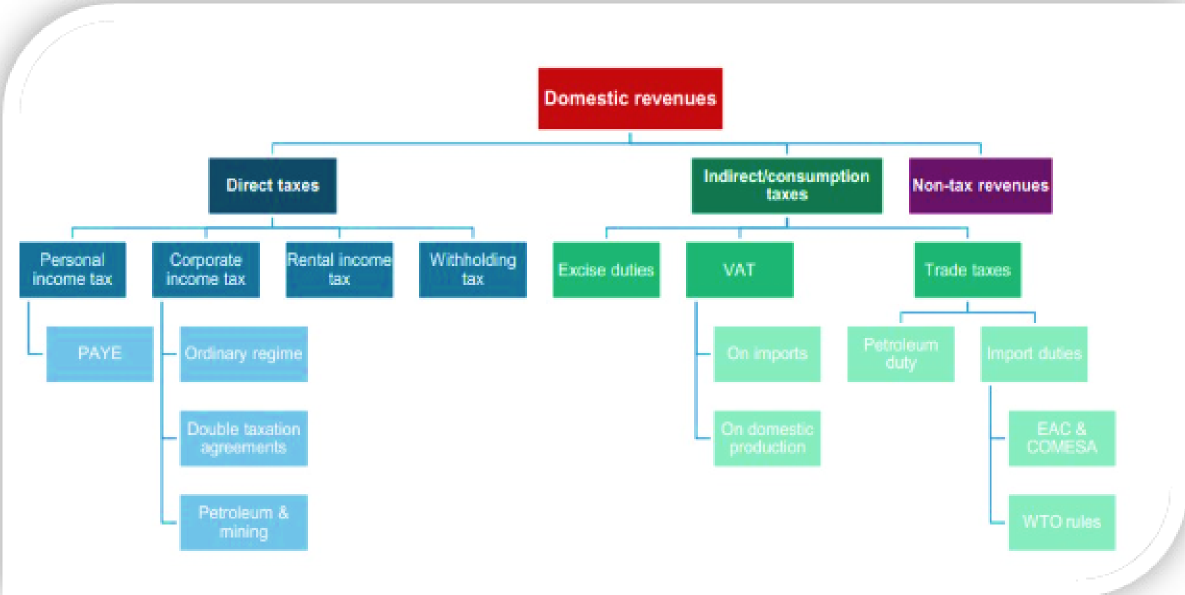
That said, Uganda's tax regime is heavily dependent on indirect taxes such as: VAT, excise duties and customs duties[23]. Inevitably, this tax structure tends to burden the poor more than the well to do. For example, for July to December 2022, **UGX 11,670.03 billion** was collected. Only **UGX 2,965.09 billion** (25.40 percent) was realized from direct taxes. The rest, **UGX 8,704.94** (74.59 percent) was collected from indirect taxes.

4.3.2 Description of Taxes and Rates

The Ugandan tax regime comprises of both direct and indirect taxes. The former account for about 25 percent of the total tax collections while the latter, are the majority and account for 75 percent.

[21] PwC Uganda, 2023
[22] PWC Uganda, 2023
[23] USAID, 2015

Figure 3: Major Taxes in Uganda (MoFPED, 2019)



4.3.3 Income Tax

Income tax in Uganda is payable by all persons who derive income, whether they are individuals, corporate entities, or bodies of individuals. Income tax for residents is applied on a taxpayer's worldwide income, while income tax for non-residents is only applicable to income derived from sources in Uganda. Income tax is imposed on three main types of income:

- Business income
- Employment income
- Property income

Just like other taxes, income tax in Uganda is self-assessed. The taxpayer has the primary responsibility of calculating taxable income and the tax due on that income. However, the taxpayer's calculations may either be reviewed or audited by URA.

4.3.4 Income Tax Rates for Individuals in Business

Income tax rates will depend on the individual's income bracket. For residents, a tax-free annual income threshold of UGX 2,820,000 is available for annum. The balance is then taxed at varying rates of either 10%, 20% or 30%. Individuals who earn above UGX 120,000,000 pa, are expected to pay an additional 10% on any income above 120m.

Table 1: Income Tax Rates for Individuals in Business

CHARGEABLE INCOME (CY)	RATE OF TAX	
Annual	Residents	Non-Residents
0 to 2,820,000	Nil	CY x 10%
2,820,000 to 4,020,000	(CY – 2,820,000) x 10%	CY x 10%
4,020,000 to 4,920,000	(CY – 4,020,000) x 20% + (120,000)	(CY – 4,020,000) x 20% + (402,000)
4,920,000 to 120,000,000	(CY – 4,920,000) x 30% + (300,000)	(CY – 4,920,000) x 30% + (582,000)
Above 120,000,000	[(CY – 4,920,000) x 30% + (300,000)] + [(CY – 120,000,000) x 10%]	(CY – 4,920,000) x 30% + (582,000)] + [(CY – 120,000,000) x 10%]

4.3.4 Income Tax rates for Individuals in Employment

All companies with full-time employees are required to deduct income tax from the salary of each employee. Any failure to deduct this tax from an employee will result in the employer becoming liable for the unpaid tax. The monthly PAYE rates are hereunder.

Table 2: Tax Rates for Individuals in Employment

CHARGEABLE INCOME (CY)	RATE OF TAX	
Annual	Residents	Non-Residents
0 to 235,000	Nil	CY x 10%
235,000-335,000	(CY – 235,000) x 10%	CY x 10%
335,000-410,000	(CY – 335,000) x 20% + (10,000)	(CY – 335,000) x 20% + (33,500)
410,000-10,000,000	(CY – 410,000) x 30% + (25,000)	(CY – 410,000) x 30% + (48,500)
Above 10,000,000	[(CY – 410,000) x 30% + (25,000)] + [(CY – 10,000,000) x 10%]	(CY – 410,000) x 30% + (48,500)] + [(CY – 10,000,000) x 10%]

4.3.5 Tax Rates for Companies

The income tax rate for a company created or recognized under any law in Uganda or elsewhere is 30% of the entity's CHARGEABLE INCOME i.e., gross income less tax allowable deductions. For non-resident companies, an additional 15% may be chargeable on repatriated branch profits.

4.3.6 Tax Rates for Small Businesses

For income tax purposes, a small business taxpayer is a resident taxpayer whose gross turnover from all businesses owned by such a person in a year is more than five million shillings but does not exceed **UGX 150,000,000.** However, professionals including lawyers, accountants, architects, Dental surgeons, and consultants are excluded from this definition.

Table 3: Tax Rates for Small Businesses

Gross Turnover per annum	With records	Without records
Not exceeding UGX 10 million	Nil	Nil
Exceeding UGX 10 million but does not exceed UGX 30 million	4% of annual turnover more than 10 million	UGX 80,000
Exceeding UGX 30 million but does not exceed UGX 50 million	UGX 80,000 plus 0.5% of annual turnover more than UGX 30 million	UGX 200,000
Exceeding UGX 50 million but does not exceed UGX 80 million	UGX 180,000 plus 0.6% of annual turnover more than UGX 50 million	UGX 400,000
Exceeding UGX 80 million but does not exceed UGX 150 million	UGX 360,000 plus 0.7% of annual turnover more than UGX 80 million	UGX 900,000

4.3.7 Tax on Rental Income Derived by Individuals.

Rental tax is tax levied on income earned by a person from letting out immovable property (land and buildings) in Uganda. For income tax purposes, it does not matter whether the building is let out as a residence or for commercial use. Property is let out by a landlord or landlady to another person also known as a tenant for a consideration.
Tax on rental income derived by an individual is assessed separately from that individual's other business incomes or employment income. The rental income of a resident person for the year of income is charged to tax at the rate of 30% of the chargeable income after deducting the allowable expenses. The taxpayer can claim a tax credit for any rental tax paid provisionally or in advance during the year of income. However, this is only creditable against a rental tax liability.

4.3.8 Withholding Tax on Payments to Resident and Non-Residents

The Income Tax Act Cap 340 specifies persons who are required to withhold taxes as well as those upon who the tax is to be imposed. These withholding tax agents are defined in the Act to mean any person who is required to withhold tax upon making a payment to a payee. A payee is any person who receives a payment from which tax is required to be withheld. A withholding agent is the person making payment and obliged to withhold tax. The Withholding tax modules includes:

Table 4: Withholding tax modules.

Type of payment	Resident	Non-Resident
Professional fees	6%	15%
Commissions to insurance agents	10%	10%
Dividends	10-15%	15%
Rent	Rental income	15%
Interest	15 or 20%	15%
Royalties	Property income	15%
Natural resource payments	Property income	15%
Annuities	Property income	15%
Ship operators/Charters	Business income	2%
Air transport operators	Business income	2%
Road transport operator (cargo)	Business income	2%
Electronic/Television/Internet services	Business income	2%
Imports (Goods)	6%	6%
Supplies to Government or designated WHT agents	6%	6% or 15%

- The withholding agent is required to remit to URA the tax withheld (or that should have been withheld), within 15 days after the end of the month in which the payment was made.
- The agent is further required to maintain and avail for inspection by URA, records of all payments to the payee(s) and the corresponding tax withheld for five years after the end of the year of income to which such records relate.
- Upon withholding the tax, the withholding agent is required to issue a withholding tax credit certificate to the payee; and then pay the tax to URA.

4.3.9 Income tax reporting guidelines

The final annual returns by individuals, companies, partnerships, and trusts should be filled within 6 months after the end of the financial year.
Provisional returns should be filed within 6 months after the accounting year.
Individuals should file 3 months after the accounting year.
Withholding tax returns including PAYE should be filed by the 15th of the following month.

4.3.10 Value Added Tax

Value Added Tax is a tax on consumption charged on value added to "taxable" goods and services, at different stages in the chain of distribution and is charged at a rate of 18%. However, if the seller is registered for VAT, he can claim for his input tax when selling the product/service. The threshold for VAT registration is an annual turnover of UGX 150 million. Some supplies are beyond the scope of VAT and are classified as "Exempt supplies". Other supplies are charged at 0% and are classified as "Zero-rated supplies". VAT is chargeable on both local and imported taxable supplies (goods or services) when:

i) A tax invoice is issued for the supply.
ii) The goods are delivered.
iii) The services are rendered.
iv) The goods are made available.
v) The goods or services are paid for in whole or in part.

When any of the above takes place, the difference between VAT incurred by the person (input tax) and the VAT charged by the person (output tax) is paid to or claimed as an offset or cash refund from URA. All VAT taxable persons are required to file a return within 15 days after the end of the month.

4.3.11 Excise Duty

Excise duty is tax that is charged on certain imported or locally manufactured goods and services. It is a tax on "luxury" items. The rates can either be specific or ad valorem. For imports, the tax is charged on the value of the import. For locally manufactured goods, the duty (excise duty) is on the ex-factory price. Any locally manufactured goods that are destined for export are exempt from excise duty. Persons supplying excisable goods and services are required to report to URA by the 15th of the month following the one in which the delivery of the goods was made.

4.3.12 Stamp Duty

Stamp duty is a duty charged on any instrument listed in schedule 2 of the Stamp Duty Act, 2014 as amended which is executed in or outside Uganda relating to a property or transaction made in Uganda. An instrument is a document that confers any right or liability upon being created, transferred, limited, extended, extinguished, or recorded. Stamp duty only applies to instruments listed in schedule 2 of the Stamp Duty Act, 2014 as amended. The rates of stamp duty payable are either fixed or ad valorem depending on the instrument. A fixed duty rate does not vary with the value of the document while an Ad valorem rate varies with the amount or value or the consideration paid, or obligation incurred, or the value of the property affected by the document in question. The most common instruments that attract stamp duty include:

- Affidavits,
- Agreements
- Memorandums of Agreement
- Company Articles and Article of Association (0.5%),
- Caveats
- Insurance policies
- Powers of Attorney
- Promissory Notes
- Mortgage Deeds (0.5%)
- Debentures (0.5%)
- Transfer of immovable property (1%)

4.3.13 Customs Duty

This is a tax levied on goods imported (import duty) or exported (export duty) from Uganda at specific or ad valorem rates. The East African Community Customs Management Act 2004 (EACCMA) is the legal framework for customs operations in Uganda and the region. This is because Uganda is a member of the East African Customs Union which brings together the countries of Uganda, Kenya, Tanzania, Rwanda, and Burundi into a one trading bloc. Under the Customs Union arrangement, member states have agreed to:

- Eliminating internal tariffs and non-tariff barriers that hinder trade among them.
- Facilitating the formation of a single market and investment area
- Harmonizing policies relating to trade among them including reaching agreement on a Common set of import duty rates under the Common External Tariff Framework.
- Allowing the duty free and quota free movement of tradeable goods within the Customs territory
- Coming up with common safety measures that regulate the importation of goods from third parties such as Phyto-sanitary requirements and food standards.
- Developing a common codding and description of tradable goods (Common Tariff Nomenclature (CTN)
- Developing a common valuation method for tradable goods for tax (duty) purposes (common valuation system)
- Developing a structure for collective administration of the Customs Union.
- Having a common trade policy that guides the trading relationships with third countries/trading blocs outside the Customs Union

4.4. Documents Required for Customs Declaration.

When importing goods into the customs territory, the following documents are required:

- A bill of lading or airway bill
- An insurance certificates.
- Proforma invoices
- Commercial invoices
- A Certificate of Origin
- Permits for restricted goods.
- Purchase order
- Parking list
- Sales contract
- Evidence of payment
- Any other supporting documents
- Customs valuation-for goods originating from outside the EAC.

4.4.1 Eligible Additional Charges for inclusion in the Customs Value

The customs value forms the basis for the computation of the customs duties including import duty. The EACMA[24] requires that certain charges if not already included in the customs value can be included e.g., Commissions, cost of containers, Packing costs, Royalties and license fees and transportation costs.

4.4.2 Valuation Methods

Goods are valued using the following methods: (i) Transaction value; (ii) Transaction value for identical goods; (iii) Transaction value for similar goods (iv) Deductive value v) Computed value and (vi) Fall back value.

4.4.3 Exemption for Customs Duties

Passenger's baggage and personal effects- that are the property of the passenger, the goods are in the company of the passenger, the goods are for personal use of the passenger, the goods are permitted by law and the goods are in quantities that a customs officer may allow,

Duty free items- Spirits (including liquors) not exceeding one liter and wine not exceeding two liters of wine, Perfume and toilet water not exceeding one half liter, Cigarettes, Cigars, Cheroots, Cigarillos, tobacco, and snuff not exceeding 250gms in

[24] The EAC Customs Management Act 2019

weight, other goods up to US$ 300 imported by the traveler in his/her accompanied baggage, provided that the person has been outside Uganda for a period exceeding 24 hours.

Special exemptions for special categories of people and entities: The President, Donor agencies, International and regional organizations with diplomatic accreditation, the disabled and physically handicapped, Rally drivers, Deceased person's effects, Mosquito nets and materials for the manufacture of nets, are some of the special categories of persons or entities that enjoy special exemptions, educational articles and materials, Personal and household items, one motor vehicle (excluding buses) that the passenger has owned and used for at least 12 months.

Temporary visit exemptions- A person visiting Uganda on a temporary visit is allowed to import the following as baggage: non-consumable goods imported for personal use which will be exported at the expiry of the visit, consumable goods, and Non-alcoholic beverages in quantities that in the opinion of the customs officer, are consistent with the purpose of the visit, among others.

4.5. EAC COMMON EXTERNAL TARIF

The EAC implements a four band Common External Tariff (CET) as follows:
0% for raw materials and capital goods
10% for intermediate goods not available in the region
25% for intermediate goods available in the region
35% for imported finished goods that are available in the region.
Above 35%-Sensitive products according to Schedule 2 of the CET.

4.6 CHANGES IN REVENUE ADMINISTRATION

4.6.1 E-Tax Registration and Filing

An Integrated Tax Administration System also known as e-Tax, was set up by URA to provide online services to tax payers on a 24-hour basis. E-Tax caters for the registration of taxpayers, filing of returns, assessments, and payment of taxes. In practice, taxpayers can lodge their applications online through the web-portal, from any location. Upon uploading the application on the web portal, the system generates an e – acknowledgement receipt with a reference number and search code for tracking the transaction status. Note that photocopies of any attachments must be delivered to a nearby URA office. During processing of the application, the applicant may be contacted in case of any query, interview, or inspection. When the application is finally approved, the applicant is issued a TIN with details displayed on the Certificate of Registration. Where the application has been rejected, the taxpayer will be issued a rejection notice stating the reason(s) for rejection via e-mail.

A taxpayer registered with URA for any tax type other than PAYE has an obligation to submit a return for the tax period defined by the respective tax law. URA facilitates The tax payer to fulfill this obligation by introducing electronic filing in e-TAX. From the web portal (http:// ura.go.ug), the taxpayer obtains a return, saves a template on any storage devise, takes time to fill in the return and and validates the return before H/she finally uploads it on the web portal. If the upload is successful, the taxpayer will receive an auto generated e-acknowledgement receipt which is evidence of submission. In case of any problems in filling the respective returns, the tax payer sends an email to URA on the email address; services@ura.go.ug or or calls the toll free lines.

In case there are errors in the return detected by the system, The taxpayer is given a chance to amend the errors when he/she is issued a Return Modified Advice Notice. The return must be submitted by the due date to avoid penalties for late filing, and it must also be submitted for each tax period to avoid estimated assessments that arise out of non-submission of returns. In case the taxpayer is unable to submit a return on time, he or she can apply for the extension of time to submit a return late using an application form for late filing also found on the web portal.

4.6.2 E – Payment

The e-payment process facilitates easy and convenient payment of taxes. Using the URA web portal, http://ura.go.ug , a payment registration slip can be obtained. the tax payer then proceeds to register the payment and go to the bank to make the actual payment over the counter. Taxpayers can also monitor the status of their payments online through the web portal.

4.6.3 Tax Agents

The Tax Agents Registration Committee licenses a tax agent to manage tax-related issues on behalf of the taxpayer. An agent can be an individual, partnership, or company. The agent engages in the following activities on behalf of the taxpayer: (i) Preparation, certification, and filing of tax returns, or other statements or reports required by the Authority; (ii) Preparation of requests for ruling, petitions for reinvestigation, protests, objections, requests for refund or tax certificates, compromise settlements and / or reductions of tax liabilities and other official papers and correspondences with the Authority; (iii) Attending meetings and hearings on behalf of the taxpayer in all matters relating to taxpayer rights, privileges or liabilities under the laws administered by the Authority.

4.6.4 Digital Tax stamps

The Digital Tracking Solution (DTS) is a track & trace platform that sends production and importation data for specific products immediately, to both Uganda Revenue Authority (URA) and the Uganda National Bureau of Standards (UNBS). The Digital Tracking Solution involves the stamping of products with a digital stamp for tax purposes (URA) and conformity Stamps – for safety standards certification (UNBS)[25].

4.6.5 EFRIS

EFRIS or the Electronic Fiscal Receipting and Invoicing Solution is a Smart Business Solution introduced by the Domestic Revenue Mobilization Program of URA to record business transactions and share the information with URA in real time. It involves the use of e-Invoicing through the URA web portal and direct communication with business transaction systems (system to system connection), electronic Fiscal Devices (EFDs) and Electronic Dispenser Controllers (EDCs) to manage the issuance of e-receipts and e-invoices[26].

4.6.6 Uganda's Revenue performance and Tax effort

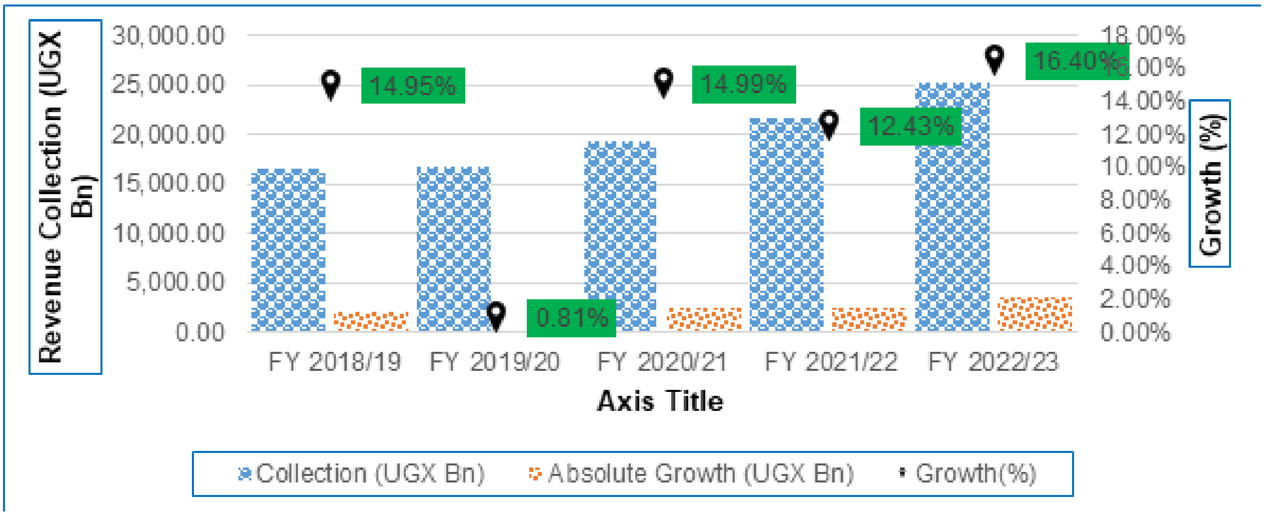
Over the past decades, Uganda has rolled out several reforms aimed at increasing its domestic revenue collections[27]. These including the establishment, of the Uganda Revenue Authority as a semi-autonomous body, the introduction of Value Added Tax in 1996 and the reform of the income tax regime. These initial reforms resulted into the country's tax-to-GDP ratio rising from 1990 to 1999. Additional reforms including the establishment of large and medium taxpayer offices, increased adoption of Information and Communications Technology (ICT) solutions to facilitate tax administration, the elimination of selected VAT exemptions, and increases in selected excise tax rates, as well as the adoption of the Common External Tariff (CET) under the EAC Customs Union, which have led to modest rises in the tax to GDP ratio.

Figure 4: Uganda's Revenue Performance (2008/9-2018/19)

[25] Uganda Revenue Authority, 2023
[26] Uganda Revenue Authority, 2022
[27] Ministry of Finance, Planning and Economic Development, 2019

This positive performance has continued with URA collecting **UGX 25,209.05 billion** in the FY 2022/23.

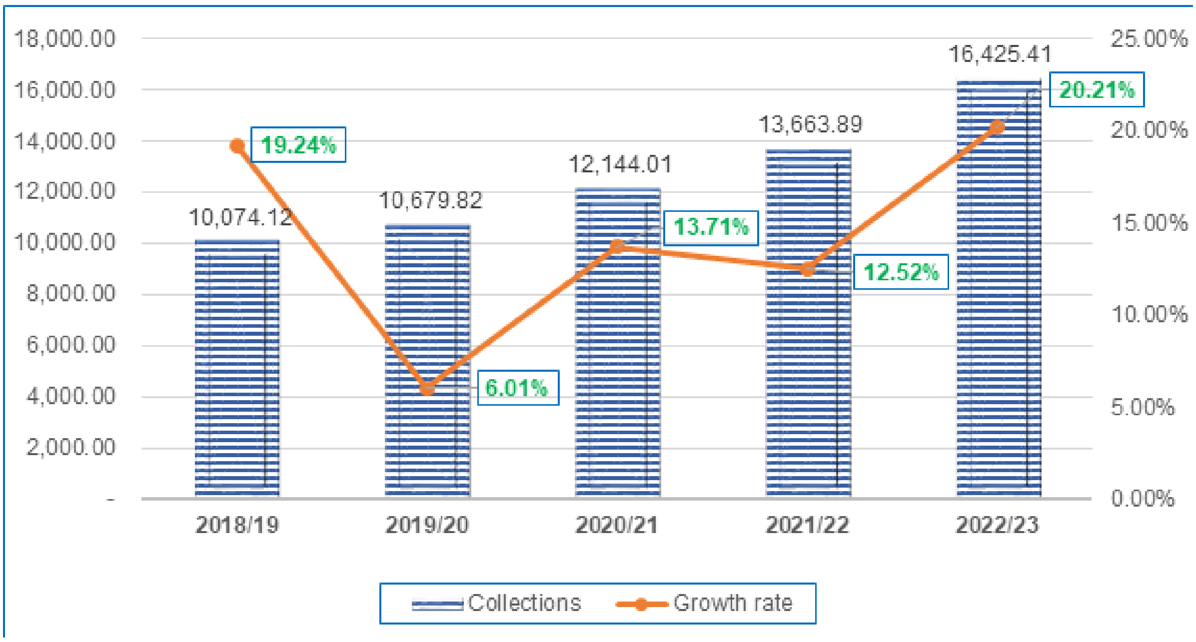
Figure 5: Annual Trend Analysis of Net Revenue Performance (FY 2018/19-2022/23)



Source: Uganda Revenue Authority, 2023

This positive trend was also visible in the domestic tax revenue collections with a total amount of **UGX 16,425 billion** in 2022/23

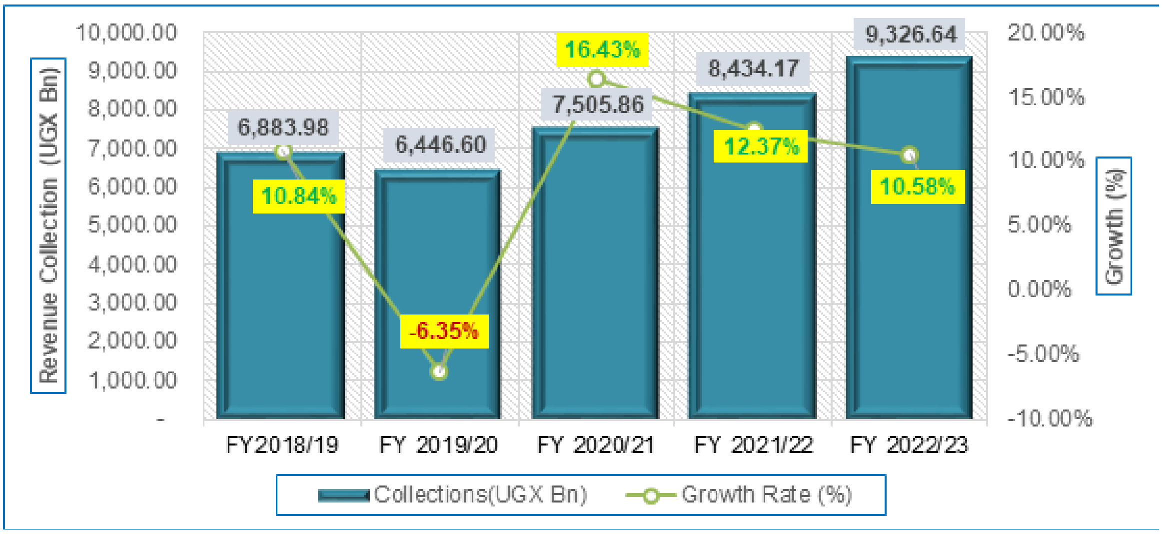
Figure 6: Trend Analysis for domestic taxes collection (FY 2018/19-2022/23)



Source: Uganda Revenue Authority, 2023

On the international tax front, a total of UGX 9,326.64 billion was collected, which was slightly below the target of **UGX 9,462.70 billion.**

Figure 7: Trend Analysis for International Trade Taxes (FY 2018/19-2022/23)



Source: Uganda Revenue Authority, 2023

Unfortunately, Uganda's tax-to-GDP ratio that stands at 13.9% still falls below its taxable capacity given its economic, social, and institutional characteristics. This is attributable to weak VAT collections, tax avoidance, a narrow tax base and a large informal sector

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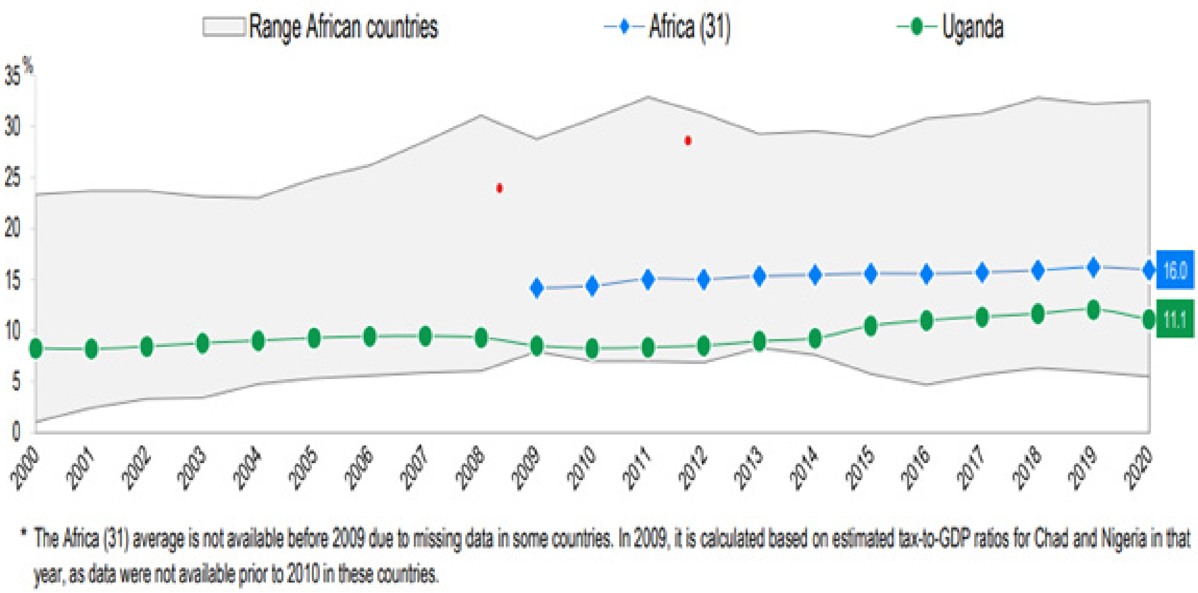
Figure 8: Tax-to-GDP ratio overtime in Uganda vs other African countries



Source: African Tax Administration Forum, 2023

5.0 AGRICULTURAL TAXATION IN UGANDA

5.1 THE HISTORY OF AGRICULTURAL TAXATION IN THE GLOBAL SOUTH

Agricultural taxation tends to be aimed at i) generating government revenue and ii) transferring resources from the agriculture sector to the rest of the economy. Many post-independence governments in Africa therefore used implicit taxes like overvalued exchange rates, non-tariff barriers like export quotas, import tariffs etc. to extract and redistribute surplus value from the agriculture sector to other sectors of the economy, like industry. Unfortunately, these implicit taxes did not work. First, they disincentivized investment in the sector. Second, they were not effective at redistributing income. Therefore, structural adjustment programmes pushed for the removal of these implicit taxes on the sector.

Table 7: Typical methods of taxing the agricultural sector in the Global South

Implicit taxes	**Explicit taxes**	
	Direct taxes	Indirect taxes
i. Overvalued exchange rates ii. Non-tariff barriers iii. Import tariffs. iv. Procurement programmes (monopoly marketing	i. On actual income (by category of income, or on global income) ii. On presumed income (from land) • -Withholding based on a % of sales -Based on land area -On rental income (annual rental value or capital value) -Value of gross or net income iii. Personal (or poll) tax -On individual or household -- -On livestock iv. Wealth or property tax - Based on area with adjustments - Based on capital (market) value - Based on land improvements	i. Tax on domestic trade (VAT and turnover tax) ii. Tax on foreign trade (import duty and export tax) iii. Excise on specific marketed products iv. Stamp duty

Many governments in the global south are choosing to rely on explicit taxes, instead of implicit taxes in the sector. Explicit taxes take many forms. They can either be direct or indirect including VAT, excise duties or stamp duties. Historically, export taxes have tended to generate the most revenue of all explicit taxes. For instance, in Uganda during the 1980s, export duties on coffee contributed more than 50 percent to the national coffers. Unfortunately, export taxes are distortionary, as they get passed on to the farmer. Some countries have experimented with some consumption taxes like VAT. However, many governments in the global south have made agricultural inputs and outputs, either VAT exempt or zero-rated to encourage the growth of the sector. Therefore, these may also not be a reliable source of revenue.

This leaves income taxes as the most viable option left for taxing agriculture in the global south. Withholding taxes appear to be the most promising option for taxing agriculture. Uganda's experience of doubling the tax collected from the sector through the imposition of a 1% WHT shows that this is a plausible option. Under this mechanism, large purchasers of agricultural supplies are designated as 'withholding agents', with a legal responsibility to remit a percentage of the total sale value to the URA. This is therefore a good route to collect taxes from suppliers in the sector.

The greatest obstacle to the roll out of WHTs in the agriculture sector is the political pressure from taxing a sector on which very many people depend, especially in rural areas. In Uganda, it is the parliamentarians who repealed the withholding tax rate in 2019. This is not entirely altruistic since they are also large-scale commercial farmers and ranchers.

5.2 AGRICULTURAL TAXATION IN UGANDA

Uganda's agriculture sector accounts for 22 percent of the GDP (UBoS, 2022). Additionally, it is the country's main foreign exchange earner and the largest employer of Uganda's population with over 72 percent of the population employed in this sector. The sector currently accounts for over 50% of the country's exports. Unfortunately, since the FY 2013/14, the sector has contributed roughly 1 percent to the total tax revenue. The sector, however, only accounts for 4 percent of the URA register-only 38,528 businesses in the sector are registered for taxes, of which 96 precent are engaged in crop and
animal production, 2 percent are in forestry and 2 precent are in fishing and aquaculture. The different agricultural value chains have different players that are engaged in: production, input supply, farmer organization, post-harvest storage, processing, provision of technologies of production and handling, grading criteria and facilities, cooling, and packing technologies, post-harvest local processing, industrial processing, and transport.

Table 8: Percentage of Actors Registered for Tax

Sector (FY)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Wholesale and retail trade	26.1	24.6	27.5	28.3	30.1	30.4	29.2
Manufacturing	25.2	21.1	23.8	24.6	22.7	22.9	21.8
Agriculture, forestry, and fishing	0.6	0.8	1	0.9	0.9	0.9	1

Whereas the main players at the top of the agriculture value chain are tax compliant, for example, the players in the dairy sector who contribute to tax (tax growth of 57% from 14bn in 2014/15 compared to 22bn in 2015/16), the other players in the industry i.e., the farmers (milk suppliers), transporters and others in the chain, have not complied regarding registration for taxes.

This is attributed to a misconception that" Agriculture is tax exempt. Tax exemptions offer complete exemption from tax. In other instances, entities may receive tax relief which is different. A tax relief offers a reduction in the amount of burden that an individual or organization must pay and can be a tax deduction, credit or allowance that reduces the tax liability of a taxpayer.

In Uganda, Agriculture is shielded from the payment of consumption taxes on inputs e.g., machinery and livestock are exempted from VAT, seeds, fertilizers, and pesticides are zero-rated. However, Agricultural income is subject to all the same tax instruments as other sectors of the economy as indicated in Section 35 of the Income Tax Act which advises on the treatment of farming expenditures when computing chargeable Income
.

Figure 9: Revenue contribution by tax type in the agricultural sector (UGX billion)

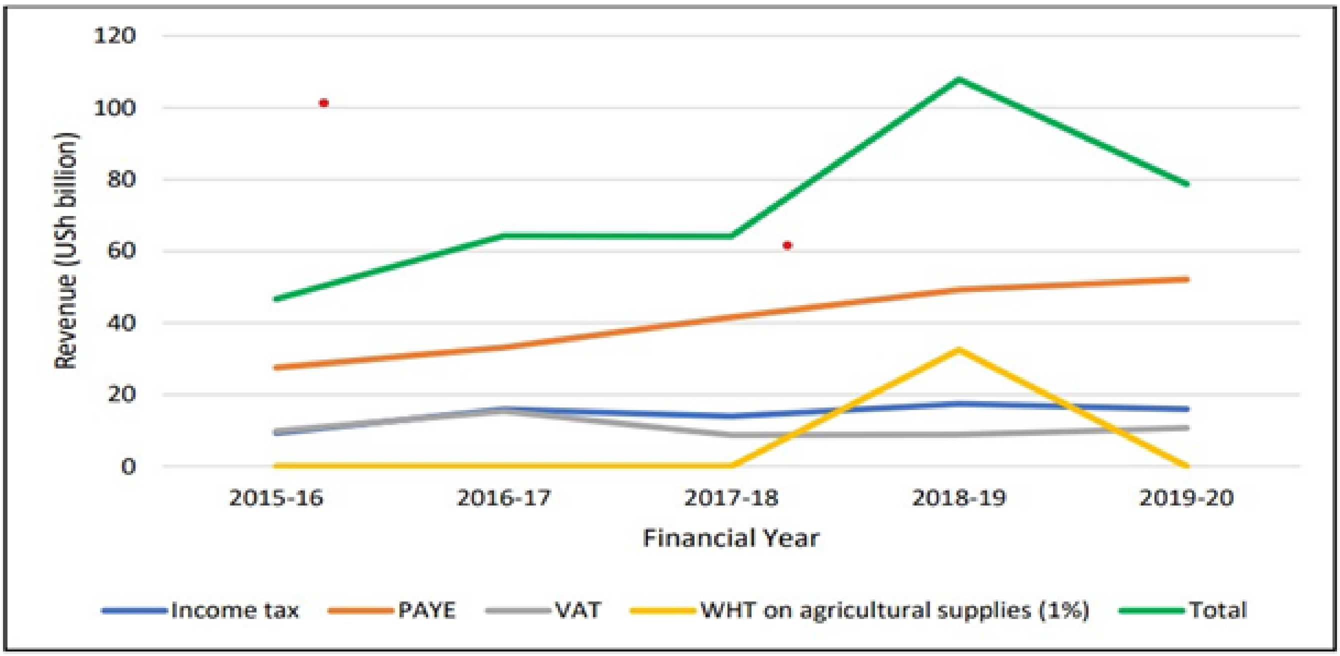


Table 9: Tax Registration in the Agricultural Sector

Sub-sector	No. of registered taxpayers	% share
Crop and animal production	68,632	81.1
Fishing and aquaculture	14,811	17.5
Forestry and logging	1,169	1.4
Total	**84,612**	**100**

Any agribusiness incurs capital expenditure relating to acquisition or establishment of a plant for instance the construction of a greenhouse. It is therefore imperative that the agribusiness is formalized and legitimate to facilitate access to the tax benefits that accrue.

Agribusinesses such as commercial farms should be registered with the Uganda Registration Services Bureau and the Uganda Revenue Authority (URA) to obtain a Tax Identification Number (TIN), which acts as the basis for all dealings with the URA. For instance, a horticulture business, if registered as a commercial concern, deduction of an amount equal to 20% of the expenditure in each of the first 5 years, is allowed. Note that any expenditure of a capital nature incurred on the establishment of a horticultural plant shall include expenses incurred in draining or clearing land.

5.3 MAJOR TAXES IN AGRICULTURE.

Consultations with the embassy confirm that Dutch companies make a significant number of inquiries regarding tax. Apart from the common taxes companies are liable to pay while transacting, there is a significant knowledge gap on agriculture related taxes. This section explains both the direct and indirect taxes in agriculture, including how they should be processed.

5.3.1 Income Tax

Income Tax – Section 4 of the Income Tax Act imposes income tax for each year of Income on every person who has chargeable income for a given year of income. Income taxes fall under this category as indicated in Figure 1.0. The scope of liability to tax depends on a person's residence status. Income tax is imposed on Income from business, employment, and property. For a resident person, income tax is charged on gross income from all over the world while for a non-resident person, income tax is only charged on income derived from sources within Uganda.

Income tax is administered under the Income Tax Act (1997) Cap 340 on chargeable income. It is charged on every person who has chargeable income for each year of income. Chargeable income is derived from three main sources of income, namely, business, employment, and property.

5.3.2 Presumptive Tax for small Taxpayers

Section 4, subsection five of the income tax Act defines small taxpayers as those taxpayers whose annual turnover is below 150 million UGX (approximately € 37,500[28]). The presumptive tax rates are based on turnover, however there is a standard of record keeping. Small businesses with no records will pay tax on a fixed basis whereas those with records will pay tax as a percentage of turnover.

5.3.3 Individual Income Tax.

The income tax rate for individuals depends on the income bracket in which the individual falls. Resident individuals enjoy a tax-free annual income threshold of UGX. 2,820,000or €705 per annum. The balance is taxed at 10, 20 or 30 percent depending on the income bracket. Individuals who earn above UGX 120 million or € 30,000) per annum pay an additional 10 percent on the income above UGX 120 million

[28] At an exchange rate of 1Euro=4000 UGX

5.3.4 Corporation Tax

This is imposed on all corporate entities (Companies) engaged in commercial farming activities. Income Tax is charged at a rate of 30 percent on the Profits from the business (chargeable Income). The company must file income tax returns or the simplified returns under Part 1 of the second schedule of the Income Tax Act.

5.3.5 Pay as You Earn (PAYE)

For all entities that employ staff that are paid salaries, the firm is required to withhold PAYE under section 19 of the income tax Act. The rates applicable are specified under Part 1 of the 3rd Schedule of the Income Tax Act. This is a tax deducted from the total salary of employees (earning income above 235,000 UGX or € 58,75) by employers and then remitted to URA on behalf of the employees. If you have employees on a farm who earn income above UGX 235,000/=, you are required to withhold and remit monthly PAYE as per the PAYE rates.

5.3.6 Withholding Tax (WHT)

Like the Netherlands, Uganda has various forms of withholding tax. Withholding tax is levied at the source, whereby income tax is withheld at source by a designated withholding agent, upon making payment to another party. In Uganda, for local suppliers, if the company is gazetted to withhold tax on behalf of the Government of Uganda, the payer is required to withhold 6 percent of all payments to suppliers above UGX 1,000,000 or € 250 (Section 119 (1)). Suppliers in this case could be transporters, cleaning firms and any other vendors. Take note that separate supplies of goods or materials or supplies amounting to above one million may attract the 6 percent WHT. Regarding international payments, WHT applies When foreign payments or management fees are paid to non-resident contractors.

5.3.7 Rental Tax

Rental Income Tax is levied on any income derived from letting immovable property. In cases where an agribusiness has rental properties and earns rental income or leases out farms or equipment, this income is taxable under section 5 of the Income Tax Act.
According to the Income Tax Amendment Act 2021, the tax rate for individuals is 12 percent of the gross rental income more than UGX 2,820,000 (EUR 705). This means that if your annual rental income is below this threshold, you don't have to pay any tax. However, if it exceeds this amount, you'll have to pay 12 percent of the difference as tax.

Agribusinesses, however, follow a different structure based on their annual revenue streams. URA allows up to 50 percent of the annual gross rental income as allowance for expenses and losses incurred in generating income. The remaining 50 percent is taxed at a rate of 30 percent. This means that if you can justify your expenses with proper documentation, you can reduce your taxable amount by half.

Deductions are permissible in the case of rental income. This can significantly reduce the total taxable amount. This includes loan interest to purchase, construct, or improve the property. Note that documentation is critical for justification purposes. On the flipside, late payments or non-compliance can attract penalties. Lastly, investors in commercial buildings are entitled to a capital allowance of 5 precent on the cost of the building.

5.3.8 Value Added Tax (VAT)

This is a tax on consumption charged on "value-added" to "taxable" goods and services, at various stages in the chain of distribution and is charged at a rate of 18 percent. However, if the seller is registered for VAT, the input tax incurred when selling the product/service cab be claimed. Agribusinesses dealing in taxable supplies with a gross turnover above 150 million (€ 37,500), are required to register for VAT while those dealing in unprocessed items are not subject to VAT but must register for Income tax. However, Commercial farmers regardless of the existence of taxable supplies are required to register for VAT to enable them to claim for a refund of VAT on inputs used in the farm.

It is mandatory for all VAT registered taxpayers to issue *e-invoices or e-receipts* as no tax credit is allowed or claimable on purchases unless they are supported by e-invoices or e-receipts. The law allows a period of six (6) months from the date of issue of the invoice within which a person can apply for an input tax credit. To be VAT compliant, agribusinesses must have a valid Tax Identification Numbers (TIN) clearly shown on the invoices issued to their clients every time they supply. Please note that under the current tax regime, many agricultural inputs are either VAT exempt or zero-rated e.g., machinery and livestock are exempted from VAT, seeds, fertilizers, and pesticides are zero-rated. For emphasis, that agricultural income in Uganda is subject to the same tax instruments as other sectors.

5.4 OTHER DEVELOPMENTS LINKED TO WITHHOLDING TAX IN AGRICULTURE

It is worthwhile to review the implications of the Double Taxation Agreement (DTA) signed between Uganda and the Netherlands. The main aim of the DTA's is to avoid taxing business entities or individuals twice. It applies to income, capital gains, dividends, interests, royalties, and technical fees. DTAs often, may limit Uganda's own right to levy dividend tax. If a company established in Uganda pays out a dividend to companies set up abroad, it is worth examining, in consultation with a tax expert and URA (where applicable), if a reduction of a dividend tax is possible.

Collection of agricultural taxes in Uganda is constrained by the associated level of cumbersomeness and high cost. Consultations with URA and the Ministry of Finance, Planning and Economic Development, reveal that, the above barriers not withstanding, the Government of Uganda is considering the introduction of new taxes to expand the national revenue collections. The URA is convinced that introducing new withholding taxes (WHTs) is the only feasible and practical way of taxing the agriculture sector in Uganda. In other sectors, a flat rate of 6 percent is used to collect taxes from a range of transactions such as: payment of professional fees, winnings from gaming and 5.4 lotteries and employee salaries etc

URA Tax data demonstrates a growing positive contribution by Withholding Tax as indicated by Table 11.0. This makes a compelling case to Government to adopt the same approach of indirect tax collection for the agriculture sector.

Table 11: Withholding Tax Type & Revenues Collected

Transaction Type	**2017/18**	**2018/19**	**2019/20**	**2017/18**	**2018/19**	**2019/20**
	Billion (UGX)	%				
PAYE	2,396.11	2,811.30	3,039.83	76%	77	78
General Supplies	337.52	435.14	505.10	11.0	12.0	13.0
Foreign Transactions	152.99	102.94	114.49	5.0	3.0	3.0
Mgt. & Professional fees	89.56	116.37	121.39	3.0	3.0	3.0

Dividends	87.74	74.64	54.92	3.0	2.0	1.0
Government Pay-ments	73.82	75.78	58.67	2.0	2.0	1.0
Wins on Gaming & Lotteries	12.65	17.68	18.42	0.0	0.0	0.0
Agricultural Supplies	-	32.5	-	-	-	-
Total withholding Tax	3,150.40	3,666.35	3,912.82	100	100	100

5.5 LIKELY OPTIONS FOR COLLECTION OF TAXES FROM AGRICULTURE

As demonstrated above, the WHT collection likelihood is indisputably high. However, the tax collection approaches are yet to be determined. The likely options for tax collection include the following:

- Reinstating WHT on agricultural supplies-Government might reinstate withholding tax on agricultural supplies, as a way of expanding the tax base and encouraging tax compliance in the sector.

- Upgrading the withholding tax system- URA issued has issued guidelines that make the inclusion of the TIN and name of a supplier mandatory when filing a Withholding tax return. This will affect many players in the agricultural sector who have been doing business with informal and non-compliant players.

- Increasing enforcement on non-compliant taxpayers- URA has intensified its enforcement campaigns against non-compliant taxpayers.

- Targeting highly profitable agricultural suppliers for registration/assessment- URA may also start targeting profitable agricultural suppliers including Dutch companies for special audits.

6.0 RECENT AGRICULTURAL TAX AMENDMENTS

6.1 GENERAL TAX AMENDMENTS FOR FY 2022-23

In line with the budget theme of ‘full monetization of Uganda’s economy through commercial agriculture, industrialization, expanding and broadening services, digital transformation, and market accesse; the Government of Uganda made several amendments to the Tax Act in FY 2022/23. The amendments are geared towards reinforcing Government’s commitment to import substitution, boosting local production, creation of employment, supporting local and foreign investment, easing the burden of tax compliance, and encouraging compliance.

The amendments particularly sought to enable Uganda inorder to grow its domestic tax revenue, mobilization capabilities to see it financing a greater part of the National Budget to ultimately liberate Uganda from donor dependency. The major objective of the amendments is improving taxpayer compliance on Value Added Tax (VAT) and rental tax remittance. The new changes also offer clarification on the treatment of income from Transportation embarked on outside Uganda.

There is an increase in the number of members on the Tax Appeals Tribunal (TAT) to enhance the efficient and fair dispensation of tax appeals. This should ease the administration of tax issues for both URA and the taxpayers.

The amendments also offer clarification on the adoption of the use of the tax stamps and electronic receipts or invoices to create a levelled ground for all players in the economy.

The major amendments are explained in Table 12.0.

• Tax Amendment	Purpose
• Allowed suppliers to the Government to use Cash Basis Accounting. This is a departure from the requirement that VAT taxpayers report on transactions on an accrual basis depending on the earliest date of: (i) delivering the goods or service; (ii) paying for the goods or services; or (iii) issuing the tax invoice.	• This will enable suppliers to the government to only account for VAT after the government has paid for supplies

• Imposed a penal tax that is double the tax due on the goods or Uganda Shillings fifty Million (UGX 50,000,000) whichever is higher on any person who fails to activate a tax stamp on locally manufactured or imported goods.	• This is aimed at encouraging manufacturers to activate tax stamps
• URA allowed to temporarily close businesses that do not comply with the requirements of electronic receipting and invoicing or tax stamps after receiving a URA notice of the intention to close the business.	• This is aimed at ensuring compliance with the EFRIS system and tax Stamps.
• The penalty for making false or misleading statements was increased from UGX 4M UGX to UGX 110M	• This is meant to encourage voluntary compliance
• Agricultural Insurance Policies were exempted from paying stamp duty. Previously, agricultural insurance Policies were required to stamp duty of UGX 35,000 per policy.	• This is aimed at supporting the growth and recovery of the agricultural sector by reducing the cost of agricultural insurance.
• The threshold for accessing stamp duty exemptions for investors was reduced from USD 50 million to USD 35 million	• This is meant to encourage foreign and local direct investment in manufacturing by reducing the exemption requirement.
The new Common External Tariff (CET) as transposed from the World Customs Organization (WCO) Harmonized System (HS) 2022 started to take effect on the 1st of July 2022 with the new CET rate of 35%. Below are the affected agricultural products.	
• Dairy products	• 35%
• **Meat Products**	• 35%
• Cereals	• 35%
• Edible oils	• 35%
• Fresh-cut flowers	• 35%
• Fruits and nuts	• 35%
• Coffee, tea, and spices	• 35%

Figure 11 Tax Amendments for FY 2022-23 (Source: URA, 2022)

6.2 TAX AMENDMENTS FOR FY 2023-24 RELEVANT TO AGRICULTURE

Tax Amendment	Purpose
• Taxation of disposal of assets- A final tax of 5% was imposed on the disposal of all assets, as opposed to the previous practice of only charging capital gains tax on the disposal of business assets.	• This seeks to raise more revenue from the sale of assets, by overhauling the entire capital gains tax regime.
• Capping of Carried Forward Losses-The the carrying forward of tax losses was capped to five years of income. After this, a taxpayer will be required pay 50% of the tax loss carried forward in the each of the subsequent years of income. • person who fails to activate a tax stamp on locally manufactured or imported goods.	• Although this provision was meant to discourage the carrying forward of losses in perpetuity; it may disadvantage businesses in capital intensive sectors, where it is difficult to break even or to post a profit within a period of five years.
• Excise duty on Fruit Juice and Vegetable juice- this remained at 12% or shs.250 per liter, whichever is higher, except juice made from at least 30% pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables grown locally	• The phrase "and vegetables grown in Uganda" was removed since it was a repetition and caused confusion.
• Payment of tax in United States Dollars- Provision to file VAT returns and pay tax in United States Dollars	• This is aimed at eliminating the requirement to convert all transactions in UGX at VAT exchange rates provided by URA.
• Waiver of Interest upon Payment of Principal Tax- Any taxpayer with outstanding tax by 30 June 2023, will have any interest and penalties on the same waived on a pro-rata basis by 31 December 2023.	• This is meant to encourage taxpayers to pay any outstanding principal taxes that they are owed by URA.
• Limitation on presenting new information at objection or ADR- any taxpayer who fails to furnish the Commissioner with information during the tax review/ audit process, will not be allowed to present any new information to URA at the Objections or Alternative Dispute Resolution (ADR) levels of tax review	• This is to encourage voluntary compliance

Figure 12: Tax Amendments for FY 2023-24 (relevant to Dutch companies in the agriculture sector)

6.3 OTHER DEVELOPMENTS RELEVANT TO THE AGRICULTURE SECTOR

At the end of September 2022, URA sent out demand notes to importers of animal feeds. URA claimed that feed importers were in addition to importing pre-mixes that are VAT exempted, they were importing concentrates that are not exempted[30]. Through the efforts of various actors, URA was able to appreciate that concentrates are pre-mixes and are subject to VAT exemption. Poultry farmers were not keen to rely on local feed producers who are unreliable and supply feeds of a questionable quality.

7.0 KEY AGRICULTURAL TAX INCENTIVE SCHEMES

7.1 AGRICULTURAL TAX INCENTIVE SCHEMES

Uganda's economy is dependent on agriculture with a considerable proportion of her agro-exports exported in primary, unprocessed form. This underscores the need to develop her local processing capacity. Unfortunately, capital constraints, lack of technology, innovation and skills limit the scale of possibilities. The ratification of the African Continental Free Trade Area (AfCTA) in 2019 and the EAC common market protocol in 2009 is expected to reduce transactional costs such as transport and coordination, but this is happening at a slow pace.

Failure to integrate markets fully keeps the cost-of-doing business high which scares off investors. An investment decision motivated by a bigger regional market has more chances of taking off than one based on the domestic market. However, a more-concerted effort to realize an integrated market may enhance investment decisions with increased FDI inflows. Unfortunately, individual states are more inclined to pursue national objectives which undermines regional objectives, often resulting in agro-trade disputes. For instance, Brookside, a Ugandan Diary processor, has been denied export permits by the Kenyan Government since March 2023, which denied her access to 75 per cent of her core market.

To cushion investors from such investment risk, the Government of Uganda offers specific business incentives for this strategic sector. They range from support for infrastructural development, research and development, foreign tax credit, tax holidays, incentives for the importation of plant and machinery, employment incentives and tax exemptions on inputs and outputs. The specific incentives for the agricultural sector are indicated in the table below. Dutch companies should seek to familiarize themselves with and benefit from these incentives.

Table 14: Tax Incentives for Businesses in the Agricultural sector

Tax Incentive	Requirement	Beneficiary
a) EXCISE DUTY		
• Nil duty on construction materials of a factory or warehouse exclusive of those available on the local market, locally produced raw materials and inputs. • Nil duty on construction materials for the development of industrial parks or free zones by a developer	- Investor must have capacity to use at least 50% of the locally produced raw materials, subject to availability - Have capacity to use 50% of raw materials sourced locally. - Be able to employ a minimum of one hundred citizens - Must be in Agro-insurance - Must invest a minimum of USD 50m for foreign investors & USD 10m for EAC citizens.	-Investors in processing agricultural goods; manufacture or assembling manufacture of furniture, pulp, paper, printing, and publishing of instructional materials. - Agricultural insurance policies - Businesses in coordination, warehousing, ICT, commercial farming, manufacture of footwear, mattresses, or toothpaste - The incentive takes effect from the date of Commencement of construction.
B. STAMP DUTY		

• No Stamp duty on debentures, lease of land, increase of share capital, transfer of land.	Investment in agro-processing, food processing, building materials, light industry[31] Must invest a minimum of USD 10m for foreign investors and $ 300,000 for EAC citizens or $ 150,000. If investment is made upcountry, the incentive takes effect on the date of commencement. The same applies to location in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must assume at least 70% of the wage bill.	- Operator within an industrial park or free zone or an operator of a single factory or other business outside the industrial park

[31] Includes furniture, logistics and warehousing, information technology or commercial farming, operating vocational or technical institutes

C. VAT		
• VAT Exemption on agricultural supplies: animal feeds and premixes, crop extension services, irrigation works and sprinklers, supply of agriculture insurance. VAT Exemption on liquified gas and denatured fuel ethanol from cassava • No VAT on the supply of feasibility study and design services and on the supply of locally produced raw materials and inputs. • Exports are zero rated. • VAT registered persons claim all the VAT incurred.	All VAT registered can claim all VAT incurred. Turnover of UGX 150m in any 12-months (first time registration); keep proper books of accounts and make taxable supplies. - Must be an exporter Must invest a minimum of USD 10m for foreign investors and $ 300,000 for EAC citizens or $ 150,000. If investment is made upcountry, the incentive takes effect on the date of commencement. The same applies to location in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must assume at least 70% of the wage bill. Contractors executing aid-funded projects.	Agribusinesses
• Deemed VAT:	A taxable supply made by a supplier to a contractor executing an aid-funded project is deemed to have been paid by the contractor provided the supply is for use by the contractor solely and exclusively for the aid funded project.	Contractors executing aid-funded projects

D. INCOME TAX		
• Exemption of Income tax for 10 years on all income derived by undertaking the listed business activities in an Industrial Park or Free Zone/ Investor outside an industrial park or free zone conducting activities above. • Income tax exemption for Collective Investment Schemes • Income Tax Deductions (2%) Deduction of 2% Income tax for employers that employ PWDs • Income Tax exemption for NGOs. Income tax exemption for Non-profit making Organizations	Investment in agro-processing, commercial farming, manufacture of building materials, manufacturing furniture, pulp, paper, printing, and publishing of instructional materials; establishing or operating vocational or technical institutes; or carrying on business in coordination and warehousing, information technology or commercial farming or manufacture of tyres, footwear, mattresses, or toothpaste. Must invest a minimum of USD 10m for foreign investors and $ 300,000 for EAC citizens or $ 150,000. If investment is made upcountry, the incentive takes effect on the date of commencement. The same applies to location in an Industrial Park or Free Zone. The investor must use at least 70% of locally sourced raw materials and employ at least 70% EAC citizens who must assume at least 70% of the wage bill. - Must be licensed to operate as a collective investment scheme. Participants in the scheme should not have day to day control over the management of the property. Participants contributions and ultimate income/ profits must be pooled Property must be managed by the operator of the scheme..3 -5% of employees must be PWDs. Income tax	Agribusinesses
D. WITHOLDING TAX (6%)		

A 6% withholding exemption is offered to agri-businesses.	- Where the Commissioner Domestic Taxes is satisfied that the taxpayer has regularly complied with the obligations	Agribusinesses
E. CAPITAL GAINS TAX		
Indexation of Capital Gains. (Accounts for inflation) - Preferential treatment of capital gains tax for a *venture capital fund* registered under the Capital. Markets Authority Act.	Before determining Capital Gains tax on a business asset, one will factor in inflation among others that influence the asset value. However, indexation shall not apply to an asset that is sold within twelve months from the date of purchase. - A venture capital fund shall be entitled to a non-recognition of a gain or loss equivalent to the percentage of reinvested proceeds.	Agribusinesses
F. RECOGNITION OF LOSS		
	If for any year of income, the total business income earned by a taxpayer is less than the total expenses relating to the generation of the business income, the excess (loss) shall be carried forward and allowed as a loss in the following year. Note that it must be declared and proved by URA in the current year of income as a loss.	Agribusinesses
DEPRECIATION		
- Wear and tear allowance is granted for assets and equipment's owned by the entity and registered in the business names.	The specific applicable rates of depreciation are provided in the Income Tax Act.	Agribusinesses
DEDUCTIONS ON PURCHASE COSTS		

Allowable deduction of purchase expense from a supplier designated to use e-invoicing system	Allowable deduction of purchase expense from *a supplier designated* to use e-invoicing system. These suppliers will be gazette and these expenses should be supported by e-invoices or e-receipts.	Agribusinesses
DEDUCTIONS ON SCIENTIFIC RESEARCH EXPENSES		
Research expenses attract 100% deductions with proof.	Applicable to expenses on scientific research	Agribusinesses
TRAINING EXPENDITURES		
100% deduction of training expenditure	Employers who train permanent residents or provide tertiary education not exceeding taken together 5 years	Agribusinesses
DOUBLE TAXATION AGREEMENT		
Investors from countries with active DTA's with Uganda i.e., United Kingdom, Denmark, Norway, South Africa, India, Italy, Netherlands, and Mauritius.	Beneficial owner of investment as defined in the Income Tax Act established with economic substance in a country with which Uganda has a DTA. Withholding tax rates applicable to dividends, interests, management fees and royalties are 10% except UK at 15%	Agribusinesses

INTERNATIONAL TRADE INCENTIVES	
Hoes.	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004
Ploughs, Harrows, seeders, planters and trans planters, manure spreaders and fertilizer distributors	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
Agricultural sprayers	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
Fertilizers	Exempted from all taxes under the 5th Schedule of the East African Community Customs Management Act, 2004 upon approval by the Ministry of Agriculture, Animal Industry and Fisheries.
Refrigerated Trucks	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
Agricultural–Chemicals (fungicides and pesticides)	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
Veterinary Chemicals (Acaricides)	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004
Agricultural Tractors	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.

Aluminum Cans for the dairy industry	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
Heat Insulated Milk tanks for the dairy industry	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
Insulated tankers	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
Imported inputs by persons engaged in horticulture, agriculture or floriculture and aquaculture sector e.g., hatching eggs, day old chicks, semen, fish eggs, Fry/fingerling, (young fish), seeds, green houses/ materials used in construction of green houses, flower cuttings, incubators, hatcheries	Exempted from all taxes when imported by persons engaged in horticulture, agriculture, aquaculture, or floriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
Cold Rooms	Import Duty is 0% in accordance with the EAC CET. Helps on post-harvest management and cold chain storage of agricultural products such beef, chicken, fish etc.
Poultry-Poultry parent stock imported by persons engaged in poultry farming. A broiler and layer breeder farms raise parent stock which produce fertilized eggs. A broiler/layer hatching egg is never sold in shops and is not meant for human consumption but for hatching into day old chicks.	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
Seeds for sowing, spores and cut plants	Exempted from all taxes under fifth schedule of the East African Community Customs Management Act, 2004 upon approval by Ministry of Agriculture Animal Industry and Fisheries.
Breeding animals	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
Preparations for cleaning Diary apparatus Example PFANZITE POWDER DAIRY DETERGENT. the Surge bucket milker and utensils.	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.

Fish, Crustaceans and Molluscs, fresh (dead or live) chilled or frozen caught and landed by canoes or vessels registered and based in a Partner State	Exempted from all taxes under the fifth schedule of the East African Community Customs Management Act, 2004.
Feeds for Poultry and Livestock Poultry Feed is food for farm poultry, including chickens, ducks, geese, and other domestic birds. Modern feeds for poultry consist largely of grain, protein supplements such as soybean oil meal, mineral supplements, and vitamin supplements	VAT Exempted when imported by dealers under the VAT Act. Exempted from all taxes when imported by persons engaged in agriculture under the 5th Schedule of the East African Community Customs Management Act, 2004.
Machinery for processing dairy products	VAT Exempted when imported by dealers under the VAT Act. Import duty is 0%, under East African Community Common External Tari VAT Exempted.
Packing material of any kind designed for packaging goods for export	Exempted from all taxes when imported with an intention of packaging goods meant for export, 2004.
The supply of irrigation works, sprinklers and ready to use drip lines	VAT Exempted when imported by dealers under the VAT ACT. Exempted from all taxes when imported by persons engaged in agriculture under the 5th schedule of the East African Community Customs Management Act,2004

Source: Uganda Revenue Authority, 2022

7.2 KEY RISKS AND OPPORTUNITIES FOR DUTCH COMPANIES

7.2.1 Key risks for Dutch companies

The common risks which Dutch companies need to look out for include the following:

A Changing and unpredictable tax regime- The tax regime in Uganda is very dynamic and unpredictable, at times. Therefore, Dutch companies face the risk of incurring tax liabilities through failing to keep track of tax changes. Dutch companies should retain trusted tax advisors that will ensure that they are fully compliant with changing regulations.

Dealing with unregistered and informal raw material suppliers- Although Dutch companies operating in the agriculture sector may be tax compliant, not all the actors they work with in the respective value chains may be. Therefore, this presents a unique risk for Dutch companies, particularly since they introduced the EFRIS system.

Reintroduction of withholding tax for agriculture suppliers- URA is keen to reintroduce withholding tax for agriculture suppliers. This increases the compliance risk and cost for Dutch companies in the agriculture sector since many of these suppliers are not registered.

Reinterpretation of the Income Tax Act and the tax procedures Act by URA to the disadvantage of Dutch companies- The practice of URA reinterpreting existing tax laws to the disadvantage, poses another risk to Dutch companies. The recent reinterpretation of laws that led to the imposition of a 10% import duty on concentrates used to make poultry feeds is such one example of this trend.

Investment in capital intensive ventures that are unlikely to be profitable within five years- The recent tax amendment capping the carrying forward of losses to five years, presents a downward risk to Dutch companies that wish to invest in capital intensive ventures that cannot post a profit within a five-year timeframe.

Failure to pay WHT of 5% on the disposal of assets, whether business or personal- The recent tax amendment requiring the payment of a 5% withholding tax on the sale of any asset, whether business or personal requires Dutch companies to be vigilant when disposing of personal assets to avoid unnecessary liability.

7.2.2 Key opportunities for Dutch companies

The major opportunities for Dutch companies include the following:

Growing commercialization of the agriculture sector- The Agriculture sector is still considered to be the backbone of Uganda's economy and is prioritized in all policy making. Therefore, it is highly unlikely that an adverse tax regime affecting the sector will be given a green light by the policy makers. This explains the reversal of the imposition of the 1% WHT on agricultural suppliers in 2019.New Incentives- In line with the above, Government is introducing new incentives to support the growth of the sector, such as, exempting agricultural insurance policies from paying stamp duty.

New Double Taxation Agreement- Uganda first signed a Double Taxation Agreement

[33] Musoke, 2023

(DTA) with the Netherlands in 2004. However, in 2018 the two countries began a process of reviewing it. It is now expected that a new DTA will be signed with Uganda under the umbrella of the European Union[33].

7.3 Due Diligence Tips

To avoid unnecessary tax liability, Dutch companies must ensure that they keep the tabs on their tax affairs through undertaking due diligence actions, including:

Register with URSB -Registering with the URSB should always be the beginning point for any Dutch business that intends to operate in Uganda. After all, it is this registration status that will determine Whether it is classified as an individual or non-individual tax payer.

Register with URA - All companies operating in the agriculture sector are required to be registered for all tax types and to account for all incomes. Once registered a company obtains a Tax Identification Number (TIN) which will be used to obtain a trading license.

Keep proper business transactions records - URA requires all taxpayers to keep proper records of all their business transactions in the English language. It is through these records that their tax liability can be correctly determined. The penalty for knowingly or recklessly or failing to maintain records as required under any tax law is a fine not exceeding UGX. 2,000,000 or imprisonment not exceeding six years or both on conviction.

Use registered tax agents - A taxpayer, who cannot effectively handle his/her tax matters, can appoint a tax agent to transact with URA on his/her behalf. Such a tax agent is responsible for the preparation, certification, and filing tax returns, information returns, or other statements or reports required by the URA on behalf of a taxpayer. However, Dutch companies should ensure that they nominate qualified professionals as their tax agents.

Withhold PAYE- All Dutch companies that employ staff whom they pay salaries above UGX 235,000 are required to withhold and remit Pay as You Earn to URA on behalf of these employees.

Deal with compliant suppliers-Dutch companies to take care that their suppliers of raw materials are registered for tax purposes. They ought to have valid TINs, that are clearly shown on invoices issued to their clients every time they supply.

Pay rental tax- Dutch companies that own rental properties and or earn rental income or lease out their farms or equipment, should pay rental tax.

Register for Value Added Tax (VAT)-Dutch companies in the agriculture sector dealing in taxable supplies with a gross turn of over above 150 million are required to register for VAT. Those companies not dealing in taxable supplies are advised to register for VAT to claim a refund of VAT on inputs used on the farm.

Issue e-invoices or e-receipts- Dutch companies that are registered for VAT are required to issue e-invoices or e-receipts as no tax credit is allowed or claimable on purchases unless they are supported by e-invoices or e-receipts.

Withhold from local suppliers- where a Dutch company is gazetted to withhold tax on behalf of the government, they should withhold 6% of all payments to suppliers above UGX 1,000,000 (Section 119 (1)).

7.4 RECOMMENDATIONS

Based on the findings of this analysis, the following recommendations are proposed:

- **EKN should jointly with URA organize regular tax education sessions for Dutch companies-** As earlier mentioned Uganda's tax regime is ever evolving, and it may become exhausting for individual entrepreneurs to keep up with these changes or their interpretation by the Uganda Revenue Authority. Therefore EKN should organize regular tax awareness sessions with URA for Dutch businesses

- **The Government of Uganda should be encouraged to create a conducive business environment and ensure that the tax regime is predictable-** The Government of Uganda needs to appreciate that a conducive business environment, particularly, a predictable tax regime is invaluable in enabling potential to select Uganda as their investment destination. Similarly, such a predictable tax regime supports Dutch companies that are operating in Uganda to financially plan, long term.

- **Dutch businesses should be encouraged to keep proper records, be tax compliant and avoid tax evasion-** The findings of this study highlight the fact that not keeping proper business records, not being tax compliant or even outright tax evasion would be extremely costly for any Dutch business. Therefore, a lot of effort needs to be put into keeping records and staying compliant.

- **The new Double Taxation Agreement between the EU and the Government of Uganda should be expeditiously concluded-** Several Dutch companies have invested in Uganda with assistance of the Netherlands Enterprise Agency (RVO). In 2004, Uganda signed a Double Taxation Agreement with the Netherlands. This DTA was aimed at removing tax obstacles between both countries and creating a stable tax framework that is lost with the frequent changes in local tax legislation. A renegotiation of the same started in 2018 and will now be concluded by the EU, according to sources at EKN. It is recommended that this process is expedited in order not to interfere with the inflow of Dutch investments to Uganda.

- **A futuristic study on the impact of withholding taxes on the agriculture sector should be conducted-** URA has been exploring ways of taxing players in the agricultural sector, particularly, the players on the lower levels of the value chain who are shielded from taxation, by informality. The possibility of reintroducing Withholding Tax for agriculture suppliers is a possibility and Dutch companies should monitor it on their risk registers.

- **Dutch companies (especially the VAT registered ones) need to ensure that their raw material suppliers are registered with URA and are tax compliant-** With the introduction of EFRIS, VAT registered Dutch companies should avoid working with unregistered raw material suppliers, as they will find it difficult to claim for their input tax.

In conclusion, this study has found that agriculture players benefit from generous tax incentives and exemptions that are aimed at encouraging investment in the sector. Overall, however, Uganda's tax regime is high and is characterized by a large informal sector that is not tax compliant. As such, Uganda's revenue collection is low, as evidenced by a low tax to GDP ratio of13.9%[34]. Going forward, Government is interested in bringing more players engaged in Agriculture into the tax bracket. Presently, the most realistic and practical option is the reintroduction of withholding taxes on agricultural suppliers.

[34] PWC Uganda, 2023

9.0 ANNEXES

1. URA client service standards

URA has outlined service standards against which taxpayers should hold them to account. These service standards are meant to provide a benchmark for the measurement of performance levels across URA. Below are the notable ones:
URA Service Standards

Services	Standards
Physical Queues	URA shall attend to taxpayers and/or its clients on a first come, first serve basis to give assistance and/or clarification to taxpayers regarding their tax obligations.
Acknowledge and resolve complaints	URA services shall be available between 8:00 am – 5:00 pm from Monday to Friday (except public holidays), apart from the following where URA Services shall be available between; a) Twenty-four hours/ Seven days of the week (24/7) for One Stop Border Posts b) 8:00 am – 8:00 pm on Weekdays and 9:00 am – 3:00 pm on Week-ends except on public holidays for URA call-center services
Duty drawbacks/ refunds	URA will process duty drawbacks / refunds within the following stipulated timelines from the date of submission of requests for refunds; • Income Tax - 30 days; VAT - 15 days; Other Non-Tax Revenue -10 days
Audits and Assessment	URA will give the taxpayer at least ten (10) days' notice of its intention to conduct an audit. However, no prior notice shall be given where an investigation is to be conducted
Objection decisions	An objection notice will be served to the taxpayer within 90 days from the date of receipt of the objection for Domestic Taxes. An objection notice will be served to the taxpayer within 30 days from the date of receipt of the objection for Customs Duties
Licensing of tax and clearing agents	URA shall provide an updated list of licensed Tax and Clearing agents annually using available communication channel
TIN registration	After fulfilling all requirements and procedures as per the existing law Tax Identification Number will be processed within 2 business day
Processing of Exemptions	After fulfilling all requirements and procedures as per the existing law Tax Exemption Process will be completed within 30 business days, subject to availability of all the relevant information.
Tax Clearance Certificate processing	Tax Clearance Certificate processing shall be done within 2 working days.

Approval and cancellation	After fulfilling all requirements and procedures as per the existing law Approval and Cancellation of Agency notice shall be processed within 24 business days
URA online systems	URA online systems will be available twenty-four hours /seven days a week (24/7). Taxpayers will be notified in the event of system intermittence.
Contact person	For all correspondences, we shall provide a contact person and their direct telephone and official email for the taxpayer to follow up
Engagements	For all routine engagements, taxpayers and stakeholders shall be informed on the time and venue at least one week in advance.
Inquiries and complaints management	Inquiries and complaints lodged through URA's available platforms, will be responded to within 2 business days.

Source: Uganda Revenue Authority, 2020

2. URA Taxpayer's Charter

The taxpayers' charter is an attempt to summarize and explain in plain language, the taxpayers' rights, and obligations in relation to their tax affairs. Most taxpayers' charters are a guide to the law and are not legal documents in themselves, although in certain tax systems they may constitute a 'ruling.' In general, they would not provide additional rights or obligations other than those contained in relevant legislation.

The Uganda Revenue Authority (URA) Taxpayers' Charter[35] spells out the rights and obligations of the taxpayer, guides URA in upholding these rights and facilitates the taxpayer to meet his or her obligations. The Charter derives authority from the various tax laws and regulations governing the administration of taxes in Uganda and specifies the expectations of both the Taxpayer and the URA.

The taxpayers' charter acts as a reference point for the taxpayers in managing their interaction with URA and provides the Tax body with the necessary benchmark for its client service standards. This is done by recognizing its clients as viable partners in the administration and collection of taxes. The Taxpayer's charter is therefore a set of guidelines that guarantees a meaningful relationship between URA and its stakeholders.

[35] It was launched in 2002 and was first revised in April 2006 to accommodate new developments in URA and later in December 2006 to align with the Public Service Client Charter then in June 2011 and the latest revision in 2015.

3. Rights and Obligations

The OECD's Committee of Fiscal Affairs Working Party Number 8 published a document entitled "Taxpayers' rights and obligations in 1990 – a survey of the legal situation in OECD countries. The survey found that, while most countries[36] at that time did not have an explicit Taxpayers' charter, the basic taxpayer rights are present in all systems. These basic taxpayer rights also imply basic obligations.

There is a set of behavioral norms expected of taxpayers by Governments. These expected behaviors are fundamental to the successful operation of taxation systems and are observed as legal requirements in most countries, including Uganda. Without this balance of taxpayers' rights and obligations, the taxation systems cannot function effectively and efficiently. These taxpayer rights and obligations, observed by Uganda's taxation systems are indicated in Table 1.0. They also include statements about behaviors expected from officials and taxpayers. As per the Ugandan's taxpayers' charter, the area is Uganda in its geographical entirety and the existent tax policy, legislative environment and administrative practices and culture do apply.

Right of the Taxpayer	**Description**	**Obligations**
1. Right to fair treatment	The Taxpayers have a right to be treated fairly in all their dealings with URA. Tax laws and procedures shall be applied consistently to all taxpayers.	• Honesty • Co-operative • Provide accurate information and documents on time. • Pay taxes on time. • Refund Claims • Keeping of proper records • File tax returns • Avoid Tax Evasion • Compliance • Update personal information. • Dealing with authorized staff • Due diligence in tax matters • Quote your Tax Identification Number (TIN) • Be respectful to URA staff. • If services of an interpreter are required, they are provided
2. Right to finality	The Taxpayers have the right to know the maximum amount of time required to challenge URA's tax related decisions, as well as the maximum amount of time URA must audit a particular tax year. Taxpayers have the right to know when URA has finalized an audit	
3. Right to Privacy	The Taxpayers have the right to expect that any URA inquiries, examinations, investigations, or enforcement actions will comply with the law and be no more intrusive than necessary and will respect all due process rights, including search and seizure protections	

4. Right to confidentiality	The Taxpayers have the right to expect that any information they provide to URA will not be disclosed unless authorized by the taxpayer or by law. Taxpayers have the right to expect appropriate action to be taken against URA employees who wrong-fully use or disclose taxpayer information	
5. Right to be informed	The Taxpayers have the right to know what they need to do to comply with the tax laws. They are entitled to clear explanations of the law and URA procedures in all tax forms, instructions, publication, notices, and correspondences. They have the right to be informed of the URA decisions about their tax accounts and to receive clear explanations of the outcomes.	
6. Right to timely, quality, and professional services	The Taxpayers have the right to receive prompt, courteous and professional assistance in their dealings with URA and to receive clear and easily understandable communications from URA.	
7. Right to representation	The Taxpayer reserves the right to appoint and retain an authorized representative such as a tax agent or clearing agent to represent them in their dealings with URA.	
8. Right to challenge and/or object	The Taxpayers have the right to raise objections and provide additional documentation in response to tax decision and to expect that URA will consider their objections promptly and fairly, and to receive a response from URA within the period stipulated in the Law.	
9. Right to appeal	Taxpayers have a right of appeal to an independent tax tribunal or courts of law in accordance with the law on any matter.	

Source: General Administrative Principles - GAP002 Taxpayers' Rights and Obligations

[36] Approved by OECD Council on 27 April 1990. Based on country replies to a questionnaire sent out in 1988

4. Uganda's Agricultural Policies:

Below is a list of key policies that support the development of the agricultural sector:

- **Uganda Constitution 1995:** Article XXII of Uganda's 1995 Constitution mandates the State to take appropriate measures to encourage people to grow and store adequate food, establish national food reserves, and encourage proper nutrition through mass education and other appropriate means[37].
- **Uganda Vision 2040:** Uganda's Vision 2040 which is: "*A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years*" seeks to transform the agriculture sector from subsistence to commercial agriculture. It is expected that the commercialization of agriculture will provide food and income security to all the people of Uganda. Vision 2040 places special emphasis on the promotion of aqua culture and livestock farming[38].
- **National Development Plan III (2020-2025):** The National Development Plan III is the third in a series of six five-year Plans aimed at achieving the Uganda Vision 2040. NDP III prioritizes Agro-Industrialization (AGI) as it is a great way to boost household incomes, improve the balance of trade through export of agro-industrial products, contribute to import substitution and address the high post-harvest losses. Furthermore, the backward and forward linkages between agriculture and agro-industries can transform manufacturing and create decent jobs[39].
- **National Agricultural Policy 2013:** The vision of the National Agricultural Policy is "a competitive, profitable and sustainable agricultural sector", while the mission of the policy is to: "transform subsistence farming to sustainable commercial agriculture." The overall objective of the policy is to improve household incomes through coordinated interventions that focus on enhancing sustainable agricultural productivity and value addition, providing employment opportunities, and promoting domestic and international trade[40].
- **Agriculture Sector Strategic Plan (ASSP) 2020:** The Agricultural Sector Strategic Plan (ASSP) 2020 lays out a long-term strategy for developing the Agricultural sector, as envisioned by NDP III. The ASSP prioritizes agro-industrialization, through 6 objectives, namely: 1) Increase agricultural production and productivity; 2) Improve post-harvest handling and storage; 3) Improve agro-processing and value addition; 4) Increase market access and competitiveness of agricultural products in domestic and international markets; 5) Increase the mobilization and equitable access and utilization of agricultural finance; and 6) Strengthen the institutional coordination for improved service delivery[41].
- **The National Irrigation Policy 2017:** seeks to ensure that there is available water for irrigation and that it is efficiently used for crop production, productivity, and profitability[42].
- **National Coffee Policy 2013:** This National Coffee Policy seeks to improve the production, roasting, processing, and marketing of coffee. Specifically, the policy seeks to improve

production and productivity at farm level and strengthen coffee farmer organizations to play their role effectively at all levels of the coffee value chain[43].

- **The National Fisheries Policy 2003:** The National Fisheries Policy seeks to provide the policy framework for the decentralization and co-management of fisheries with local authorities. The policy establishes 12 Beach Management Units (BMUs) with a mandate to plan and manage fisheries resources[44].
- **The Food and Nutrition Policy 2003:** The Food and Nutrition Policy is aimed at strengthening the entire food value chain from production to consumption to improve household food security.

Operational terms under Agricultural Taxation

Key Terms	Description
1. Farming	comprises of pastoral, agricultural, plantation, horticultural or other similar operations
2. Farm income	means the business income derived from farming operations.
3. Chargeable farm income	Refers to the total farming income of a taxpayer for a year of income, less any deductions (allowed) which relate to the production of such income that year.
4. Agro-processing	Refers to any manufacturing process that transforms or converts raw agricultural produce into a different physical state and includes the activities that take place from the point of harvesting and slaughtering of the raw product.
5. Horticulture	includes propagation or cultivation of fungi, seeds, bulbs, spores, or similar things; or propagation or cultivation in environments other than soil, whether natural or artificial.
6. Farm works	Refers to any form of labor conducted on a farm and other immovable buildings necessary for the proper operation of a farm e.g., fences, dips, drains, water and electricity supply works, windbreaks, and other works necessary for farming operations executed producing income included in gross income but does not include farmhouses or depreciable assets.
7. Allowable deductions	These are expenditures and losses incurred when deriving chargeable income. The general rule is that for any expenditure to be allowed, it must have been incurred to produce the income that has been declared as gross income.
Withholding agent	Refers to a person making payment and obliged to withhold tax; the recipient of the payment is the “payee.”

[37] The Republic of Uganda, 1995, p. 03
[38] National Planning Authority, 2010, p. 45
[39] National Planning Authority, 2020.
[40] Ministry of Agriculture, Animal Industry and Fisheries, 2013,
[41] Ministry of Agriculture, Animal Industry and Fisheries, 2020
[42] Ministry of Water and Environment, 2017
[43] Ministry of Agriculture, Animal Industry and Fisheries, 2013
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