

**North-East Africa Appendix 4:  
Uganda**

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**Lincoln Institute of Land Policy  
Working Paper**

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## **Country: Uganda**

### **Contextual Data**

<b>Basic Country Information</b>			
Geographic size (km <sup>2</sup> )	241,010 km <sup>2</sup>	Date of independence	9 <sup>th</sup> October 1962 (from Britain)
Capital city	Kampala	Population (est.)	30 Million
Secondary cities/towns	Mbarara, Gulu, Arua, Entebbe, Moroto, Soroti, Mbale, Jinja, Fort Porto	Urbanization (%)	34%
System of government	Constitutional Republic - Multi Party democracy	GDP (per capita)	USD 367
<b>Government Structures</b>			
Levels/ Tiers of government	Two tier system of government. Central government and 5 levels of local councils, namely city, municipality, town, district, division or sub-location.		
Traditional authorities or chiefdoms	There are traditional authorities of Buganda, Toro, Bunyoro, Busoga, Acholi, and Alur		
<b>Land Issues and the Property Market</b>			
Land tenure system(s)	Four systems of land landholding. Leasehold, Freehold, Private Mailo and Customary tenure, There is currently the issue of tenant by occupancy as at 1995 through payment of nominal rent.		
Land titling/registration (e.g. Deeds Office)	Deeds system of registration. The Office of the Commissioner, Ministry of Land, Housing and Urban Development is responsible.		
Does national government charge a land or ground rent?	Yes, Ground rent is charged by Uganda Land Commission on all leaseholds and on land being converted from customary tenure to freehold tenure.		
Property market (e.g. developed, formal/informal)	Relatively well organized in Kampala and other big municipalities.		
<b>Most Important Taxes and Sources of Revenue</b>			
National Taxes	Income Tax, Customs Duty, VAT, Excise Duty, Rental Income Tax, Stamp Duty, Capital gains tax		
Sub-national (e.g. state/local taxes)	Property rates		
Sources of local government revenue	Graduated Tax, Taxi-park, Ground rent, Property Rates, Market fees and Trading License charges, Local Services Tax (LST)		
<b>Property-related Taxes</b>			
National Level  VAT	Property transfer tax – Stamp Duty payable on transfer of property at 1% of the market value and , Rental Income Tax on immovable property, and VAT at 18% on renting of building for commercial purposes		

	Capital transfer taxes (e.g. gift and/or death taxes) – No data
Sub-national Level	Property rates

<b>Annual Property Tax</b>		
<b>Relevant Legislation: The Local Governments (Rating) Act, 2005, The Local Governments (Rating) (Amendment) Act, 2006</b>		
	<b>Legislation</b>	<b>Practice</b>
<b>Tax Base &amp; Taxpayers</b>		
Tax base (e.g. land, building or both)	Annual Rental Income	All local authorities, city, municipalities and urban councils
Coverage of tax base (e.g. extensive or poor)	On all commercial buildings and only rented residential premises as amended in the Act. Mostly covering urban areas	Rateable properties include all properties in urban areas, unless exempted, and commercial buildings outside urban areas.
Taxpayers (e.g. owner or occupier)	Owner of the property	
<b>Valuation &amp; assessment</b>		
Value-based or area based system?	Value based - Annual Rental Income	Value based. In the case of void or vacancy, the tax is based on rental market potential of the property
Valuation (e.g. annual/rental or capital value)	Annual Rental Value. Where there is no market evidence, use capital value as derived from rent..	
Responsibility for valuations (central or local government and/or private sector)?	Only registered valuers may be appointed by Local Government.	There are only 32, registered valuation surveyors in the whole country.
Valuation cycle	Five (5) years	Kampala City Council undertook a revaluation of all their properties during 2003/4/5 period.
Objection & appeal	Objection should be in writing and in an objection form to the Clerk to the valuation court, Appeal is to the High Court of Uganda (S22, SS1 LGRA 2005)	
External quality control measures	None: No formal quality control	
<b>Rate Setting and Tax Relief</b>		
Responsibility to set rates (e.g. central or local)?	The Act allows the rate to be between UGs 2,000 and 12% of	Local authorities however set the rate struck.

	the gross rateable value.	
Tax rates	Each local government sets its own rates. Rural areas are exempted	KCC is currently levying rates at 6%
Exemptions	<ul style="list-style-type: none"> <li>• Rural areas are exempted. Exemptions are generally offered on the basis of ownership, the use to which the property is put, the incidence or tax burden on the tax payer and the necessity of the property. Properties exempted include:</li> <li>• All residential houses in urban areas which are used by the owners as their family homes</li> <li>• Cemeteries/burial grounds and crematoriums</li> <li>• Places of worship and residences of religious leaders like churches.</li> <li>• Any official residences of the president and traditional leaders.</li> <li>• All public outdoor sports/recreation facilities or properties designated as public open schemes under the Town and County Planning Act and controlled under the rules approved by the local government.</li> <li>• Charitable and educational institutions of a public nature supported by endowments or voluntary contributions e.g. Kampala School for the deaf.</li> <li>• Properties of institutions with which government has contractual obligations not to levy</li> </ul>	

	<p>taxes.</p> <ul style="list-style-type: none"> <li>• Properties of organisations with which Uganda is obliged to exempt taxes under international treaties.</li> <li>• Properties owned by organisations entitled to diplomatic privileges.</li> <li>• Properties owned by local councils.</li> </ul>	
Tax relief measures	Rebates for expenditure on renovations and repairs on property. Local governments may decide to reduce or even waive the whole amount of rates assessed on a particular rate payer.	Relief on basis of old age, sickness, loss of employment etc. on the part of rate payers.
<b>Tax Administration</b>		
Billing	Local authorities are required under Section 26 to publish the chargeable rate in the Gazette and local newspapers. Under Section 29, local government is only required to send demand notes to property ratespayers who have failed to pay by the due date. Done by local authorities and annually	Local governments prepare demand notes and send them to all property rate payers indicating amounts due.
Collection	<ul style="list-style-type: none"> <li>• Local Government own staff</li> <li>• Private revenue collection firm (e.g. a debt collector) who are paid a commission of 10% of amounts collected.</li> </ul>	
Enforcement	<ul style="list-style-type: none"> <li>• Administer a demand notice</li> <li>• Recovery by warrant</li> <li>• Recovery by action</li> <li>• Charge of penalties/interest</li> <li>• Recovery from tenants and occupiers</li> <li>• Prohibition of transfer of</li> </ul>	

	property <ul style="list-style-type: none"> <li>• Impose a rate first charge on property</li> </ul>	
Compliance	Low compliance rate as people do not want to pay.	
<b>Additional Comments</b>		
Importance of property tax	A major source of local government revenue accounting for about 14% of total local revenue.	
What is property tax revenue use for?	Delivery of services to residents of the areas. At least 75% of rates collected to be used in road construction, garbage collection, anti-malaria drains.	
<b>Tax effort</b>		
Possible indirect support systems e.g. utilities, planning or mapping department?)	Ministry of Lands, Housing and Urban Development, Ministry of Local Government	
Other relevant issues	Poor service delivery by most of the local authorities	Rates suffer from political interference, taxpayers demanding evidence of the use to which rates collected is put.

<b>Property Transfer Tax</b>		
<b>Relevant Legislation: Income Tax Act</b>		
	<b>Legislation</b>	<b>Practice</b>
<b>Tax Base &amp; Taxpayers</b>		
Tax base	It is payable upon transfer/acquisition of immovable property	
Coverage of tax	Property generally refers to immovable property (i.e. transfer of ownership).	
Taxpayers (e.g. buyer, seller, or both)	The person who acquires property, i.e. buyer or purchaser	
<b>Valuation &amp; assessment</b>		
Valuation	Purchase price, based on market value	
Responsibility for valuations	Ministry of Lands, Office of the Chief Government Valuer	
Objection & appeal	Chief Government Valuer deals with objections.	
<b>Rate Setting and Tax Relief</b>		

Responsibility to set rates	National Government, Ministry of Finance	
Tax Rates	1%	
Exemptions	No data	
Tax relief measures	None	
<b>Tax Administration</b>		
Billing	Uganda Revenue Authority (URA)	
Collection	Uganda Revenue Authority (URA)	
Enforcement	Income Tax Act provides the procedures and practice	
Compliance	High compliance level	
<b>Additional Comments</b>		
Importance of Stamp Duty	Insignificant percentage of total revenues nationally and is lumped together in the consolidated account.	
Tax revenues (central or local)?	National revenue fund	
Other issues	Stamp Duty is low in comparison with rates in other countries	

<b>Rental Income Tax</b>		
<b>Relevant Legislation: Income Tax Act</b>		
	<b>Legislation</b>	<b>Practice</b>
<b>Tax Base &amp; Taxpayers</b>		
Tax base	Generally on immovable properties	
Coverage of tax	Commercial and residential properties that are rented out	
Taxpayer	Property owner	
<b>Valuation &amp; assessment</b>		
Valuation	Based on market rental value	
Responsibility for valuations	Ministry of Lands, Housing and Urban Development – Office of the Chief Government Valuer	
Objection & appeal	None	
<b>Rate Setting and Tax Relief</b>		
Tax rates	Renting by individual – 20% Renting by Corporate Bodies/Organisations – 30% of the chargeable income	
Exemptions	Power generating units	
Tax relief measures	20% in lieu of expenses, and UGS 1,560,000	

<b>Tax Administration</b>		
Billing	Ministry of Finance	
Collection	Annual, done by Uganda Revenue Authority.	
Enforcement	Penalties	
Compliance	Low.	Focus is now on tax compliance education.
<b>Additional Comments</b>		
Importance of Rental Income Tax	Relatively insignificant	
Tax revenue (central or local)?	National revenue fund (Consolidated account)	
Possible indirect Support Systems e.g. utilities, planning, or mapping department,	National Water and Sewerage Corporation, Kampala City Council.	
Other issues	The challenges facing rental income tax are varied and include false declarations by the tax payers, difficult voluntary declarations, poor records, and improperly marked plots and roads. 18% VAT on renting of building for Commercial purposes	