



Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

RENTAL INCOME TAX

A Simplified Guide

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(A) Rental Income

Total amount of rent derived by a person for the year of income from the lease of immovable property (land and or buildings) in Uganda with the deduction of any expenditure incurred in respect of the property.

(B) Landlord or Landlady

This is any person who lets out immovable property to another person (the Tenant) for a consideration. A person (landlord or landlady) may take the form of:

- An individual e.g Mathew Etima
- A Company
- A corporate body e.g. Properties (U) Ltd.
- Government e.g Luwero District
- Administration
- An institution e.g Makerere University, UWESO, etc
- A listed institution

(C) Tenant

This is the person who occupies another person's property on commercial terms and pays a consideration.

RENTAL INCOME

Taxation of Rental Income is provided for under S. 5 of the Income Tax Act. This is rent earned by persons and is segregated and taxed separately.

IMPORTANT STEPS

For Individuals;

Step I: Determine the total annual

gross rents from all sources of the individual; say R;

Step II: Deduct 75 percent allowance for costs i.e. 75R%, therefore chargeable rental income is 25%R

Step III: Deduct interest on mortgage for that property. (I.R)

Step IV: Determine income tax at 30% i.e. 30% (25%R - I.R).

For Partnerships (Assessed on individual partners according to their respective sharing rates)

Step I: Determine the total annual gross rent of individual partners; say R;

Step II: Deduct 75 percent allowance for costs i.e. 75%R, therefore chargeable rental income is 25%R

Step III: Deduct interest on mortgage for that property. (I.R)

Step IV: Determine income tax at 30% i.e. 30% (25%R - I.R).

Tax payable by each partner in proportion to their partnership stake in the company.

ILLUSTRATION FOR AN INDIVIDUAL:

Scenario: Gross rent say, Shs.6,000,000 per annum and interest on mortgage is 800,000

Step I: Determine Gross rent from all sources of income=Shs.6, 000,000

Step II: Allow 75% Expenses
= 6,000,000 - (75/100 x 6,000,000)
6,000,000 - 4,500,000 = 1,500,000

Step III: Deduct the interest on mortgage
= 1,500,000 - 800,000
Net Chargeable rental income = 700,000.

Step IV: Calculate tax at 30%
= 30/100 x 700,000

Rental Income Tax = 210,000

For Companies, Trustees and retirement funds;

Step I: Determine the total annual gross rent from all sources of the company; say R;

Step II: Deduct 75% allowance for expenses i.e. 75%R, therefore chargeable rental income is 25%R

Step III: Determine income tax at 30% i.e. 30% (25%R)

ILLUSTRATION FOR A COMPANY:

If a company earns Ugx. 30 million out of which Ugx. 15 million was from rental property, the rental tax is calculated as follows

Step I: Determine Gross rent from all sources of income=Shs.15, 000,000

Step II: Allow 75% Expenses
= 15,000,000 - (75/100 x 15,000,000)
15,000,000 - 11,250,000 = 3,750,000
Chargeable rental income = 3,750,000.

Step III: Calculate tax at 30%
= 30/100 x 3,750,000

Rental Income Tax = 1,125,000

TAXPAYER'S OBLIGATION

- Complete a return of Rental Income for a year of income with supporting agreements where available or rental receipts issued to tenants(s) during the year.
- Declare ALL your sources of rental income in FULL for a given year of income. The year of income is from 1st July to 30th June or a Substituted year.
- Submit (furnish) the return, ANNUALLY to Uganda Revenue Authority, through your local Revenue Office, within six months after the end of the relevant year of income.
- Pay the rental income tax by the appropriate due date.

ENTITLEMENT TO TAX CREDIT

The taxpayer is entitled to a tax credit in respect of any rental tax paid provisionally or in advance during the year of Income.

Disclaimer:

This information is strictly for creating awareness and providing guidance to our clients. It should not at any one time be used in place of substantive law; and is subject to change on amendment of tax legislation and any other regulations governing tax administration

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