

Country Guide

Uganda

Prepared by



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DOING BUSINESS IN UGANDA

Introduction

Uganda offers a variety of business structures and regulatory frameworks to cater to both domestic and international entrepreneurs. The legal landscape is designed to facilitate various types of business entities, while ensuring that businesses adhere to compliance regulations in areas like sector and general business licensing, taxation, and social security. Whether starting a Small Medium Enterprises (“SMEs”) or looking to invest in a large enterprise, understanding the different business vehicles available and the associated legal requirements is crucial for a smooth and successful operation in Uganda. We elucidate these aspects herein below:

A. BUSINESS REGISTRATION

Permitted business entities

In Uganda, the business vehicles or entities that can be set up and operated as business vehicles include companies, partnerships, joint ventures, and sole proprietorships among others.

Partnerships are categorised into general partnerships and limited liability partnerships. Sole proprietorships, partnerships are registered as business names. Joint Ventures that are formed with no intention of attaining corporate personality can also be registered as business names. The business name registration gives these business associations a formal official recognition without creating a corporate personality. The operations of

partnerships and joint ventures are governed by a partnership deed or a joint venture agreement respectively.



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Nature of companies

In Uganda, companies are broadly categorised into private and public companies. The key distinctions between private and public companies are that a public company is permitted by law to invite the public to subscribe for company shares and debentures; and has no restrictions on the number of members hence cannot restrict the right to transfer shares and other securities.

Public companies who wish to be listed on the Uganda Securities Exchange may apply to the Capital Markets Authority for listing upon fulfilling the requirements set out by law and the Uganda Securities Exchange listing rules.

The other main categorization of companies include:

a) Company limited by shares. The company's ownership is divided into shares, and the liability of shareholders is limited to the amount they have invested in the company and unpaid on the shares. There are no local shareholder requirements in Uganda. This is the most popular vehicle for purposes of carrying on business. A company limited by shares can either be a local company (with or without foreign shareholders) or a foreign company (branch) which is incorporated outside Uganda but registered in Uganda as a branch company.

b) Company limited by guarantee without share capital. The liability of the members or guarantors is limited to the amount undertaken in the company memorandum of association to be contributed to the assets of the company in the event it is being wound up. This is the most popular vehicle for carrying on non-profit organizations, charities, clubs, and associations. A company limited by guarantee can either be a local company (with or without foreign members) or a foreign company (branch) which is incorporated outside Uganda but registered in Uganda as a branch company.

c) Company limited by guarantee with share capital. This is a less popular vehicle for non-profit activities as it is not yet well appreciated by the regulators given the shareholding element.

The company legal regime permits registration of single member companies, that is companies with a single natural person as the shareholder. The single member is required to appoint a nominee and alternate nominee director in addition to the substantive director(s).

As stated, foreign companies are also permitted to register branches in Uganda. Copies of the certified English translations of the registration documents, list and notarised passport copies of company directors and secretary, statement of subsisting charges, address of persons authorised in Uganda authorised to accept service on behalf of the company, and details of the principle registered company address are required for re-registered in Uganda.

Public international organisations are recognisable in Uganda. These are subject to execution of memoranda of understanding with the Ugandan government.

Business registration and compliance

The mandate to register and ensure cooperate and regulatory compliance is vested in the Uganda Registration Services Bureau (**URSB**), specifically the Directorate of Business Registration. URSB operates Uganda's company registry and currently runs an online platform called the Online Business Registration System (OBRS) for both company incorporation and continuous filing. Below are some of the key compliance requirements:

A company with share capital is required, after allotting shares, to file a return of allotment stating the number and nominal amount of the shares comprised in the allotment, the names, addresses and descriptions of the allottees and the amount if any, paid or due and payable on each share. Failure to file such a return of allotment attracts liability against the officers of the company to the tune of Uganda Shillings (**UGX**) 500,000/= (approximately United States Dollars (**USD**) 140) and an additional UGX 100,000/= (approximately USD 28) for every day during which the default continues.

Secondly, a company is required to file a notice of registered place of business and postal address. A postal address is issued by Posta Uganda. Failure to comply with this requirement renders the company and every officer in default

of UGX 500,000/= (approximately USD 140). The Registrar of Companies may also elect to deregister the company in default. In practice, no continuous filing can be made at the company registry on behalf of the company until the company becomes compliant with this requirement.

Additionally, a company is required to maintain and keep at its registered office, a register of its members and notify the registrar of companies of the place where the register is kept and any changes thereto. Failure to keep such a register attracts a daily default fine of UGX 500,000/= (approximately USD 140) against officer responsible for such a default.

Also, a company is required to submit annual returns to the Registrar of Companies within 42 (forty two) days after the Annual General Meeting (**AGM**) of the company specifying any changes to the company's registered office, registers of members and debenture holders, shares and debentures indebtedness, past and present members and directors and secretary, among others. Failure to file annual returns attracts a penalty of UGX 500,000/= (approximately USD 140) against company and every officer responsible for the default. Where the company is non-compliant with this requirement for a period of five consecutive years, the Registrar of Companies is required to strike the company off the company register.

Furthermore, all company decisions made by the board of directors at a duly convened and constituted board meeting and by the shareholders at a duly convened and constituted shareholders' meeting are communicated through resolutions. These resolutions must also be filed at the company registry.

Corporate Governance requirements

Different regulatory regimes have corporate governance requirements embedded in the relevant laws. Some of these include banks, microfinance institutions, non deposit taking institutions, and insurance companies, among others.

Public listed companies whose business licensing legal regime does not provide a legal framework

for corporate governance, are required to adopt the code of corporate governance specified in Table F of the Companies Act, Cap. 106.

Private companies on the other hand are at liberty to adopt the code of corporate governance specified in Table F of the Companies Act, Cap. 106 as part of their Articles of Association.

Audit requirements

For a company with an annual turnover of USD 135,000, it is a mandatory requirement to furnish a return of income and audited financial statements prepared by a certified accountant. However, it is a good corporate governance requirement even for companies that do not meet the said threshold to undertake an audit of their financial affairs.

B. LICENSING & REGULATORY REQUIREMENTS

Specific sector licences and permits are required before engaging or undertaking any activities or businesses in particular sectors such as mining, oil & gas, banking, insurance, pharmacy, among many others. That notwithstanding, there are some regulatory requirements that cut across sectors, these include:

Trading licence registration

It is a mandatory requirement for any person or entity to obtain a trading licence from the responsible local government before trading in any goods or services or carry on any business in Uganda.

However, to avoid multiple or parallel licensing requirements, individual professionals and professional entities that are already licenced by their respective professional bodies are exempted from obtaining trading licences. These professionals and or professional entities include but not limited to accountants, auditors, law firms, engineers, architects, surveyors, pharmacies and banks.

National social security framework in Uganda

It is a legal requirement for every employee to register as a member of the National Social Security Fund (**NSSF**), except were exempted by law. It is also compulsory for every employer to register with

NSSF as a contributing employer.

An employer is required to deduct 5% from the employee's total gross monthly wage, and to contribute an equivalent of 10% of the employee's total gross monthly wage, making a total monthly contribution of 15% for each employee. The nature of benefits include:

- Age benefit: paid to a member who has reached the retirement age of 55 (fifty five) years.
- Withdrawal benefit: paid to a member who has reached the age of 50 (fifty) years and is out of regular employment for one year;
- Exempted employment: paid to members who join excepted employment categories that have their own social protection schemes e.g. public service, army, police, etc;
- Invalidity benefit: paid to a member who has become incapable of gainful employment;
- Survivor's benefit: paid to the dependent survivor of a deceased member; and
- Emigration grant: paid to a member who is leaving Uganda permanently.

The law also permits mid-term access to NSSF benefits in the following circumstances:

- A member who is 45 (forty five) years of age and above and who has made contributions to the fund for at least 10 (ten) years, is eligible to midterm access to his or her benefits, of a sum not exceeding 20% (twenty percent) of his or her accrued benefits.
- A member who is a person with disability, 40 (forty) years of age and above, and has made contributions to the fund for at least 10 (ten) years, is eligible to midterm access, of a sum of 50% (fifty percent) of his or her accrued benefits.

Taxation regime in Uganda

Any person or entity engaging in any business generating income in Uganda is required to register and obtain a Tax Identification Number (**TIN**) from the Uganda Revenue Authority (**URA**). This requirement, in the case of a company, extends to the directors of the company.

The taxes levied in Uganda include income tax,

value added tax, excise duty, customs duty, stamp duty, environmental levy, local service tax, and property tax.

Income tax is chargeable on business income, employment income and rental income. The law imposes different tax rates for individuals and corporate entities and for different income brackets.

Value Added Tax (**VAT**) in Uganda is an 18% tax on goods and services. Businesses with annual turnovers of UGX 150 million or more must register for VAT. Certain essential goods and services, such as basic foodstuffs and educational services, are exempt.

Excise duty is levied on specific goods and services, often to regulate consumption or generate revenue.

Customs duty is a form of tax or tariff imposed on imported goods with the aim of protecting local industries. As a member of the East African Community (**EAC**), Uganda applies the EAC Common External Tariff, with rates typically ranging from 0% to 25% depending on the product.

Stamp duty is chargeable on particular transaction instruments that are listed in the schedule to the Stamp Duty Act and at the rate specified therein.

Local service tax is levied by local governments on all persons in gainful employment or on people who are practicing any profession or on business entities and commercial farmers producing on a large scale. Local service tax is paid on an annual basis.

Property rates is levied by local governments on buildings used for commercial purposes. Local governments have the power to set property rates that do not exceed 12% (twelve percent) of the rateable value of the property. The current rate in the capital city is 6% (six percent) of the rateable value of the property. The exempted properties include those used for residential purposes, public worship, charitable or educational institutions of a public nature, outdoor sports or recreation, properties owned by missions or organizations, and any institution with which the government has a contractual



obligation to refrain from levying fees and taxes, among others.

Environmental levy is levied on imports that may be harmful to the environment for example on used clothes and used vehicle.

Specialized sectors such as the petroleum sector, mining, and lottery and gaming, among others, have separate taxation regimes.

The law also grants tax exemptions depending on the nature of business, the individual, type of an entity.

Uganda has entered into Double Taxation Treaties or Agreements with a number of countries to facilitate investment and to create fiscal certainty for investors and inform location decisions.

Uganda Investment licence

Domestic and foreign investors are registered and issued with investment licenses upon satisfying the registration requirements. The definition of a domestic investor extends to cover citizens of the East African Community Partner State and entities whose majority of the shares are held by a person who is a citizen of an East African Community Partner State.

Foreign investors are required to meet a stated minimum threshold in planned investment portfolio in order to secure an investment licence from the Uganda Investment Authority. Local investors are also required to adhere to a stated minimum investment portfolio. It is a mandatory requirement for foreign investors to obtain investment licenses as it is the license that legalises the investment in Uganda.

Work permits, Visas and Passes

It is a mandatory requirement, subject to exceptions, for a foreigner who enters and/or intends to remain and/or work in Uganda to possess either a valid entry permit or pass or visa.

The categories of persons that have different classes of entry permits in Uganda include those engaged in government and diplomatic services, government contractors, agriculturalists, agro –

processors, miners, minerals dealers, general traders and business people, manufacturers, professionals, and employees. Supporting documentation such as proof of appointment, executed contracts, and proof of qualification is required to verify eligibility for each specific category.

Uganda's immigration control laws also outline the issuance of various types of passes. The various types of passes include: the dependant pass, student pass, intern/research pass and special pass.

Foreigners travelling to Uganda are equally required to obtain visas from Uganda's Diplomatic and Consular missions abroad or via the official website of the Directorate of Citizenship and Immigration Control of Uganda prior to their travel. The various types of visas include: diplomatic and official passport holders visa, Uganda ordinary/tourist visa, East Africa tourist visa, transit visa and multiple – entry visa. Visas can be obtained at the point of entry in cases where foreign nationals do not have access to Uganda's diplomatic and consular missions abroad, however, to avoid inconveniences, the Directorate of Citizenship and Immigration Control of Uganda encourages such persons to make online applications.

Uganda is also a visa free country to citizens of particular countries mostly located in the East African Community, the Common Market for Eastern and Southern Africa (COMESA) region, and the Caribbeans.

Certificate of registration of workplace

The law imposes a responsibility on an employer to take, as far as is reasonably practicable, all measures for the protection of his or her or its workers and the general public from the dangerous aspects of the employer's undertaking at his or her or its own cost, and to ensure that the working environment is kept free from any hazard due to pollution.

It is therefore a legal requirement to apply to the Commissioner for Occupational Safety and Health for registration of workplace and obtain a certificate of registration of workplace one month before beginning to occupy or use any premises as a workplace.

Water resource permits

Water resources permits are issued by the Ministry of Water and Environment under the Directorate of Water Resources Management. All permit applications are submitted under the Permit Management Portal.

The different water resource permits include:

- **Construction Permit.** This permit authorises any person to construct any works or to take and use water.
- **Drilling Permit.** This permit allows a person to engage in the business of constructing boreholes to obtain water.
- **Easement Permit.** This permit authorises construction works to carry water or waste across that land.
- **Groundwater Abstraction Permit.** This permit allows access to and/or use of ground water.
- **Surface Water Abstraction Permit.** This permit authorises works or use relating to surface water.
- **Waste Water Discharge Permit.** This permit authorises production, storage, discharge or deposit of waste.

C. OTHER RELEVANT CONSIDERATIONS:

Payment systems

Uganda's payment system regime is set out in the policy and relevant law. The permitted payment systems are classified into three broad areas namely: systems operated by the Bank of Uganda; payment services provided by the commercial banks; and payment services provided by the private sector.

The payment systems operated by the Bank of Uganda include the real time gross settlement system, automated clearing house, central securities depository for government debt securities, and cross border payment systems among others.

The payment services provided by the commercial banks include funds transfer, internet banking, mobile financial services, cards, point of sale, automated teller machines.

The payment services provided by the private sector include interswitch, automated transfer system and depository, mobile network operator mobile payment systems, stored value cards, aggregators, and remitters.

Foreign Exchange Controls

Ugandan law does not impose any exchange control requirements and or restrictions on repatriation of funds out of Uganda.

However, the Governor of the central bank is empowered by law to impose temporary restrictions on payments from Uganda where the country experiences severe balance of payments difficulties. This temporary restriction is not permitted to exceed 3 (three) months unless the consent of the Minister of Finance is obtained to extend it for a further period not exceeding 3 (three) months, or for such further period as may be authorised by Parliament of Uganda.

Land ownership in Uganda

The Constitution of the Republic of Uganda vests land in the citizens of Uganda. Land is held under four (4) tenure systems namely Freehold, Mailo, Leasehold and Customary.

Freehold tenure refers to land held or owned by a person(s) registered on the certificate of title as the land owner in perpetuity or for a period less than perpetuity which may be fixed by a condition. The freehold tenure system enables the holder to exercise, subject to the law and conditions, full powers of ownership of land.

Mailo tenure refers to a land ownership system which involves the holding of registered land in perpetuity and permits the separation of ownership of land from the ownership of developments on land made by a lawful or bona fide occupant. This system has its roots from the 1900 Uganda Agreement and 1928 Busullu Envujjo Law. It is mainly in the Buganda region, currently central Uganda. Both the land owner registered on the certificate of title and tenants by occupancy and Kibanja holders have interests on this land. Mailo land owners have the same rights as freehold land owners, but they must respect the rights of lawful and bona fide occupants and Kibanja holders who occupy the land.

Leasehold tenure refers to a land ownership system which allows another person to take exclusive possession for a specific period in exchange for rent. A lease may be created either under a contract



between the parties or by law. A lease created for any term exceeding three years is registerable. The person granted a lease must use the land for the specific purpose as agreed with the land owner. This is the only land tenure system capable of being held by non-citizens. Non-citizens can hold leases for a maximum possible term of 99 (ninety nine) years. The definition of a non-citizen under the law extends to cover a company whose majority shareholding lies with non-citizens and whose articles of association do not contain a provision restricting transfer or issue of majority shares to non-citizens.

Customary tenure is where the land is owned based on the norms and traditions of a given society or community and owned in perpetuity. This tenure is the most common form of land holding in Uganda. One can even own land individually under customary tenure as long as it has been handed down from generation to generation using that society's customs. A customary land owner can apply for a Certificate of Customary Ownership as proof of ownership of the land.

For customary land owned by community members, consent of the community members is required for any land transaction while for land owned by a family, consent of the spouse and children must be obtained. Customary land can also be converted to freehold land where the owners wish to change it.

D. UGANDAN LEGAL SYSTEM/ DISPUTE RESOLUTION

Ugandan legal system

The Supreme law in Uganda is the Constitution of the Republic of Uganda, 1995 (as amended). It has binding force on all authorities and persons in Uganda. Any other law, practice or any custom found to be inconsistent with any of the provisions of this Constitution is void to the extent of the inconsistency.

Below the Constitution are the parliamentary enacted legislations in form of Acts of Parliament and these form the principal or primary legislation in Uganda. Acts of Parliament are made for peace, order and development of Uganda and address

mainly the substantive parts of the laws.

The third category are the subsidiary or the secondary legislations. These are made by the ministers, local governments and other regulatory bodies as empowered to do so by Parliament. Subsidiary legislations made by district local councils are referred to as ordinances and those enacted by the lower local governments councils are termed by laws. Subsidiary legislations mainly address the procedural parts of the law.

Uganda also applies common law and rules of equity. The decisions of courts of laws which form precedents constitute common law. Under the doctrine of precedent, the decision of the superior court of record as a general rule become binding on the lower court. Under the same doctrine, decisions of lower courts as well as decisions from common law jurisdictions become persuasive precedents to the court which is not mandated to follow them. Rules of Equity, on the other hand, amount to the established principles which aim at promoting fairness where the written legislations and common law are insufficient to provide a remedy.

Uganda also applies Customary law. Customary law is derived from rules of conduct established by long usage and hence widely accepted as binding on the members of a particular society or community. The custom must not be repugnant to natural justice, equity and good conscience and not incompatible either directly or by necessary implication with any written law.

Framework for dispute resolution in Uganda

The court system in Uganda is based on jurisdiction accorded to a particular court by law. Jurisdiction can be territorial or pecuniary, based on the subject matter, or appellant.



The courts include the Supreme Court, the Court of Appeal which also doubles as the Constitutional Court, the High Court, Chief Magistrates Court, Magistrate Grade 1, Magistrate Grade II, and Local Council courts. There are also specialised adjudication bodies such as the Tax Appeals Tribunal, District Labour Officer and the Industrial Court, Family and Children's courts, Electricity Disputes Tribunal, and Insurance Appeals Tribunal, and the court martial courts.

Uganda also recognises alternative dispute resolution (**ADR**). The legal and policy framework in Uganda promotes the use of formal, non-formal and informal ADR mechanisms, such as mediation, arbitration, negotiation, collaboration, and conciliation.

Parties to a contract are at liberty to introduce an arbitral clause into a contract, which arbitral clause has the purpose of ousting the jurisdiction of ordinary courts. In the arbitral clause, the parties can choose the seat of arbitration, the arbitrator or the mechanism of choosing one, the governing law among others. Uganda is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The New York Convention) which creates an obligation for member countries to recognise foreign arbitral awards.

Ugandan law also permits parties to choose the law governing the terms of their contract. This choice of law is permissible as long as it is made bonafide.

Relatedly, foreign judgements are enforceable in Uganda subject to the law. The law requires existence of reciprocal arrangements between Uganda and the country from which the decision is made. Ugandan courts also have the discretion under the doctrine of comity to enforce a foreign judgement from a country without reciprocal arrangement with Uganda.

Conclusion

In conclusion, Uganda's legal and regulatory environment offers a diverse range of opportunities for setting up and growth of businesses, while ensuring that businesses adhere to compliance standards in various sectors. From the incorporation of different types of companies to tax registration and foreign investment licensing, Uganda provides a robust framework for entrepreneurs. By understanding the complexities of business entities, governance requirements, and regulatory procedures, both local and international investors can navigate Uganda's business landscape with confidence, ultimately contributing to the country's growing economy and a return on investment.