

# ADVANCED TAXATION

## SYLLABUS CHART



Advanced Taxation – Paper 17



Taxation – Paper 11

### **OVERALL AIM**

To equip the learner with skills to manage and advise on tax matters in all sectors of the economy and contribute to tax policy formulation and implementation in Uganda

### **LEARNING OUTCOMES**

On completion of this course, the learner should be able to:

	<b>Learning outcomes</b>	<b>K</b>	<b>C</b>	<b>A</b>	<b>An</b>	<b>S</b>	<b>E</b>
1.	Determine tax liabilities for an individual, partnership and corporate body			✓			
2.	Provide tax planning advice						✓
3.	Demonstrate an understanding of domestic tax laws		✓				
4.	Demonstrate an understanding of customs management and international trade		✓				
5.	Demonstrate an understanding of tax issues relating to international transactions		✓				
6.	Advise on best practice and ethical ways of handling tax matters						✓
7.	Advise on emerging issues in taxation						✓

### **LEVEL OF ASSESSMENT**

The examination will test the learner's comprehension and ability to apply, analyse and evaluate Uganda's tax system and provide tax planning advice as well as adopt best practices when dealing with clients

### **EXAMINATION STRUCTURE**

There will be a three-hour examination made up of sections A and B. Section A will comprise one compulsory question of 50 marks. Section B will comprise three questions of 25 marks each, of which the candidate will be required to attempt any two

## **DETAILED SYLLABUS**

### **A. TAXATION OF BUSINESS INCOME OF CORPORATE BODIES**

1. Introduction: Business/ trade, characteristics of trading, taxation of companies, chargeable income, gross income, year of income, assessed losses, allowable expenses, non-allowable expenses
2. Exempt income and exempt organisations
3. Determination of chargeable income:
  - (a) Methods of accounting
  - (b) General principles of deductibility of expenses
  - (c) Allowable (deductible)/ non-allowable (non-deductible) expenses
  - (d) Treatment of rental income earned by the entity
4. Capital allowances (scope and computation)
  - (a) Depreciation allowances (wear and tear) for depreciable assets and industrial buildings
  - (b) Capital allowances for intangible assets
  - (c) Scientific research expenditure
  - (d) Initial allowance (depreciable assets and industrial buildings)
  - (e) Farm works allowances
  - (f) Allowances for mining/ mineral exploration
  - (g) Start-up costs/ horticultural expenditure/ farm work
5. Treatment of tax losses; carry forward of losses
6. Taxable profits and chargeable income
7. Corporation tax liability

### **B. TAXATION OF BUSINESS INCOME-INDIVIDUALS**

1. Scope of business income of an individual: Gross income, chargeable income
2. Allowable and non-allowable deductions
3. Treatment of rental income earned by an individual
4. Computation of chargeable income and tax payable

## **C. TAXATION OF PARTNERSHIPS**

1. Meaning of partnership
2. Principles behind taxation of partnerships:
  - (a) Residence rules
  - (b) Partnership income
  - (c) Profit appropriation
  - (d) Treatment of partners' salaries, interest on capital and drawings and interest on drawings
  - (e) Partners' loans
  - (f) Contribution of business assets and non-business assets
  - (g) Limited liability partnerships
3. Chargeable income of a partnership
4. Treatment of rental income earned by a partnership
5. Chargeable income and tax liability of partners
6. Tax implications on:
  - (a) Dissolution of partnership
  - (b) Admission of new partners; change in partnership structure

## **D. EMPLOYMENT INCOME**

1. Concept of employment income:
  - (a) Employee versus employer
  - (b) Residence status of an employee
  - (c) Resident employee versus non-resident employee
2. Scope and composition of employment income:
  - (a) Valuation of benefits in kind
  - (b) Taxation of expatriate income
  - (c) Exempt benefits
3. Computation of employment tax liability

## **E. CAPITAL GAINS TAX**

1. Meaning and scope of capital gains tax:
  - (a) Business assets
  - (b) Cost base of an asset

- (c) Disposal of an asset:
  - (i) Gain or loss on disposal
  - (ii) Cost base of a non-arms-length disposal
  - (iii) Part disposal, disposal by exchange, disposal by way of gift, deemed disposal
  - (iv) Disposal under non-arms-length transactions
  - (v) Non-recognition of gain or loss
- 2. Transitional provisions regarding capital gains tax:
  - (a) Market value of property as at 31 March 1998
  - (b) Value of property by the chief government valuer
  - (c) Cost base of an asset under certificate of incentives
- 3. Computation of capital gains tax on various disposals
- 4. Tax planning and capital gains tax

## **F. TAXATION OF GROUP COMPANY RE-ORGANISATIONS:**

- 1. Rollover relief
- 2. Tax aspects under corporate:
  - (a) Organisation
  - (b) Re-organisation
  - (c) Liquidation

## **G. WITHHOLDING TAX (WHT)**

- 1. Withholding agents
- 2. Circumstances under which WHT is a final tax; implications of taking withholding tax as a final tax
- 3. Determination of WHT on various payments
- 4. Payment of amount of tax withheld

## **H. VALUE ADDED TAX (VAT)**

- 1. Meaning and scope of VAT
  - (a) Types of supplies: Zero rated, exempt, standard rated and deemed VAT
  - (b) Tax point/ time of supply
  - (c) Place of supply rules

2. Treatment of the following under output VAT:
  - (a) Bad debts
  - (b) Returned goods
  - (c) Discounts
  - (d) Withheld VAT
3. Input VAT:
  - (a) Disallowed input VAT
  - (b) Time limit of claim for input VAT
4. VAT on imported services
5. Credit of input VAT
  - (a) Input tax apportionment; methods of apportionment of input tax
  - (b) Input tax claimable/ non-claimable
  - (c) VAT refund procedures
6. Methods of accounting for VAT (cash basis versus invoice basis)
7. VAT records: Tax invoices, credit notes, debit notes
8. VAT computation

#### **I. OFFENCES AND PENALTIES**

1. Under the Income Tax Act
2. Under the VAT Act
3. Under the Tax Procedures Code Act
4. Under the East African Customs Management Act

#### **J. OBJECTIONS AND APPEALS**

1. Meaning of appeals and objections
2. Procedures of appeals/ objections for:
  - (a) Income tax
  - (b) Value added tax
  - (c) Excise duty under Tax Procedures Code Act and East African Customs Management Act
3. Taxpayer's rights and obligations
4. Appeals procedure: Tax Appeals Tribunal, High Court

#### **K. INTERNATIONAL TAXATION**

1. International taxation concepts/ rules of source and residence

2. Taxation of branches:
    - (a) Principles
    - (b) Branch profits and tax on repatriated income
  3. Taxation of international payments:
    - (a) Technical fees
    - (b) Professional fees
    - (c) Management fees
    - (d) Interest on foreign loans
    - (e) Other international payments
  4. Double taxation treaties:
    - (a) Objectives
    - (b) The treaties
    - (c) Advantages and disadvantages
  5. Tax relief under international taxation:
    - (a) Unilateral agreements
    - (b) Bilateral agreements
    - (c) Multilateral agreements
    - (d) Different types of tax reliefs
  6. International agreements: Statutory provisions under the Organisation for Economic Cooperation and Development (OECD) and United Nations Model treaties
  7. Priority rule versus anti-treaty shopping rule
  8. Dispute resolution mechanisms
- L. TAX ANTI-AVOIDANCE RULES**
1. Transactions between associates:
    - (a) Meaning
    - (b) Implications on the taxation of multinational organisations
  2. Commissioner's powers regarding non-arms-length transactions
  3. Re-characterisation of income and deductions between associates by the Commissioner
  4. Limitation of interest deduction provisions under S 25 of the Income Tax Act

5. Transfer pricing:
  - (a) Introduction and key terminologies
  - (b) Factors affecting comparability
  - (c) Transfer pricing methods
  - (d) Advance pricing agreements
  - (e) Transfer pricing documentation
  - (f) Transfer pricing audit focus areas
  - (g) Transfer pricing and tax risk management
6. Dividend stripping provisions

## **M. TAXATION OF PETROLEUM OPERATIONS**

1. Scope and key terminologies
2. General principles related to taxation of contractors and sub-contractors
3. Limitation on deductions
4. Allowable contract expenditure and unrecoverable costs
5. Taxation of farm outs
6. Decommissioning: Reserve costs, expenditure:
  - (a) Definition
  - (b) Concepts of decommissioning; tax aspects relating to decommissioning
7. Withholding tax
8. Tax accounting principles
9. Returns
10. Credits under petroleum agreements
11. Collection and recovery
12. Tax offences and penalties

## **N. TAX PLANNING**

1. Meaning
2. Key areas:
  - (a) Structure of business set up
  - (b) Choice of business location
3. Other tax planning areas under income tax, VAT, excise duty, customs tax, capital gains tax

## **O. EXCISE DUTY**

1. Introduction and the concept of excise duty

2. Key terminologies: Tax point, excisable value of goods/ services, excise duty rates
3. Registration/ licensing for excise duty
4. Licensee obligations: Return filing, records keeping, payment of tax
5. Excise duty refunds
6. Examples of excisable supplies and duty rates
7. Excise duty exemption
8. Storage of excisable goods after manufacture
9. Current developments for example digital stamps
10. Offences and penalties

**P. CUSTOMS MANAGEMENT AND PROCEDURES**

1. Introduction
2. Trading blocs
3. Duty drawback: Meaning, claims, documentation
4. Export processing zone (EPZ):
  - (a) Meaning
  - (b) Removal of goods from an EPZ
  - (c) Designation of goods
5. Prohibitions and restrictions under customs management:
  - (a) Powers to prohibit
  - (b) Restricted goods; reasons for restriction
  - (c) Exemptions of goods in transit
6. Customs offences, seizures, forfeitures, penalties; settlement of penalties
7. Transitional arrangements under customs management:
  - (a) Meaning of:
    - (i) International tariffs
    - (ii) Common external tariffs
    - (iii) Common internal tariffs
    - (iv) Zero tariffs
  - (b) Rules of origin:
    - (i) Meaning
    - (ii) Criteria used in determining rules of origin
    - (iii) Exceptions to the rules of origin criteria



(iv) Tax treatment of goods deemed to originate from partner states as per the East African Customs Union

8. Customs valuation and computation of duty
9. Importance of international customs organisations:
  - (a) Common Markets for East and Southern Africa
  - (b) Southern African Development Community
  - (c) World Trade Organisation
  - (d) United Nations (UN) Model treaty

## **Q. CURRENT DEVELOPMENTS IN TAXATION**

1. E-tax:
  - (a) Registration, filing, assessment, payment
  - (b) Digital stamps and electronic fiscal receipting and invoicing systems (EFRIS)
2. Challenges of the digital economy (e-commerce)

## **R. ETHICS**

1. Dealing with tax issues ethically
2. Ethical challenges that may be encountered when carrying out tax work
3. Importance of acting with integrity
4. Consequences of tax avoidance

## **REFERENCES**

1. ICPAU, Advanced Taxation, Kampala.
2. Government of Uganda, by Uganda Printing and Publishing Corporation:
  - (a) Income Tax Act, Cap 340
  - (b) Value Added Tax Act, Cap 349
  - (c) Excise Duty Act, 2018
  - (d) East African Customs Management Act
  - (e) The Tax Procedures Code Act
3. Joseph O. O., Current year. Domestic & International Taxation in Uganda, Kampala Uganda.
4. Oats L., 2021. Principles of International Taxation, 8<sup>th</sup> ed, London, UK: Bloomsbury.