



Uganda Revenue Authority

DEVELOPING UGANDA TOGETHER

## **Rental Tax presentation to The Rotary Club of Kampala South.**

11<sup>th</sup> July 2016, Hotel Africana



## **Our Role**

Established in 1991, Uganda Revenue Authority's role is to develop and implement procedures and processes to administer the Government tax policies efficiently and equitably.

To Assess, To Collect and To Account

To assist/facilitate taxpayers to comply with their tax obligations

Advise government on tax policy

# What do we collect



- Customs (international) Taxes
- Domestic Taxes
- Non Tax revenues (NTRs) and Other Non Tax Revenues (ONTRs)

# Domestic Taxes Applicable to Real Estate



- Income Tax
  - ❖ Corporation Tax
  - ❖ Capital Gains
  - ❖ Individual Income tax
  - ❖ Pay As You Earn
  - ❖ WHT
  - ❖ Rental tax
- Valued Added Tax
- Non Tax revenues
  - Stamp duty, MV fees, DP fees
- Other Non Tax revenues

# DEFINITIONS

- **Rental Income**

Total amount of rent derived by a person for the year of income from the lease of immovable property (land and/or buildings) in Uganda with the deduction of any expenditure incurred in respect of the property.

- **Landlord or Landlady**

This is a person who lets out immovable property to another person (the tenant) for a consideration. The person (landlord or landlady) may take the form of;

- a) Individual
- b) Company
- c) An institution
- d) Government

# DEFINITIONS

- **Tenant**

This is the person who occupies another person's property for a consideration

- **Rental Tax**

Taxation of Rental income is provided for under S.5 of the Income Tax Act



# Rental Income computation

## For Individuals

Rental income tax is levied at a rate of 20% on the net rental income.

- A standard deduction of 20% of the gross income is given to account for income-generating expenses such as repair and maintenance costs.
- A tax threshold is also granted annually and currently the tax-free allowance is UGX 2,820,000



## Example Rental income tax computed For an individual

Monthly Rental Income for 4 flats each at 500,000/=	2,000,000
Gross Annual Rental Income	24,000,000
Allowable deductions (20%)	4,800,000
	2,820,000
Less Threshold	
Chargeable Income	<b>16,380,000</b>
Tax (20%)	3,276,000



# Non-Individuals

The 2014/15 Income tax amendment bill - provided for assessment of rental Income tax separate from other sources of income – for both individual and non-individual taxpayers.

Income and capital gains earned (profit) are generally taxed at a flat rate of 30%.

Income-generating expenses are deductible

# Illustration

If a Company earns UGX30m out of which UGX15m was from rental property and the expenses attributed to rental income are UGX3m. Rental tax is calculated as follows:

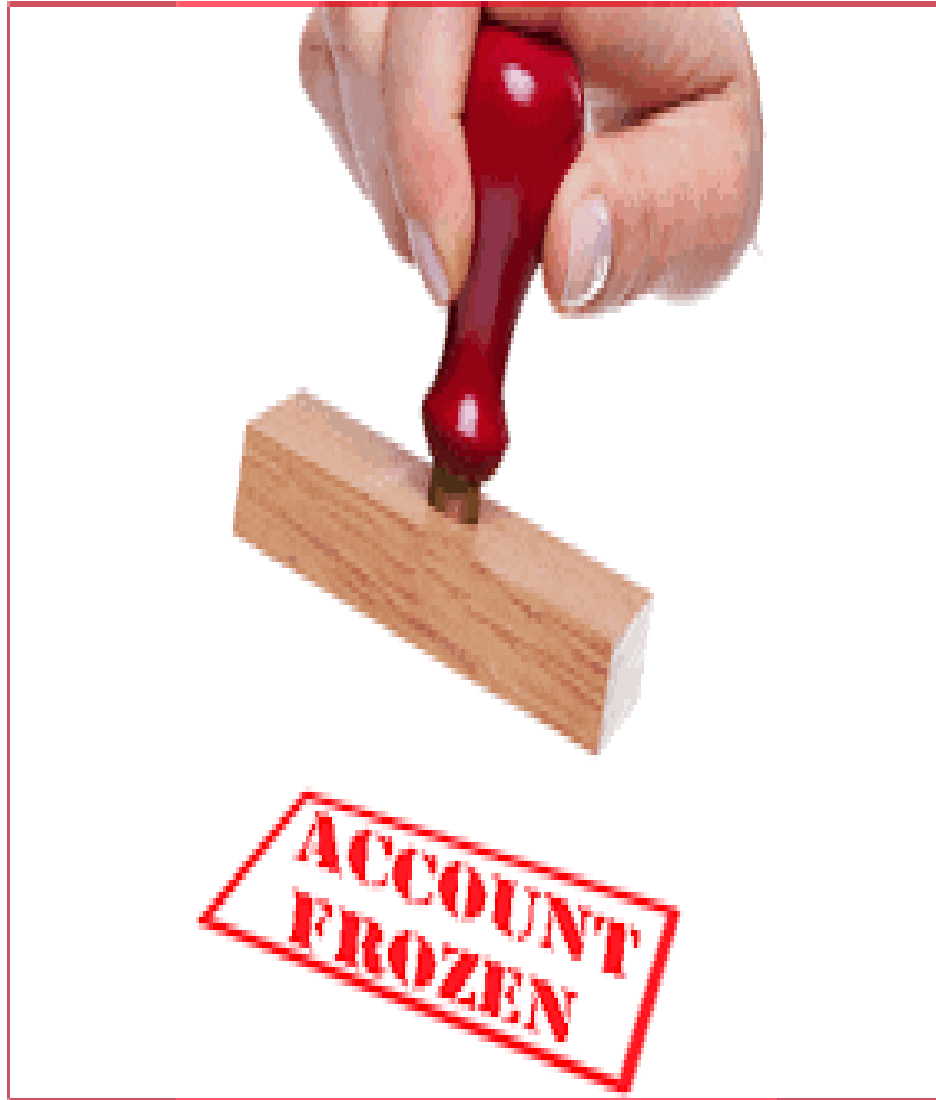
$$\begin{aligned}\text{Rental tax} &= 30\% (15,000,000 - 3,000,000) \\ &= 30\% \times 12,000,000\end{aligned}$$

$$\text{Rental tax} = \text{UGX3,600,000}$$

# TAXPAYER'S OBLIGATION

- Complete a RETURN of Rental Income for the year of Income with supporting agreements or rental receipts issued to tenant(s) during the year.
- Declare ALL your sources of Rental Income in FULL for a given year of income.
- Submit (furnish) the return ANNUALLY to URA, through your local URA office within **six months** after the end of the relevant year of income

# Costs of Non Compliance



- No license
- High taxes due to Fines, Penalties & Interest
- High estimated assessments
- Enforcement action through Agency Notices etc
- Shame list
- Reputation Loss
- Prosecution

# Tips on being tax compliant



- Register for the tax, get a TIN
- Prepare and keep records of your transactions
- Make Correct declarations
- Pay the right tax by the due date
- Seek guidance from URA through various channels like email, telephone, nearest office, etc

# It pays to comply



- Acquisition of license from Government bodies.
- Tax Clearances
- Awards and Recognition
- Reputation
- WHT Exemption
- National development

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# Developing Uganda Together



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# Question & Answers

