

GLOBAL
EMPLOYER
GUIDE

UGANDA





Basic Country Facts

Full name

- Republic of Uganda

Capital

- Kampala

Main Languages

- Swahili language
- Luganda

Population

- 42.72 million

Monetary unit

- Ugandan shilling

Internet domain

- .ug

International dialing code

- +256

Currency

- Ugandan shilling



STATUTORY LABOR REQUIREMENTS

Probation Period

- Maximum length of probation period is 6 months but it may be extended to 1 year with the consent of a worker.

Annual Leave

- A worker, working weekly for sixteen or more hours, is entitled to 21 working days paid annual leave at the rate of 7 days for each period of continuous 4 months of service on completion of 12 months of continuous service.
- The time to take annual leave has to be agreed between the parties.

Public Holidays

- New Year's Day (1st January)
- NRM Liberation Day (26th January)
- Archbishop Janani Luwum Memorial Day (16th February)
- International Women's Day (8th March)
- Good Friday (10th April)
- Easter Monday (13th April)
- Labor Day (1st May)
- Eid al-Fitr
- Uganda Martyrs' Day (3rd June)
- National Heroes' Day (in Uganda) (9th June)
- Father's Day (21st June)
- Eid al-Adha
- Independence Day of Uganda (9th October)
- Christmas Day (25th December)
- Boxing Day (26th December)

13th Month

- 13th month pay is not mandatory

Maternity Leave

- The law in Uganda says a female employee is entitled to leave as a consequence of pregnancy.
- This leave is for a period of 60 working days.
- At least 4 weeks of the maternity leave shall be for the period after birth or miscarriage.

Paternity Leave

- A male employee, after birth of child or miscarriage of a wife, is entitled to fully paid 4 working days of paternity leave in a year.

Sick Leave

- In accordance with the Employment Act 2006, a worker, working at least sixteen hours a week, is entitled to pay sick leave on completion of one month of service with the employer.

Work Hours

- According to the law, your normal working hours per day are 8 hours and these should not be more than 48 hours per week.
- By including the lunch and prayer time in hours of work, working hours should not be greater than 9 hours a day.



Overtime

- Working hours shall not exceed forty-eight hours per week and any extra hours shall be deemed to be overtime
- Where hours in excess of eight hours per day or forty-eight hours per week are worked, they shall, in the absence of a written agreement to the contrary, be remunerated at the minimum rate of one and a half (1.5) times of the normal hourly rate if the overtime is on the normal working days, and at two (2) times the hourly rate where the overtime is worked on gazetted public holidays.

Notice Period

- The required notice period depends on the worker's length of service as follows:
 - 2 weeks for service of more than 6 months but less than 1 year
 - 1 month for service of more than 12 months but less than 5 years
 - 2 months for service of more than 5 years but less than 10 years
 - 3 months for service of 10 years or more.

Severance

- There is a provision in the law regarding severance pay but this compensation is subject to negotiation between the employer and the worker.
- Severance pay is entitled to the worker after continuous service (of a particular employer) for at least 6 months.
- It is due in the following circumstance:
 - unfair dismissal of the worker by the employer
 - death of the worker at work not attributable to any misconduct of the worker
 - termination by the worker due to physical incapacity not attributable to any misconduct of his own
 - termination by reason of the death or insolvency of the employer
 - termination by a labor officer following the inability or the refusal of the employer to pay wages
 - and other cases as provided by the Minister.
- Amount of severance pay is negotiable between the employer and the worker or the labor union that represents them.



Income Tax

- Residents are subject to tax on worldwide income.
- Nonresidents are taxable on Ugandan-source income only.
- The gross income of a resident person includes income derived from all geographical sources.
- The gross income of a non-resident person includes only income derived from sources within Uganda.
- Tax is charged on the gross income of an individual for the year less any allowed deductions granted by the ITA.

Resident Individuals			
Annual chargeable income (UGX)		Tax on column 1 (UGX)	Tax on excess (%)
Over	Not Over		
0	2,820,000	-	0
2,820,001	4,020,000	-	10
4,020,001	4,920,000	120,000	20
4,920,001	120,000,000	300,000	30
120,000,001		34,824,000	40

Non- Resident Individuals			
Annual chargeable income (UGX)		Tax on column 1 (UGX)	Tax on excess (%)
Over	Not Over		
0	4,020,000	-	10
4,020,001	4,920,000	402,000	20
4,920,001	120,000,000	582,000	30
120,000,001		35,106,000	40





Social Security

- An individual in employment is obligated to make a contribution of 5% of one's gross earnings to the national social security fund.
- An individual who is an employer is also obligated to make contributions to the national social security fund for each employee, amounting to 10% of their gross pay.

Contribution	Employer	Employee
Social Security Contribution	10%	5%



Deductible Expenses

Personal deductions

- Individuals are allowed deductions for donations made to amateur sporting associations, religious institutions, charitable institutions, or educational institutions of a public character.
- However, the allowed amount cannot exceed 5% of the chargeable income.
- Interest incurred on a debt by an individual is only allowed to the extent that the debt obligation was incurred in the production of income included in gross income.

Personal Allowance

- The first UGX 2,820,000 of a resident individual's annual income falls in the nil tax bands and does not suffer tax.
- This is the amount allowed to an individual tax free.

Business Deductions

- In determining the income chargeable to tax, an individual is allowed by the law to make the following deductions from one's gross income:
 - All the expenditures and losses that were incurred by a person during the year of income to the extent to which the expenditures and losses were incurred in the production of the income that is included in gross income.
 - Any loss incurred by the individual on the disposal of a business asset during the year of income.

- In cases where the individual receives rental income, an amount equal to 20% of the rental income is allowed as expenditure and losses incurred in the production of that income. The balance is then taxed at 20%.
- Interest on a mortgage from a financial institution incurred to acquire or construct premises generating rental income.
- Local service tax paid by an individual.



Deductible Expenses

Personal Deductions	<ul style="list-style-type: none">• Individuals are allowed deductions for donations made to amateur sporting associations, religious institutions, charitable institutions, or educational institutions of a public character.• However, the allowed amount cannot exceed 5% of the chargeable income.• Interest incurred on a debt by an individual is only allowed to the extent that the debt obligation was incurred in the production of income included in gross income.
Personal Allowance	<ul style="list-style-type: none">• The first UGX 2,820,000 of a resident individual's annual income falls in the nil tax bands and does not suffer tax.• This is the amount allowed to an individual tax free.
Business Deductions	<ul style="list-style-type: none">• In determining the income chargeable to tax, an individual is allowed by the law to make the following deductions from one's gross income:<ul style="list-style-type: none">◦ All the expenditures and losses that were incurred by a person during the year of income to the extent to which the expenditures and losses were incurred in the production of the income that is included in gross income.◦ Any loss incurred by the individual on the disposal of a business asset during the year of income.◦ In cases where the individual receives rental income, an amount equal to 20% of the rental income is allowed as expenditure and losses incurred in the production of that income. The balance is then taxed at 20%.• Interest on a mortgage from a financial institution incurred to acquire or construct premises generating rental income.• Local service tax paid by an individual.



Immigration

- Only special passes and work permits allow foreign nationals to undertake employment in Uganda.
- Temporary work permits, called special passes, are valid for three months and may be extended for up to a maximum of five months.
- A work permit or entry permit is issued for up to three years and may be renewed every three years.
- Work permits are divided into seven classes (Classes A through G)
- Class F permits, which are issued to practicing professionals (for example, lawyers and accountants), require the submission of the following:
 - Qualifications and references or résumés
 - Copy of the passport (bio-data page)
 - Copy of a recent passport-size photograph
 - Clearance letter from Interpol or home country
 - Registration certificate with relevant professional body in Uganda
 - Cover letter from the organization
 - Copy of nonrefundable prepayment receipt or a copy of identification from nationals of Burundi, Kenya and Rwanda
 - Security bond
- Class G has two sub-classifications of work permits, which are Class G1 and Class G2.
- They are issued to employees.
- Applicants for Class G1 permits (missionaries, volunteers and workers for nongovernmental organizations [NGOs]) are required to produce the following documents:
 - Certified copy of qualifications
 - Appointment letter from the organization
 - Copy of the passport (bio-data page)
 - Copy of a recent passport-size photograph
 - Cover letter from the organization
 - Clearance letter from the Interpol or home country
 - An employment contract
 - Recommendation from the National Bureau for NGOs
- Applicants for Class G2 (expatriates) are required to produce the following documents:
 - Appointment letter from the organization
 - Copy of the passport (bio-data page)
 - Certified copy of qualifications
 - Copy of a recent passport-size photograph
 - Cover letter from the organization
 - Copy of nonrefundable prepayment receipt
 - Copy of security bond payment letter from Interpol or home country
 - Income tax clearance for the organization
- Foreign nationals may change employers after they have obtained work permits.
- However, they must apply for new work permits under their new employers.



Type of Visa/ Permits	Documentation	Validity	Eligibility
Class F	<ul style="list-style-type: none"> • Qualifications and references or résumés • Copy of the passport (bio-data page) • Copy of a recent passport-size photograph • Clearance letter from Interpol or home country • Registration certificate with relevant professional body in Uganda • Cover letter from the organization • Copy of nonrefundable prepayment receipt or a copy of identification from nationals of Burundi, Kenya and Rwanda • Security bond 	3 years (renewable)	<ul style="list-style-type: none"> • Class F permits are issued to practicing professionals (for example, lawyers and accountants),
Class G1	<ul style="list-style-type: none"> • Certified copy of qualifications • Appointment letter from the organization • Copy of the passport (bio-data page) • Copy of a recent passport-size photograph • Cover letter from the organization • Clearance letter from the Interpol or home country • An employment contract • Recommendation from the National Bureau for NGOs 	3 years (renewable)	<ul style="list-style-type: none"> • G1 permits are issued to missionaries, volunteers and workers for nongovernmental organizations [NGOs]
Class G2	<ul style="list-style-type: none"> • Appointment letter from the organization • Copy of the passport (bio-data page) • Certified copy of qualifications • Copy of a recent passport-size photograph • Cover letter from the organization • Copy of nonrefundable prepayment receipt • Copy of security bond payment letter from Interpol or home country • Income tax clearance for the organization 	3 years (renewable)	<ul style="list-style-type: none"> • G2 permits are issued to expatriates



Value Added Tax (VAT)

- VAT is charged on taxable supplies made by taxable persons, the importation of goods other than in cases of exempt imports, and imported services by any person.
- The standard VAT rate is 18%; some items are zero rated and others are exempt.

VAT	
Standard Rate	18%
Zero Rate	0%



Withholding Tax

- As in the case for corporations, individuals that are employers are also obligated to withhold tax on payments of employment income made to their employees.
- This is a final tax for an individual who does not have other sources of income.
- Individuals also incur WHT on payments of interest made to them.
- The WHT is at a rate of 15%.
- However, individuals are not obligated to withhold tax on payments made by them to taxable persons.
- WHT is also incurred at a rate of 15% on dividends received by individuals.
- However, if the dividend is received from a listed company, the WHT incurred is 10%.
- WHT is also charged on the importation of goods into the country.
- The tax charged is at a rate of 6% on the value of goods imported.
- Individuals are required to maintain records of the WHT paid on imported goods.
- Tax at 6% is also deducted on receipt of payment from the government of Uganda, a government institution, a local government, or designated withholding agents for supplies exceeding UGX 1 million.

WHT	
Interest	15%
Dividends	10%/15%
Imports	6%

Termination

- Termination of employment is the discharge of a worker from an employment at the initiative of the employer for justifiable reasons other than misconduct.
- The employment of a worker terminates on expiry of employment contract; or expiry of contract for a fixed term or completion of specific task without renewal.
- A worker may terminate an employment contract with or without notice in case of misconduct on the part of the employer; and also before expiry of termination notice period
- The required notice period depends on the worker's length of service as follows:
 - 2 weeks for service of more than 6 months but less than 1 year
 - 1 month for service of more than 12 months but less than 5 years
 - 2 months for service of more than 5 years but less than 10 years
 - 3 months for service of 10 years or more.
- There is a provision in the law regarding severance pay but this compensation is subject to negotiation between the employer and the worker.
- Severance pay is entitled to the worker after continuous service (of a particular employer) for at least 6 months.
- It is due in the following circumstance:
 - unfair dismissal of the worker by the employer
 - death of the worker at work not attributable to any misconduct of the worker
 - termination by the worker due to physical incapacity not attributable to any misconduct of his own
 - termination by reason of the death or insolvency of the employer
 - termination by a labor officer following the inability or the refusal of the employer to pay wages
 - and other cases as provided by the Minister.
- Amount of severance pay is negotiable between the employer and the worker or the labor union that represents them.





Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

Sick Leave

Overtime Pay

Notice Period

Severance Pay

Social Security Benefits

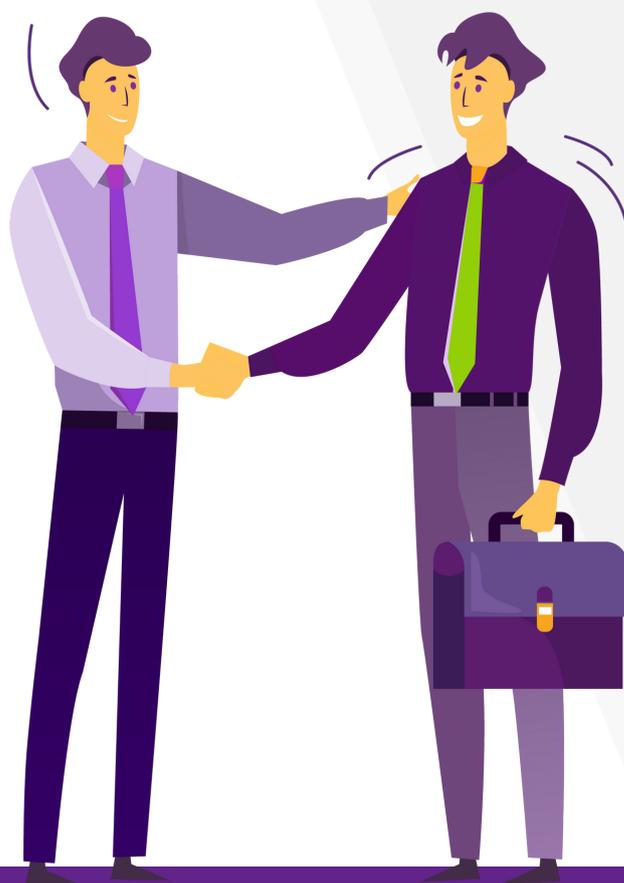


Payments and Invoicing

- All taxpayers are obligated to file a return within six months of the end of the year of income.
- Where an individual is in business, one is expected to file the return accompanied by a statement of income and expenditure and a statement of assets and liabilities.
- However, no return of income is required from a non-resident or resident individual where their income consists exclusively of income derived from a single employer from which tax has been withheld by the employer as required by the law.
- A return is also not required for a non-resident individual whose tax obligation has fully been satisfied through the withholding of tax by withholding agents.
- A return is also not required from a resident individual whose chargeable income falls in the zero rated threshold of tax.
- Taxpayers receiving or expecting to receive income in a year of income that is not subject to any WHT at source are expected to pay provisional tax.
- Individuals that are obligated to pay provisional tax as explained above are expected to pay four instalments of tax before the last day of the third month, sixth month, ninth month, and 12th month of the year of income.
 - Each instalment is 25% of the individual's estimate of tax due for that year.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Uganda ranked 116th in the World in 2019 in terms of ease of doing business.



GLOBAL
EMPLOYER
GUIDE
UGANDA



An Equus Software Company