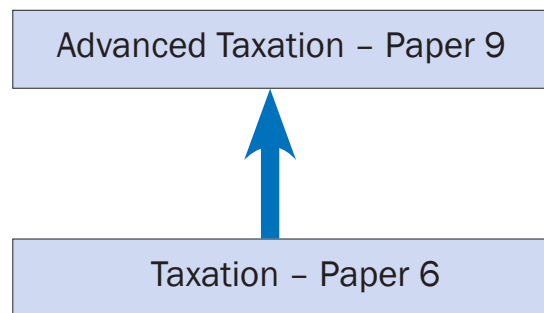


# TAXATION – PAPER 6

## SYLLABUS CHART



### **OVERALL AIM**

To provide the basic knowledge of taxation in Uganda covering all aspects of tax as considered by Government of Uganda. It will form a foundation for Advanced taxation – paper 9.

### **LEARNING OUTCOMES**

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

1. Understand the objectives of taxation and factors that determine the country's taxable capacity.
2. Understand different forms of taxation and tax administration in Uganda.
3. Compute the different tax liabilities for individuals and corporate bodies.
4. Explain the tax system as it applies to individuals and corporate bodies in Uganda.
5. Prepare and submit tax returns for individuals and corporate bodies.
6. Show an understanding of tax assessments.
7. Show an understanding of the e-tax platform.



8. Handle simple correspondence with tax authorities.
9. Analyse the local and global business environment.
10. Explain the challenges facing entrepreneurs and how to overcome them.
11. Recognise and evaluate business opportunities.
12. Explain the ethical challenges that are met when carrying out taxation issues.

## **STRUCTURE OF THE SYLLABUS**

The taxation syllabus forms a basis for advanced taxation paper which is almost independent of others. It however demands a student to have good knowledge of Business law – Paper 3 and Financial Accounting - Paper 1. Students should understand this relationship as a basis of the study and where it is necessary to review the previous paper(s).

## **LEVEL OF ASSESSMENT**

The examination will test the ability of the learner to demonstrate an understanding of legal framework and the general tax administration in Uganda

## **EXAMINATIONS STRUCTURE**

There will be a three hour examination made up sections A and B. Section A will comprise of 20 compulsory multiple-choice questions of 20 marks. Section B will comprise of five questions of 20 marks each, of which the candidate will be required to attempt four.

## **DETAILED SYLLABUS**

### **A. INTRODUCTION TO TAX ADMINISTRATION IN UGANDA**

1. History and background of tax
2. Tax administration from Pre- URA regime, URA regime, E- tax, E- Filing, and E- payment
3. Objectives of taxation
4. Concept of taxation
5. Principles of taxation (Canons of Taxation)
6. Incidence, impact, and tax base
7. Characteristics of a good tax system

### **B. NATURE AND SCOPE**

1. Classifications of taxes:
  - (a) Progressive



- (b) Proportional
- (c) Regressive
- 2. Types of taxes: direct tax and indirect tax; advantages and disadvantages
- 3. Taxable capacity
- 4. Tax compliance, Tax evasion and tax avoidance
  - (a) Meaning
  - (b) Factors influencing tax compliance
- 5. Methods of tax accounting
- 6. Tax structure in Uganda and its implications

### **C. INCOME TAX**

- 1. Meaning of chargeable income, gross income, and exempt income; examples of exempt income and exempt organisations – amateur sporting associations, charitable organisation, and listed institutions
- 2. Residence status:
  - (i) Tax residence status and non tax residence
  - (ii) Short term residence
  - (iii) Resident individual, company, partnership and trust
- 3. Year of assessment:
  - (a) Normal
  - (b) Transitional
  - (c) Substituted

### **D. EMPLOYMENT INCOME**

- 1. Meaning of employment and employment income
- 2. Sources
- 3. Valuation of the benefits
- 4. Exempt income
- 5. Pay as you earn system and its limitations
- 6. Computation of employment income and tax liability



## **E. BUSINESS INCOME**

1. Meaning of business, business income and examples
2. Characteristics of trade
3. Meaning of small tax payer and the implications of presumptive income tax
4. Determination of taxable business income:
  - (a) Allowable deductions
  - (b) Non-allowable deductions
  - (c) Capital deductions:
    - (i) Meaning of qualifying capital expenditures
    - (ii) Types of capital expenditures
    - (iii) Meaning of an eligible property
    - (iv) Computation of chargeable income and tax thereon of an individual and company

## **F. PROPERTY INCOME**

1. Meaning, scope and examples

## **G. TAXATION OF RENTAL INCOME**

1. Meaning of rental income and rental tax
2. Tax treatment of rental income; allowable deductions and tax threshold
3. Tax treatment of rental income for an individual and that of a company
4. Computation of rental tax

## **H. H INCOME TAX RETURNS AND ASSESSMENTS**

1. Meaning of the return of income and assessment
2. Persons eligible to file a return of income
3. Circumstances where a return of income is not required
4. Due dates for filing a return of income: final return, provisional return, estimated return, and amended assessment
5. Provisions of the law regarding the extension of time to file a return of income
6. Tax assessments:
  - (a) Based on tax payer's return



- (b) Self assessments, additional assessments/amended assessments and estimated assessments
- 7. Small business tax payers
  - (a) Meaning
  - (b) Computation of small tax payer's liability, return of gross income, election or option for income tax
- 8. Payment of taxes:
  - (a) Final
  - (b) Provisional tax
  - (c) Payment of tax withheld
  - (d) Due dates for payment

## **I. WITHHOLDING TAX**

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

## **J. 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:
    - (i) Gains or losses from disposal
    - (ii) Cost base of a non- arms length disposal
    - (iii) Part disposal of an asset
    - (iv) Disposal by exchange
    - (v) Disposal by way of gift
    - (vi) Deemed disposal by fire
2. Computation of capital gains tax on various disposals

## **K. VALUE ADDED TAX (VAT)**

1. Meaning of VAT; advantages and disadvantages



2. Administration of VAT:
  - (a) Operations of the VAT department
  - (b) VAT registration
  - (c) Taxable persons
  - (d) Taxable supplies of goods/services, zero rated supplies, exempt supplies, and mixed supplies
  - (e) Place of supply
  - (f) Rates of tax and tax periods
  - (g) Returns and due dates
  - (h) Penalties and offences
  - (i) Deregistration
3. Accounting for VAT:
  - (a) Time/point of supply
  - (b) Valuation of supplies.
  - (c) Taxable value of imported goods and services
  - (d) Cash accounting and invoice accounting
  - (e) Advantages of cash accounting over invoice accounting
4. VAT accounts and records:
  - (a) Tax invoices
  - (b) Credit notes
  - (c) Debit notes
5. Types of returns:
  - (a) Amended returns
  - (b) Returns that are filed separately
6. Powers and duties of the Commissioner
7. Rights and obligations of a registered payer
8. Computation of input and output tax
9. Refund procedures

## **L. OTHER SOURCES OF REVENUE**

1. Sources of revenue which include: Fines, licences, lotteries, rates, compulsory saving schemes, government securities etc

## **M. CUSTOMS MANAGEMENT PROCEDURES**

Importation procedures:



- (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

Unloading and removal of cargo:

- (a) Entry examination
- (b) Removal of goods by sale in customs warehouse
- (c) Passenger clearance

Customs warehouses

- (a) Meaning
- (b) Receipt/ delivery of goods
- (c) Disposal of warehouse goods

Bonded warehouses

- (a) Meaning
- (b) Customs procedures for bonded warehouses:
  - (i) Receipt/delivery of goods
  - (ii) Entry and control of goods prior to bonded warehouse
  - (iii) Licensing of bonded warehouse
  - (iv) Goods not allowed in the bonded warehouse

Exportation procedures under customs for example

- (a) Customs procedures for exports
- (b) Entry outwards of goods
- (c) Procedures for re-exportation
- (d) Export of bonded goods

Smuggling of goods

- (a) Meaning
- (b) Forms of smuggling
- (c) Reasons for imposing prohibitions
- (d) Reasons for restriction of certain goods
- (e) Problems associated with smuggling
- (f) Ways of preventing smuggling of goods and services; and treatment of offenders.

7. Importation by post:

- (a) Procedures for clearing post parcels
  - (i) Examination procedures for parcels



- (ii) Redirecting parcels
- (b) Warehousing post imported goods
- 8. Customs Union
  - (a) Meaning
  - (b) Benefits and challenges
  - (c) Opportunities created
- 9. Common markets
  - (a) Advantages
  - (b) Trade barriers

## **N. ETHICAL ISSUES**

1. Ethical challenges that may be met when carrying out tax work

# **ENTREPRENEURSHIP**

## **A. BUSINESS ENVIRONMENT**

1. Types of business environment
  - (a) Internal environment
  - (b) External environment
2. Entrepreneurship and Small and Medium enterprises
  - (a) Meaning and the environment of small business
  - (b) Managing small and medium enterprises:
    - (i) Human resource management
    - (ii) Financial management
    - (iii) Marketing: shop design, front, walls and ceiling, colour scheme, customer spotting, interior design, floor, methods of allocating space, design basics, window display
    - (iv) Purchasing objectives, policies, procedures, documents evaluation of suppliers, and legal implications
  - (c) Risk and failures analysis of small and medium businesses
  - (d) Advantages and disadvantages of small and medium businesses
  - (e) Role/ contribution of small and medium businesses to the development of the economy
  - (f) Ending the business venture (definition, reasons and ways of terminating





## **B. FORMS OF BUSINESS ORGANISATIONS**

1. Sole proprietorship.
2. Partnership.
3. Private limited companies.
4. Public Limited Companies.

## **C. FORMS OF BUSINESS GROWTH**

1. Natural Growth
2. Artificial Growth

Business Combinations:

- (i) Mergers
- (ii) Acquisitions/ Absorption/ Take-overs
- (iii) Rationale for acquisition/ merging; merits and demerits
- (iv) Buyout (Definition, factors to consider, format for buyout, taking over a family business, merits and demerits)
- (v) Franchising in business (Nature, importance, types, benefits, limitations to franchiser and franchisee)
- (vi) Holding company
- (vii) Joint ventures

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2. The Government of Uganda: Value Added Tax, Cap 349, Government of Uganda.
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