

ACTS SUPPLEMENT

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Act 4

Income Tax (Amendment) Act

2008

THE INCOME TAX (AMENDMENT) ACT, 2008

ARRANGEMENT OF SECTIONS.

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THE INCOME TAX (AMENDMENT) ACT, 2008

An Act to amend the Income Tax Act to provide for the exemption of the income of airlines and the income of a person derived from the exportation of finished consumer and capital goods for a period of ten years from taxation; the deduction of a debt incurred in respect of loans to the agricultural sector; the tax payable by a non resident person carrying on the business of transmitting messages by cable, radio, optical fibre or satellite communication, or from providing direct-to-home pay television services to subscribers in Uganda to be a final tax; to make the tax withheld on a payment of interest on Government securities other than on treasury bills by the Bank of Uganda to any person or by a financial institution to a resident individual to be a final tax and for related matters.

DATE OF ASSENT: 17th June, 2008.

Date of Commencement: 1st July, 2008.

BE IT ENACTED by Parliament as follows:

1. Commencement.

This Act shall come into force on 1st July, 2007.

2. Application

The amendments made by this Act shall apply to the years of income commencing on 1st July 2007.

3. Amendment of section 5 of Cap. 340.

Section 5 of the Income Tax Act, in this Act referred to as the principal Act, is amended by repealing subsection (3)(c).

4. Amendment of section 21 of principal Act.

Section 21 of the principal Act is amended by inserting immediately after subsection (1) (v) the following—

- “(w) the income of an investor compensation fund established under section 81 of the Capital Markets Act;
- (x) the income of a person derived from the operation of aircraft in international traffic whose place of effective management is not in Uganda;
- (y) the income of a person derived from the exportation of finished consumer and capital goods for a period of ten years where the person—
 - (i) in the case of a new investment, applies in writing to the Commissioner to be issued with a certificate of exemption at the beginning of his or her investment; or
 - (ii) in the case of an existing investment, applies for a certificate, from the Commissioner which is effective from 1st July, 2007, and the person—
 - (aa) exports at least 80 percent of his or her production of goods;
 - (ab) has fulfilled such conditions as may be prescribed by regulations made by the Minister; and
 - (ac) has been issued with a certificate of exemption prescribed by the Commissioner.”

5. Amendment of section 24 of principal Act.

Section 24 of the principal Act is amended by inserting immediately after subsection (2)(b) the following—

“(c) if the amount of the debt claim was in respect of a loan granted to any person by a financial institution for the purpose of farming, forestry, fish farming, bee keeping, animal and poultry husbandry or similar operations.”

6. Amendment of section 27 of principal Act.

Section 27 of the principal Act is amended by substituting for subsection (6) the following—

“(6) If the written down value of a pool at the end of the year of income, after allowing for the deduction under subsection (3), is less than fifty currency points, a deduction shall be allowed for the amount of that written down value”.

7. Amendment of section 86 of principal Act.

Section 86 of the principal Act is amended by substituting for subsection (4) the following—

“(4) Where a non resident person carries on the business of transmitting messages by cable, radio, optical fibre, or satellite communication, the tax payable by the person on the gross income derived from the transmission of messages by apparatus established in Uganda, whether or not such messages originated in Uganda, or from providing direct-to-home pay television services to subscribers in Uganda, shall be five per cent of the gross amount derived by the person in respect of the transmission.”

8. Amendment of section 87 of principal Act.

Section 87 of the principal Act is amended by substituting for subsection (1) the following—

“(1) The tax imposed on a non resident person under sections 83, 84, 85, 86(1) and 86(4) is a final tax on the income on which the tax has been imposed and—

- (a) that income is not included in the gross income of the non resident person who derives the income;

- (b) no deduction is allowed for any expenditure or loss incurred by the non resident person in deriving that income; and
- (c) the liability of the non resident person is satisfied if the tax payable has been withheld by a withholding agent under section 120 and paid to the Commissioner under section 123.”

9. Amendment of section 122 of principal Act.

Section 122 of the principal Act is amended by substituting for paragraph (a) the following—

“(a) tax has been withheld under section 117 on a payment of interest on treasury bills or other Government securities by the Bank of Uganda to any person or by a financial institution to a resident individual, other than in the capacity of trustee, resident retirement fund or to an exempt organisation; or”