

ADVANCED TAXATION – PAPER 9

Advanced Taxation – Paper 9



Taxation – Paper 6

OVERALL AIM

To provide a learner with thorough knowledge and application of all tax aspects as required by Government of Uganda.

LEARNING OUTCOMES

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

1. Compute the different tax liabilities for individuals and corporate bodies.
2. Discuss international taxation issues.
3. Provide tax planning advice.
4. Demonstrate an understanding of customs management.
5. Adopt best practices when dealing with clients.
6. Advise clients on the way to handle their taxation issues ethically.
7. Adopt the best practice when dealing with the public.

LEVEL OF ASSESSMENT

The examination will be centered on the ability of the learner to demonstrate an understanding of Uganda's tax system and provide tax planning advice where applicable 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 of one compulsory question of 40 marks. Section B will comprise of four questions of 20 marks each, of which the candidate will be required to attempt any three.

DETAILED SYLLABUS

A. TAXATION OF BUSINESS INCOME – CORPORATE BODIES

1. Meaning of: taxable person, chargeable income, gross income, year of income, assessed losses, allowable expenses, non-allowable expenses
2. Revenue versus capital expenditure
3. Exclusivity clauses for expenses:
 - (a) Allowable (deductible)/ and non-allowable (non-deductible) expenses
 - (b) Treatment of items such as bad debts, entertainment, repairs and maintenance, donations, assessed losses, legal and professional expenses
4. Treatment of tax losses:
 - (a) Carry forward of losses
 - (b) The number of years tax losses are required to be carried forward
5. Computation of taxable profits and determination of chargeable income
6. Computation of corporation tax liability
7. Taxation of group companies:
 - (a) Roll over relief
 - (b) Liquidation
 - (c) Re-organisations
8. Exempt income and exempt organisations: Meaning and examples of each

B. CAPITAL ALLOWANCES (DEDUCTIONS)

1. Meaning and scope of capital allowances:
 - (a) Wear and tear
 - (b) Initial allowance
 - (c) Farm works
 - (d) Industrial building allowance
 - (e) Start up costs
 - (f) Farm works
 - (g) Allowances for scientific research
 - (h) Mining allowance



2. Computation of:
 - (a) Depreciation allowances (wear and tear) for depreciable assets and industrial buildings
 - (b) Capital allowances for intangible assets
 - (c) Initial allowance – depreciable assets and industrial buildings
 - (d) Farm works allowances
 - (e) Allowances for mining/ mineral exploration
 - (f) Start up costs/ horticultural expenditure/ farm works

C. 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
 - (d) Gains or losses from disposal
 - (e) Cost base of a non-arms length disposal
 - (f) Part disposal of an asset, disposal by exchange, disposal by way of gift, deemed disposal by destruction
2. Treatment of asset disposal under non-arms length transactions
3. Non-recognition of gains or losses – involuntary disposal
4. 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
5. Computation of capital gains tax on various disposals
6. Tax planning and capital gains tax

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
 - (d) Taxation as per the Income Tax Act
2. Scope and composition of employment income
3. Valuation of benefits in kind
4. Exempt benefits



5. Computation of employment tax liability

E. PROPERTY INCOME

1. Taxation aspects of property income
2. Types of property income: royalties, dividends, interest income, annuities, natural resource payments, rents
3. Computation of property tax liability

F. INDIVIDUAL INCOME TAX – BUSINESS INCOME

1. Scope of business income of an individual: gross income, chargeable income
2. Allowable and non-allowable deductions of an individual
3. Computation of chargeable income of an individual and tax payable

G. 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 salaries
 - (e) Interest on capital
 - (f) Drawings
 - (g) Partners' loans
 - (h) Contribution of business assets and non business assets
 - (i) Limited liability partnerships
3. Computation of chargeable income of a partnership
4. Computation of chargeable income and tax liabilities of a partner
5. Tax implications of reconstructed partnerships; dissolution, admission of new partners, change in the structure

H. VALUE ADDED TAX (VAT)

1. Meaning of output and input VAT
2. Treatment of output VAT:
 - (a) Bad debts
 - (b) Returned goods



- (c) Discounts
- 3. Treatment of input VAT:
 - (a) Unclaimed VAT
 - (b) VAT on imported services
 - (c) Time limit of claim for input VAT
 - (d) Methods of apportionment of input tax
- 4. Penalties for non submission of returns
- 5. Credit of input VAT where a taxable person deals in both exempt and taxable supplies
- 6. Input tax claimable/ non claimable

I. OFFENCES AND PENALTIES

Offences and penalties- under the ITA, VAT Act and the East Africa Customs Management Act

J. OBJECTIONS AND APPEALS

- 1. Meaning of appeals and objections
- 2. Procedures:
 - (a) Deadlines, tax payable, taxes not in dispute etc under the Income Tax Act and Value Added Tax Act and the Customs Laws
 - (b) Tax payer's rights and obligations
- 3. Appeals procedure: Tax Appeals Tribunal and High Court

K. ANTI AVOIDANCE RULES

- 1. Transactions between associates:
 - (a) Meaning
 - (b) Implications on the taxation of multinational organisations
- 2. Commissioners powers regarding non-arms length transactions
- 3. Re-characterisation of income and deductions between associates by the commissioner
- 4. Thin capitalisation rules under anti-avoidance rules
- 5. Methods of determining arms length price
- 6. International agreements: Organisations for Economic Cooperation and Development (OECD) and UN Model treaties



L. INTERNATIONAL TAXATION

1. International transfer pricing:
 - (a) Importance
 - (b) OECD guidelines on transfer pricing
2. Residence in international taxation: source rules, country of vital interest
3. Taxation of branches:
 - (a) Principles
 - (b) Determination of branch profits and tax on repatriated income
4. Taxation of international payments:
 - (a) Technical fees
 - (b) Professional fees
 - (c) Management fees
 - (d) Interest on foreign loans
5. Tax reliefs under international taxation:
 - (a) Unilateral agreements
 - (b) Bilateral agreements (relief under double taxation)
6. Statutory provisions on international agreements
7. Priority rule versus anti-treaty shopping rule
8. Withholding tax (WHT):
 - (a) Withholding agents
 - (b) Circumstances under which WHT is a final tax
 - (c) Implications of taking withholding tax as a final tax
 - (d) Determination of WHT on various payments
 - (e) Payment of WHT and the penalty if this tax is not paid

M. TAXATION OF PETROLEUM OPERATIONS

1. Meaning and Scope:
 - (a) Contract area
 - (b) Commercial production
 - (c) Contractor
 - (d) Cost oil
 - (e) Delivery point
 - (f) Development plan
 - (g) Exploration expenditure
 - (h) Petroleum agreement, operations, and revenues
 - (i) Recoverable costs



- (j) Sub-contractor
- 2. Taxation of contractors and sub-contractors
- 3. Limitation on deductions
- 4. Decommissioning costs reserve and decommission expenditure
- 5. Allowable contract expenditure and unrecoverable costs
- 6. Gain or loss on transfers
- 7. Transfers of interest under petroleum agreements
- 8. Withholding tax
- 9. Accounting principles
- 10. Returns
- 11. Credits under petroleum agreements

N. TAX PLANNING

- 1. Meaning
- 2. Key areas of tax planning: structure of business set up, choosing where to locate a business, choosing a sector where to set up business
- 3. Other tax planning ideas which a taxpayer can benefit from under the different tax heads: income tax, customs tax, capital gains tax

O. CUSTOMS MANAGEMENT AND PROCEDURES

- 1. Duty drawback:
 - (a) Meaning
 - (b) Claiming
 - (c) Documentation
- 2. Export Processing Zone (EPZ)
 - (a) Meaning
 - (b) Removal of goods from EPZ
 - (c) Designation of goods
- 3. Prohibitions and restrictions under customs management:
 - (a) Powers to prohibit
 - (b) Restricted goods:
 - (i) Reasons for restriction
 - (ii) Examples
 - (c) Exemptions of goods in transit
- 4. Customs offences and procedures:



- (a) Types
 - (b) Seizures and forfeitures
 - (c) Procedures
 - (d) Penalties and settlement.
5. Transitional arrangements under customs management:
- (a) Meaning:
 - (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
6. Tax treatment of goods deemed to originate from the partner states as per the East African Customs Union
7. Customs valuation and computation of duty
8. Importance of International Customs Organisations:
- (a) Common Markets for East and Southern Africa
 - (b) South African Development Cooperation
 - (c) World Trade Organisation
 - (d) UN model treaty

ETHICAL ISSUES

1. Dealing with tax issues ethically
2. Importance of acting with integrity and the consequences of tax avoidance

REFERENCES

1. Bahemuka Pius K (2012): Income Tax in Uganda, The New Vision Printing and Publishing Company Ltd. 3rd Edition
2. Bahemuka Pius K (2011): Value Added Tax in Uganda
3. Mugume Christine (2014): Managing Taxation in Uganda, CMK Consulting, Kampala, Uganda, 2nd Edition
4. The Government of Uganda: The Income Tax Act, Cap 340, Government of Uganda
5. The Government of Uganda: Value Added Tax, Cap 349, Government of Uganda
6. The Government of Uganda: Customs & Excise Act, Cap 335, Government of Uganda

