



ALERT



LOCAL SERVICE TAX IN UGANDA; What you need to know

A. Background

The Local Service Tax was introduced by the Local Governments (Amendment) (No.2) ACT, of 2008 which allowed local governments to levy, collect and charge additional taxes in order to provide new sources of revenue for local governments, and for related purposes.

The Local Service Tax (LST) is to be levied on the wealth and income of the following categories of people; persons in gainful employment, self employed and practicing professionals,

self-employed artisans, businessmen and businesswomen, and the assessment is to be fair, equitable, and non-regressive:

However, the salaries of the following categories of people are exempted from LST; Members of the Uganda Police Force, Members of the Uganda Prisons Service, Members of the Uganda People's Defense Forces, unemployed persons, and people unable to earn a minimum income to access basic necessities of life), and Members of the Diplomatic Missions Accredited to Uganda.

B. Where and how should one pay Local Service Taxes

Local service tax is to be levied on all persons in gainful employment or on people who are practicing any profession or on business persons and commercial farmers producing on a large scale.

Every district or urban local council shall levy local service tax on every person in gainful employment, practicing professionals, businesspersons, and commercial farmers

The salaried employees shall pay the tax in four equal installments during the financial year while all the other taxpayers will pay the tax at once. Salaried employees can however choose to pay for the Local Service Tax at once.

The payment of the tax shall be completed within the first four months of the financial year for which it was assessed. The financial year of income is from 1st July to 30th June.

This tax on salaried employees is collected by the employer and remitted to the respective local governments and it is payable to the district, municipality, or town council where the employee liable to pay the tax resides during the period of employment.

The businessmen and businesswomen shall pay the tax at the time of paying for their annual trading and operational licenses at their respective local governments

A person liable to pay local service tax shall register with the nearest tax office of a local government in the area where he or she resides. Local service tax shall be paid on the basis of an assessment and each local service taxpayer shall keep evidence of his or her assessment.

The threshold used to determine the amount of Local Service Tax payable will be the gross salary after deducting income tax in the form of Pay as You Earn (PAYE).

According to the act residence” means continuous residence for at least six months in a city, municipality, town, district or other local government, and continuity of residence which shall be deemed not to have been broken by reason of absence of less than five weeks

Note; According to the Local Service Act, and guidelines for the implementation of the Local Service Tax, local service taxes should have been paid by the 15th day of November of each financial year.

C. Please find below the rates in respect to the different tax payers;

i. Professionals

Professionals	Monthly Income Earned	Annual LST Payable
Doctors, Pharmacists, veterinary doctors, engineers, Accountants, auditors, Consultants, lawyers, architects, artists, journalists, writers, surveyors, planners, scientists, etc.	1,000,000 onward	100,000
photographers, counselors, dramatists, actors, sportspersons, programmers and any other professional not motioned	Exceeding 500,000 but not exceeding 900,000	50,000



ii. Persons in Gainful employment earning a salary and earning a monthly take-home

Amount of monthly income earned (in Shs)	Rate of LST (in Shs) per year
Exceeding 100,000/= but not exceeding 200,000/=	5,000
Exceeding 200,000/= but not exceeding 300,000/=	10,000
Exceeding 300,000/= but not exceeding 400,000/=	20,000
Exceeding 400,000/= but not exceeding 500,000/=	30,000
Exceeding 500,000/= but not exceeding 600,000/=	40,000
Exceeding 600,000/= but not exceeding 700,000/=	60,000
Exceeding 700,000/= but not exceeding 800,000/=	70,000
Exceeding 800,000/= but not exceeding 900,000/=	80,000
Exceeding 900,000/= but not exceeding 1,000,000/=	90,000
Exceeding 1,000,000/=	100,000

iii. Businessmen/ Women

BUSINESS MONTHLY TURNOVER (IN SH)	LST PER YEAR
500,000 but not exceeding 1,000,000/=	5,000/=
Exceeding 1,000,000/= but not exceeding 2,000,000/=	10,000/=
Exceeding 2,000,000/= but not exceeding 3,000,000/=	20,000/=
Exceeding 3,000,000/= but not exceeding 4,000,000/=	30,000/=
Exceeding 4,000,000/= but not exceeding 5,000,000/=	40,000/=
Exceeding 5,000,000/= but not exceeding 6,000,000/=	50,000/=
Exceeding 6,000,000/= but not exceeding 7,000,000/=	60,000/=
Exceeding 7,000,000/= but not exceeding 8,000,000/=	70,000/=
Exceeding 8,000,000/= but not exceeding 9,000,000/=	80,000/=
Exceeding 9,000,000/= but not exceeding 10,000,000/=	90,000/=
Exceeding 10,000,000/=	100,000/=

D. What are the consequences of late payment?

Where the local service tax payable or any part of it remains unpaid at the end of the first four months of the financial year, there shall be a surcharge of 50 percent of the amount remaining unpaid OR

Subject to the law governing local service taxes, any person who without lawful excuse, the proof of which shall lie on him or her, refuses, neglects, or fails to pay the tax to which he or she is liable, four months from the date the tax is due, commits an offense and is liable on conviction to imprisonment for a term not exceeding one month and a fine not exceeding double the amount of the tax due.

Please follow this link <https://ecitie2.kcca.go.ug/portal/revenue-sources-local-service-tax/> and the thresholds on which LST is taxable,

Should you need further guidance, please do not hesitate to contact us

Our Legal/Tax and Regulatory Compliance Team:



Stephen Tumwesigye
Managing Partner
M: +256 (0) 774 334 908
E: stumwesigye@taslafadvocates.com



Lynne Wells
Special Counsel
M: +256 (0) 774 643 240
E: lwells@taslafadvocates.com



Priscilla Busulwa
Consultant – Senior Legal Associate
M: +256 (0) 786 031 346
E: pbusulwa@taslafadvocates.com



Juliet Namirembe
Senior Tax Associate
E: jnamirembe@taslafadvocates.com
M: +256 703 392 531



Elizabeth Akoth
Tax & Accounts Associate
M: +256 703 956 794
E: eakoth@taslafadvocates.com



Rushongoza Begumya
Legal Associate
M: +256 (0) 751 848 903
E: rbegumya@taslafadvocates.com

About TASLAF Advocates

TASLAF Advocates provides blended legal and tax services to the most impactful entities operating in Uganda & East Africa. We are driven by a desire to create social impact and harness the interconnectedness of the African eco-system in our provision of blended legal & tax services. Our clients include leading private equity/impact funds, construction and oil & gas companies, tech companies, leading NGOs and social enterprises looking to set up or expand in Uganda and East Africa.

Our team combines a breadth of experience, education, and training in the best institutions in the world. We are always on the lookout for the most talented and ambitious professionals to join the team. With a mix of lawyers and accountants across the board, our service offerings are unequalled in both tax & legal assignments.

Our pro-bono arm provides free legal services to leading SME's and social enterprises in Uganda helping them to save legal fees and create impact in their areas of operation.

Address

9th Floor Trust Tower, Plot 4 Kyadondo Road, Nakasero
P.O. Box 75577 Kampala, Uganda | T: +256 (0) 393 208 043
E: info@taslafadvocates.com