



UGANDA TAX HIGHLIGHT – AUTOMATIC EXCHANGE OF INFORMATION: A NEW ERA OF TAX TRANSPARENCY

Introduction

The Automatic Exchange of Information Act 2023, implemented in Uganda, marks a significant step towards greater tax transparency on a global scale.

This legislation is a response to the Convention on Mutual Administrative Assistance in Tax Matters, adopted in Strasbourg, France, on 25th January 1988, and later amended in Paris, France, on 27th May 2010.

The Convention and Its Implementation

The Convention, initially signed by the Organisation for Economic Cooperation and Development (OECD) and the Council of Europe, was later opened to other jurisdictions that are not members of the OECD and the G20. The Act gives force to the Convention in Uganda, thereby enabling the country to participate in global efforts to combat tax evasion.

Automatic Exchange of Financial Account Information

The Act also gives force to the Agreement on Automatic Exchange of Financial Account Information, adopted by the OECD Committee on Fiscal Affairs in collaboration with the G20. This agreement provides a standardized and efficient mechanism to facilitate the automatic exchange of information in accordance with the Standard for Automatic Exchange of Financial Account Information in Tax Matters.

Due Diligence and Reporting Obligations

The Act imposes due diligence and reporting obligations on financial institutions. These institutions and persons are required to identify and report financial accounts held by non-residents to their respective tax authorities. This information is then automatically exchanged between the tax authorities of the participating jurisdictions.

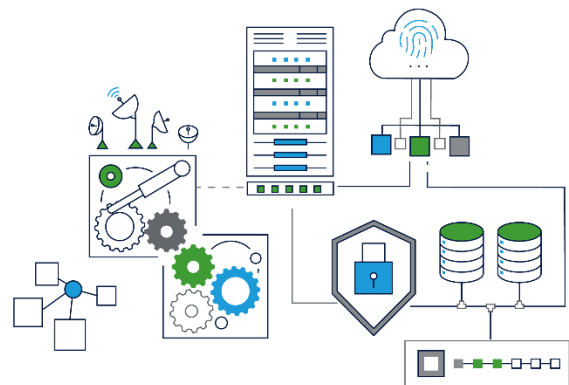
Offences and Anti-Avoidance Provisions

The Act includes provisions for offences relating to the automatic exchange of information. It also contains anti-avoidance provisions to prevent the circumvention of the reporting obligations.

How will this impact Ugandan taxpayers?

Increased Transparency: The Act will increase transparency in tax matters by facilitating the automatic exchange of information between Uganda and other jurisdictions. This means that Ugandan taxpayers with financial accounts in other countries may have their account information reported to the Ugandan Revenue Authority.

Due Diligence and Reporting Obligations: Financial institutions in Uganda are required to identify and report financial accounts held by non-residents. This could potentially impact Ugandan taxpayers who have financial accounts abroad, as their account information in the countries where they hold accounts may be reported to the tax authority.



Anti-Avoidance Measures: The Act contains anti-avoidance provisions designed to prevent taxpayers from circumventing their reporting obligations. This means that taxpayers will need to be careful to ensure that they are fully compliant with all their tax obligations.

Prevention of Tax Evasion: The Act is part of a global initiative to combat tax evasion. By participating in this initiative, Uganda is taking steps to ensure that all taxpayers are paying their fair share of taxes on both local and foreign sourced income. This could lead to increased scrutiny of taxpayers' financial affairs and potentially higher tax liabilities for those who have been evading taxes

Potential Penalties: The Act includes provisions for offences relating to the automatic exchange of information. Ugandan taxpayers who fail to comply with these provisions may face penalties.

Potential Scrutiny: The Act could lead to increased scrutiny of taxpayers' financial affairs. This means that all taxpayers, including small ones, might have to provide more detailed information about their income and assets.

It's important for Ugandan taxpayers to understand these implications and seek professional advice if necessary. The Act represents a significant step towards greater tax transparency, but it also brings new responsibilities and potential risks for taxpayers.

What is expected of taxpayers to stay compliant?



Taxpayers should voluntarily declare all foreign/ offshore wealth before any action from the Uganda Revenue Authority.

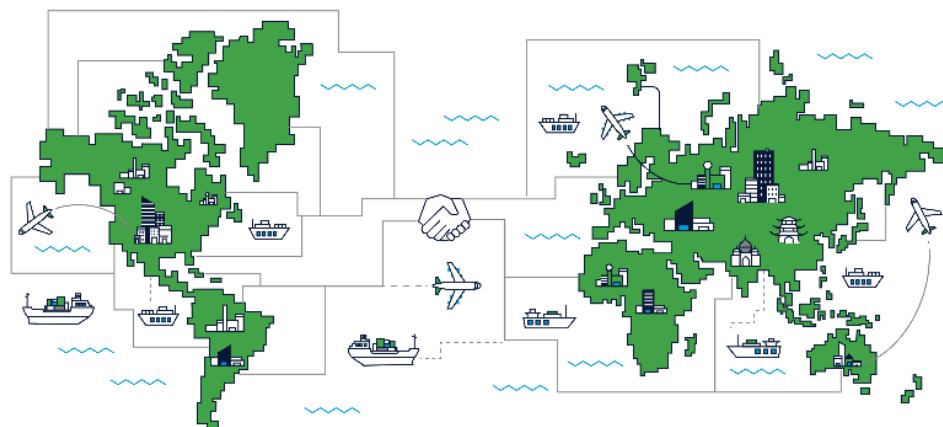


The declaration should demonstrate how the wealth or account balances if any was acquired, and what taxes were incurred on it, if applicable or if any.



Mostly importantly, taxpayers should reach out to their tax advisors to assist in completing the declaration and ascertaining the possible taxes if any.

Should you need any assistance/clarifications in respect of the above, please reach out to tax@ug.rsm-ea.com or your usual RSM contact.



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