



PRINCIPLES OF TAXATION – PAPER 11

OVERALL AIM

To provide the learner with basic knowledge of taxation in Uganda covering all aspects of tax as set by the Government of Uganda

LEARNING OUTCOMES

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

1. Demonstrate an understanding of the objectives of taxation and factors that determine the Country's taxable capacity
2. Define and classify taxes in Uganda
3. Describe the administration of taxes in Uganda
4. Explain the tax system as it applies to individuals and businesses in Uganda
5. Compute different tax liabilities for individuals and corporate bodies
6. Prepare and submit tax returns for individuals and corporate bodies
7. Show an understanding of tax assessments
8. Show an understanding of the e-tax platform
9. Handle correspondence with tax authorities

LEVEL OF ASSESSMENT

The examinations will be centered on the ability of the learner to demonstrate an understanding of the different taxes in Uganda

EXAMINATION STRUCTURE

There will be a three hour examination consisting of six questions of 20 marks each of which the candidate will be required to attempt any five

DETAILED SYLLABUS

A. INTRODUCTION TO TAX ADMINISTRATION IN UGANDA

1. Definition of taxes and the history of taxation in Uganda
2. Reasons for levying taxes
3. Classification of taxes: progressive tax, proportional tax, regressive tax

4. Types of taxes: direct and indirect; advantages and disadvantages of direct and indirect taxes
5. Incidence, impact and tax base
6. Principles of a good tax system
7. Taxable capacity
8. Tax compliance, tax evasion and tax avoidance
 - (a) Meaning
 - (b) Factors influencing tax compliance
9. Methods of tax accounting
10. Tax structure in Uganda and its implications
11. Uganda Revenue Authority (URA): structure, functions and procedures of URA
12. The powers and duties of the commissioner general of URA

B. INCOME TAX

1. Meaning of chargeable income, gross income, exempt income; examples of exempt income and exempt organisations (amateur sporting associations, charitable organisations, listed institutions)
2. Legal provisions of the Income Tax Act: allowable and disallowable deductions, taxable and exempt income, basis of assessments, capital allowances
3. Residence status:
 - (c) Tax residence and non-tax residence status
 - (c) Short term residence
 - (d) Resident individual, company, partnership, trust
4. Year of assessment
 - (a) Normal year
 - (b) Substituted
 - (c) Transitional
5. Tax rates for: individuals, companies, partnerships, corporations, insurance business, clubs, societies, amateur sporting associations, retirement funds, trusts
6. Determination of chargeable income of an individual i.e.
 - (a) Employment income:
 - (i) Meaning of employment and employment income
 - (ii) Sources
 - (iii) Valuation of benefits
 - (iv) Treatment of income received on retirement and on termination of contract of employment
 - (v) Exempt income

- (vi) Pay as you earn system and its limitations
- (vii) Computation of employment income of an individual
- (b) Business income
 - (i) Meaning and examples
 - (ii) Characteristics of trade
 - (iii) Small tax payers and the presumptive tax
 - (iv) Determination of taxable business income: allowable deductions, non-allowable deductions, capital deductions (qualifying capital expenditures, types of capital expenditures, an eligible property)
 - (v) Computation of chargeable income and tax thereon of an individual
- (c) Property income: meaning, scope of and examples
- (d) Rental income
 - (i) Meaning of rental income and rental tax
 - (ii) Tax treatment of rental income; allowable deductions and tax threshold
 - (iii) Tax treatment of rental income for an individual and that of a company
 - (iv) Computation of rental tax
- 7. Corporation tax: computation of chargeable income of a company and tax thereon

C. CAPITAL ALLOWANCES

1. Wear and tear allowance
2. Initial allowance
3. Industrial building allowance

D. CAPITAL GAINS TAX

1. Meaning and scope:
 - (a) Business assets
 - (b) Cost base of an asset
 - (c) Disposal of an asset:
 - (i) Part disposal
 - (ii) Disposal by exchange
 - (iii) Disposal by way of gift
 - (iv) Deemed disposal
 - (v) Gains or losses on disposal
 - (vi) Cost base of a non-arms length disposal

2. Computation of capital gains tax

E. INCOME TAX RETURNS AND ASSESSMENTS

1. Meaning of return of income and assessment
2. Persons eligible to file returns
3. Circumstances where filing returns is not required
4. Due dates for filing returns: final, provisional, estimated, amended assessment
5. Provisions regarding extension of time to file a return
6. Tax assessments:
 - (a) Based on taxpayer's return
 - (b) Self, additional/ amended, estimated
7. Payment of tax:
 - (a) Final
 - (b) Provisional tax
 - (c) Tax withheld
 - (d) Due dates
8. Objections and appeals, offences and penalties, repayment and settlement of taxes

F. WITHHOLDING TAX

1. Meaning and parties to this tax
2. Payments subject to withholding tax
3. Circumstances under which withholding tax is taken as final tax
4. Implications of taking withholding tax as final tax
5. Payment of withholding tax and penalties for non-compliance

G. VALUE ADDED TAX (VAT)

1. Meaning, merits and demerits
2. Administration:
 - (a) Operations of the VAT department
 - (b) Registration
 - (c) Taxable persons
 - (d) Taxable and exempt supplies
 - (e) Rates of tax
 - (f) Tax periods
 - (g) Returns, penalties, offences, deregistration
 - (h) Visits by VAT officials

3. Cash accounting versus invoice accounting; advantages and disadvantages of cash accounting and invoice accounting
4. VAT accounting records:
 - (a) Tax invoices
 - (b) Credit and debit notes
 - (c) VAT accounts
5. Returns:
 - (a) Amended
 - (b) Returns that are filed separately
6. Powers and duties of the Commissioner
7. Rights and obligations of a registered taxpayer
8. Determination of input and output tax; refund procedures
9. Objections, appeals, offences and penalties

H. CUSTOMS AND EXCISE DUTIES

1. Importation procedures under customs management:
 - (a) Arrival and reporting procedures for vehicles
 - (b) Arrival by international trains, vehicles and other means overland
 - (c) Re-export procedures
 - (d) Goods in transit
2. Unloading and removal of cargo (delivery):
 - (a) Entry examination
 - (b) Removal of goods by sale in customs warehouse
 - (c) Passenger clearance
3. Warehouses
 - (a) Customs warehouses:
 - (i) Meaning
 - (ii) Receipt/ delivery of goods
 - (iii) Disposal of warehouse goods
 - (b) Bonded warehouses
 - (i) Meaning
 - (ii) Procedures for bonded warehouses: receipt/delivery of goods, entry and control of goods prior to bonded warehousing, licensing of bonded warehouses, goods not allowed in bonded warehouses
4. Exportation procedures under customs:
 - (a) Customs procedures for exports
 - (b) Entry outwards of goods
 - (c) Procedures for re-exportation
 - (d) Export of bonded goods

5. Smuggling of goods:
 - (a) Meaning and forms
 - (b) Reasons why countries impose prohibitions
 - (c) Reasons for restricting certain goods
 - (d) Problems associated with smuggling
 - (e) Ways of preventing smuggling of goods and services; treatment of offenders
6. Importation by post
 - (a) Meaning
 - (b) Procedures for clearing post parcels:
 - (i) Examination
 - (ii) Redirecting parcels
 - (c) Warehousing of goods imported by post
7. Customs union
 - (a) Advantages and challenges
 - (b) Opportunities created under the customs union
8. Common markets
 - (a) Advantages of a (b) Trade barriers
9. Customs valuation and computation of duty

I. OTHER SOURCES OF GOVERNMENT REVENUE

Fines, licences, lotteries, rates, compulsory saving schemes, government securities local service tax

REFERENCES

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2. Mugume Christine (2014): Managing Taxation in Uganda, MPK Graphics, Kampala, Uganda. 2nd Edition.
3. The Government of Uganda: The Income Tax Act, Cap 340, Government of Uganda.
4. The Government of Uganda: Value Added Tax, Cap 349, Government of Uganda.
5. The Government of Uganda: Customs & Excise Act, Cap. 335, Government of Uganda.