

Sage in Uganda

Payroll Taxes 2020/2021

1. General Information

Official currency

The official currency is Uganda Shilling (UGX)

Tax year end

Tax year end is 30 June every year

Revenue service

Uganda Revenue Authority
www.ura.go.ug

2. Tax Rates

Monthly tax tables for the 2020 - 2021 tax year.

Resident Individual

Taxable income (Ush)		Tax rate
From	To	
0	235 000	0%
235 000.01	335 000	10%
335 000.01	410 000	20%
410 000.01	10 000 000	30%
10 000 000.01	and above	40%

Non-Resident Individual

Taxable income (Ush)		Tax rate
From	To	
0	335 000	10%
335 000.01	410 000	20%
410 000.01	10 000 000	30%
10 000 000.01	and above	40%

Part-time employees

Part-time allowances/earnings are taxed at a flat rate of 30% of the gross taxable income.

3. Employment Income

Taxable Compensation/Income/Emoluments

Employment income comprises of the following amounts:

- Amount of private/personal expenditure discharged or reimbursed by the employer.
- The value of any benefits in kind provided by/on behalf of the employer.
- Any amount in compensation of termination of employment or contract.
- Insurance premiums paid by a tax-exempt employer for life insurance of an employee and/or his dependants.
- Payments in respect of change of employment/contract terms or payment for agreement to any restrictive conditions of employment.
- Wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, allowance (entertainment, duty, utility, welfare, housing, medical, any other)
- Discounts in shares allotted to an employee and profit/gain on disposal of such shares.

4. Tax on Annual/Irregular/Bonus/lump sum payments

The PAYE tax calculation in Uganda is done using the monthly tax tables. However, where an amount is paid as a lump sum on an irregular basis or upon termination of employment, the tax on that lump sum payment should be computed on the basis of the employees' annualised employment income. Examples of such earnings are: annual bonuses, severance pay, gratuities etc.

When a lump sum is paid to the employee, the normal monthly income should still be taxed according to the monthly tax tables and a separate annual tax calculation should be done based on the YTD+ income including the lump sum payment.

The details of the annual tax calculation are outlined in Schedule 3 or 4 of the PAYE tax return.

5. Fringe Benefits

Section 19(2)(f) of the Income Tax Act states that “any benefit granted by employer to the employee during a month, where the total value of the benefits provided by the employer to the employee for the month is less than Ush10 000 shillings, is exempt from tax.

Housing benefit

Lower of:

- 15% of emoluments (including market rent of housing); and
- Market rent of house provided

Car benefit

Taxable value of car benefit is calculated using the formula: $(20\% \times A \times B / C) - D$ where
A - is the market value of the motor vehicle at the time when it is first provided for the private use of the employee

B - is the number of days in the year of income during which the motor vehicle was used or available for use for the private purposes by the employee for all or a part of the day

C - is the number of days in the year of income; and

D - is any payment made by the employee for the benefit

Domestic servants

Where a benefit provided by an employer to an employee consists of the provision of a housekeeper, chauffeur, gardener, or other domestic assistant, the value of the benefit is the total employment income paid to the domestic assistant in respect of services rendered to the employee, reduced by any payment made by the employee for the benefit.

Meals, refreshment and entertainment

Where a benefit provided by an employer to an employee consists of the provision of any meal, refreshment, or entertainment, the value of the benefit is the cost to the employer of providing the meal, refreshment, or entertainment, reduced by any consideration paid by the employee for the meal, refreshment, or entertainment.

Utilities Payments

Where a benefit provided by an employer to an employee consists of the provision of utilities (Electricity, Water, Telephone, Internet) in respect of the employee's place of residence, the value of the benefit is the cost to the employer of providing the utilities reduced by any consideration paid by the employee for the utilities.

In this case, the actual payment receipts from the utility company can be used to ascertain the value (less actual contribution by the employee if any).

Interest on Loan

Where a benefit provided by an employer to an employee consists of a loan, or loans in total, exceeding one million shillings at a rate of interest below the statutory rate, the value of the benefit is the difference between the interest paid during the year of income, if any, and the interest which would have been paid if the loan had been made at the statutory rate for the year of income. Statutory rate here refers to the Bank of Uganda discount rate at the commencement of the year of income.

Release from debt

Where a benefit provided by an employer to an employee consists of the waiver by an employer of an obligation of the employee to pay or repay an amount owing to the employer or to any other person, the value of the benefit is the amount waived.

Acquisition of Assets

Where a benefit provided by an employer to an employee consists of the transfer or use of property or the provision of services, the value of the benefit is the market value of the property or services at the time the benefit is provided, reduced by any payment made by the employee for the benefit.

6. Exempt Income

- **Pension** – Pension income is tax exempt.
- **Medical Expenses** - Discharge or reimbursement of an employee's medical expenses.
- **Life Insurance** - Premiums paid by a taxable employer for insurance of the life of an employee or his/her dependant.
- **Official duty** - Allowances for or discharge or reimbursement of expenses met by an employee on official duty.
- **Expenditure** - met by an employee while performing duties of employment.
- **Meals and Refreshments** - The value of meals/refreshments provided to all employees at equal terms in premises operated by or on behalf of the employer

- **Retirement fund & NSSF contributions** - Employer's contribution to a retirement fund for the benefit of the employee
- **Other Benefits** – Fringe Benefits if value is less than Ush 10 000 during the month.
- **Threshold** - The first Ush235 000 per month is tax free for all resident employees.
- **Terminal Benefits** – The exempt portion is 25% of terminal benefits paid to employees who have served the employer for at least 10 years.
- **Passage costs**

7. Tax Deductions

Local Service Tax contributions by the employee are tax deductible with no limits.

8. Social Security - NSSF

The employer must deduct 5% from the employee's total gross monthly wage and add 10% of the total gross monthly wage making a total contribution of 15% for each employee.

www.nssfug.org

9. Local Service Tax (LST)

A person in gainful employment earning a monthly “take home salary” exceeding UGX 100 000 is eligible to pay LST.

The employer should submit a salary schedule with the respective local service tax computation therein to the local municipality for assessment.

Calculation of LST

Below is the table which should be used to determine the annual LST amount which needs to be deducted from employees:

Amount of monthly income earned – (UShs)	Rate of LST per annum (UShs)
Exceeding 100 000 but not exceeding 200 000	5 000
Exceeding 200 000 but not exceeding 300 000	10 000
Exceeding 300 000 but not exceeding 400 000	20 000
Exceeding 400 000 but not exceeding 500 000	30 000

Exceeding 500 000 but not exceeding 600 000	40 000
Exceeding 600 000 but not exceeding 700 000	60 000
Exceeding 700 000 but not exceeding 800 000	70 000
Exceeding 800 000 but not exceeding 900 000	80 000
Exceeding 900 000 but not exceeding 1 000 000	90 000
Exceeding 1 000 000 and above 100 000	100 000

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