

# WHO WITHHOLDS 6% TAX ON TRANSACTIONS ABOVE SH1M?

**Q Dear Commissioner,**  
Who is supposed to withhold 6% tax on transactions above sh1m?

**A Dear Reader,**  
The obligation to withhold arises where the Government, a government institution, a local authority, any company controlled by the Government or any person designated as a withholding agent by the finance minister, pays an amount exceeding sh1m to any person in Uganda for a supply of goods or for a supply of services. The payer is required to withhold 6% on the gross amount of the payment and issue a receipt to the payee.

## What remedy does a supplier have when a withholding agent fails to pay tax withheld?

**Q Dear Commissioner,**  
What recourse does a supplier have when a designated withholding agent refuses to pay tax withheld as required?

**A Dear Reader,**  
Withholding tax is a creditable tax that can only be utilised when you file an income tax return for that period.

When a withholding tax agent withholds from a supplier, they are required to file the withholding tax return indicating the supplier's TIN and make payment. After the return is filed, the supplier should be able to generate their tax credit certificate. If a return is not filed indicating the TIN of the supplier, then they are not able to get their tax credit certificates.

Where the withholding agent fails to file the withholding tax return and make payment of the tax withheld, the supplier may share information with us through our Integrity, Compliance and Ethics Division via our toll-free number 0800257700 or lodge a complaint through the web portal as below:

- Visit the URA web portal, [www.ura.go.ug](http://www.ura.go.ug)
- At the bottom left, select the whistle-blow icon.
- Fill in the form
- On the last page, attach evidence to show the deduction(s) made.
- Submit.

## How does URA identify non-registered businesses for tax purposes?

**Q Dear Commissioner,**  
What mechanisms does URA have to identify and bring into the tax net businesses operating without proper registration or a traceable identity?

**A Dear Reader,**  
URA collaborates with other government agencies, including Uganda Registration Services Bureau, Kampala Capital City Authority, Uganda Investment Authority and the local government ministry through the Taxpayer Register Expansion Programme to provide a one stop centre with the aim of supporting business formalisation.

To encourage business formalisation, the law provides for a three-year tax incentive (income tax exemption) for anyone who registers their business after July 1, 2025. URA is encouraging taxpayers to register their businesses and benefit from this income tax exemption.



**URA encourages business formalisation.**



## ASK URA COMMISSIONER GENERAL

Every Thursday, the Uganda Revenue Authority (URA) Commissioner General, John Musinguzi Rujoki answers your questions.



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

SEND YOUR QUESTIONS TO

[AskCG@newvision.co.ug](mailto:AskCG@newvision.co.ug) 0703409710

## How can non-tax compliant businesses be reported to URA?

**Q Dear Commissioner,**  
How can the public or employees report non-tax compliant businesses to URA?

**A Dear Reader,**  
Transparency in business requires that income and expenses are fully declared for fair assessment of tax and avoidance of penalty. Where a taxpayer is not remitting the actual tax due, URA has availed different channels through which the public may offer this information and these include:

- Visiting the nearest URA office;
- Our email address; [services@ura.go.ug](mailto:services@ura.go.ug);
- Toll-free numbers; 0800117000 and 0800217000;
- WhatsApp line; 0772140000;
- Our website; [touchpoint.ura.go.ug](http://touchpoint.ura.go.ug);
- Our whistleblower page is accessible through the procedure below;

- Access the URA web portal, [www.ura.go.ug](http://www.ura.go.ug);
- Under domestic taxes, select "whistle blow";
- Fill in the required sections and upload supporting documentation, if any.
- Submit the information.

Where enough information has been provided, URA will take appropriate action, including raising additional assessments and penalising the taxpayer to discourage such behaviour.

Please note that any information submitted to URA will be treated with utmost confidentiality.

## Does URA tax schools engaged in commercial activities?

**Q Dear Commissioner,**  
What is URA's position on schools engaging in commercial activities such as selling scholastic materials at marked-up prices? ?

**A Dear Reader,**  
A school that engages in commercial activities is required to file income tax returns and account for the profit generated from the sale of scholastic materials. The school may be taxed under the individual tax rates (where the school is owned by an individual) or at corporation tax rate (where it is operated as a company). Where the scholastic materials are produced locally or in a partner state of the East African Community, then the supply is zero-rated for value added tax purposes.

## Does sale of scholastic materials align with govt policy on taxation?

**Q Dear Commissioner,**  
Does the sale of scholastic materials at marked-up prices by schools align with government policy on taxation and fair market competition?

**A Dear Reader,**  
URA's mandate is to assess, collect and account for all revenue and advise the Government on matters of tax policy. In executing this mandate, URA works with other government agencies like the education ministry, which regulates the education sector. For any concerns regarding school practices, kindly visit the education ministry offices.

## How does restricting purchase of scholastic materials from schools affect tax compliance?

**Q Dear Commissioner,**  
How does restricting parents to purchase only from schools affect tax compliance and the retail economy?

**A Dear Reader,**  
Restricting parents to purchase only from schools does not affect tax compliance. However, there will be compliance issues if the school fails to declare the correct income one tax returns.

## Are there tax incentives for SMEs?

**Q Dear Commissioner,**  
Are there tax relief measures, payment plans, or incentives for small and medium enterprises (SMEs)?

**A Dear Reader,**  
URA offers payment plans to clients regardless of the size of the business. To apply for a payment plan, follow the steps below:

- Log in to your TIN account on the URA portal at [ura.go.ug](http://ura.go.ug);
- Under e-services, select "apply to pay tax in instalments";
- Select the basis of instalment and the tax type;
- Fill in the instalment amount, amount to be paid as a down payment, number of instalments and start date to generate the instalment payment schedule;
- Click next, upload any document if any and type the reason why you are applying for the instalments, select the declare information box and click submit.

Additionally, the law provides an income tax exemption for income derived by a business established by a citizen after July 1, 2025, for a period of three years, where the-

- i.) Business is registered with an investment capital not exceeding sh500m.
- ii.) Citizen or an associate of the citizen has not previously benefited from the exemption; and
- iii.) Citizen files a tax return, including a business information return referred to in section 147 (Income Tax Act), in the format prescribed by the Commissioner General.