



ANNUAL EDITORIAL PUBLICATION : DOING BUSINESS IN UGANDA



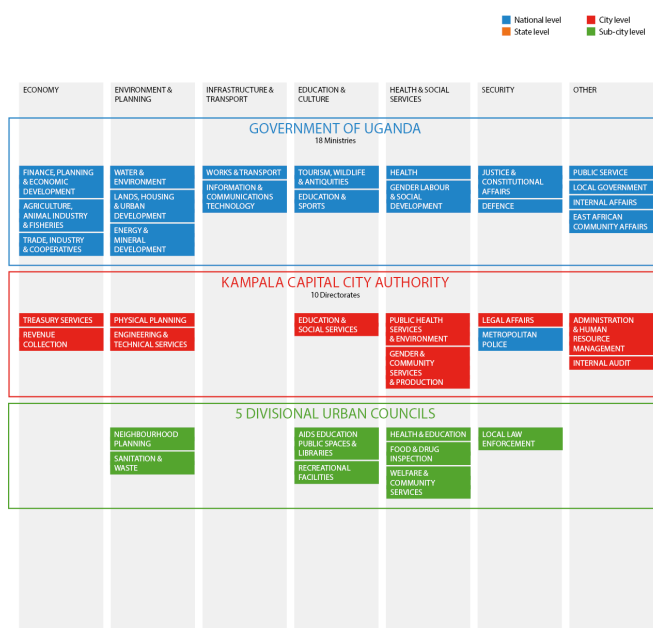
Country Overview

Uganda is a landlocked country located in East Africa, bordered by Kenya, South Sudan, the Democratic Republic of Congo, Rwanda, and Tanzania. Known for its abundant natural resources, fertile agricultural lands, and a youthful population, Uganda offers significant opportunities for investment and business growth. The economy is primarily driven by agriculture, tourism, manufacturing, and services, with notable progress in energy and infrastructure development.

The Ugandan government has created a pro-business environment by implementing liberalized trade policies, reducing bureaucratic hurdles, and actively attracting foreign direct investment (FDI). However, navigating Uganda's business environment requires a deep understanding of its legal framework, political climate, and trade risks.



The structure of the Government of Uganda



The structure of the government of Uganda is based on the 1995 Constitution of Uganda which establishes Three (3) branches; the Executive, Judiciary and the Parliament. The Executive is headed by the President, who serves as Head of State, Head of Government, and Commander-in-Chief, supported by the Vice President, Prime Minister, and Cabinet Ministers. The Parliament enacts laws, approves the budget, and oversees the Executive, while the Judiciary, led by the Supreme Court, ensures justice and constitutional interpretation. Uganda's decentralized governance includes districts and Local Councils to promote grassroots administration and independent institutions like Uganda Revenue Authority (URA) which regulates the taxation system and Uganda Investment Authority (UIA) which facilitates investment in Uganda.



The reality of rationalization of government agencies in Uganda

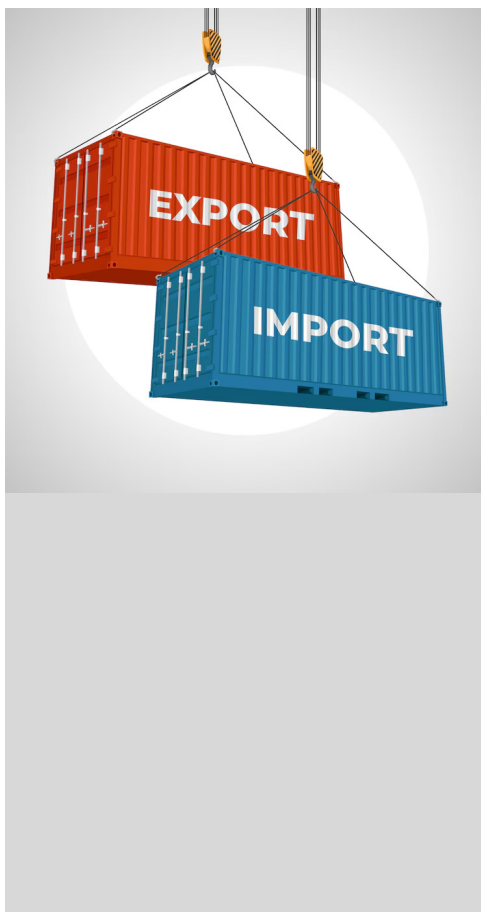
The Government of Uganda has embarked on a rationalization process for its government agencies following its adoption of the Policy for Rationalisation of Government Agencies and Public Expenditure (RAPEX). This process which involves merging, restructuring, or disbanding various government entities is aimed at streamlining operations, reducing redundancy, and improving efficiency. So far; the Uganda Export Promotions Board and Uganda Free Zones Authority have been merge into the Uganda Free Zones and Exports Promotion Authority; Uganda Coffee Development Authority (UCDA) and the Agricultural Chemicals Board has been integrated into the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). Although there are key concerns about its effect on employment; the rationalization process reflects the government's commitment to establishing a more efficient public sector in Uganda.

Trade, Risk, and Security

Uganda is a member of the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), and a signatory to the African Continental free trade area (AfCFTA) providing businesses access to large regional markets. Exports include coffee, tea, fish, and minerals, while imports include machinery, chemicals, and petroleum products. While Uganda has maintained relative stability, challenges such as periodic political tensions and elections pose risks. Economic risks, including fluctuations in global commodity prices and inflation, can impact profitability, while security risks, such as border instability and cybercrime, remain significant concerns. Businesses seeking to mitigate such risks may obtain political risk insurance and implement robust cyber security measures to safeguard operations.



Key protocols on International Trade for Uganda



East African Community (EAC)

The EAC has had a significant impact on Uganda's export performance, absorbing a majority of Uganda's agro-based products for export. The EAC Customs Union, established in 2005, facilitates trade among member states by implementing a Common External Tariff (CET) that protects regional products from external competition.

Bilateral Agreements with China

In August 2024, the Government of Uganda signed new trade protocols with China to export chillies and fish to China. The agreements, signed by the Ministries of Agriculture, Finance, and Commerce from both countries, aim to enhance Uganda's economic transformation by leveraging lessons from China's modernization.

Africa Continental Free Trade Area (AfCFTA)

The Government of Uganda is in the process of implementing the AfCFTA which was ratified by Uganda in 2018. The AfCFTA is aimed at creating the world's largest free trade area, potentially enhancing Uganda's export capacity by providing access to a broader market across Africa and increasing competition in Trade

The unlocked economic opportunities following Uganda's Removal from FATF Grey List

In February 2024, the Financial Action Task Force (FATF) removed Uganda from its grey list, acknowledging significant progress in addressing deficiencies in its Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT) systems. Uganda had been placed on the grey list in 2013 and again in 2020 due to weaknesses identified in mutual evaluation reports, including inadequate legal frameworks, poor risk assessments, and limited enforcement of AML/CFT measures. Through robust efforts, such as adopting a national AML/CFT strategy, enhancing risk-based supervision, improving beneficial ownership transparency, and increasing prosecutions for money laundering and terrorist financing, Uganda met FATF's requirements.

This achievement also led to its removal from the European Union's AML blacklist in March 2024 and the strengthened AML/ CFT framework has boosted investor confidence, increased capital inflows and reduced transaction costs.

Investment opportunities in line with Uganda's National Development Plans and priority sectors

Uganda's National Development Plans (NDPs) prioritize the following sectors:

- **Agriculture:** Agro-processing and export-oriented farming.
- **Energy:** Renewable energy and oil exploration.
- **Manufacturing:** Industrial parks and value addition.
- **ICT:** E-commerce, fin-tech, and IT infrastructure.
- **Tourism:** Wildlife conservation and eco-tourism ventures.



Business Vehicles

Choosing the right business vehicle for conducting trade in Uganda depends on a number of factors such as liability, taxation, and the scale of operations. Common business structures in Uganda include:

- **Sole Proprietorships:** A sole proprietorship in Uganda is the simplest form of business structure, owned and operated by a single individual.
- **Partnerships:** In Uganda, a partnership is a business arrangement where two or more individuals or entities collaborate to operate a business with the intention of making a profit.
- **Private Limited Companies:** This is an entity that is flexible and easy to start. It must have at least two shareholders and the maximum number of shareholders is 100 in this case. The liability of shareholders is restricted to the invested sums only.
- **Public Limited Companies:** A public company in Uganda is a type of business entity that offers its shares to the general public, typically through a stock exchange. This company must comply with stringent regulatory requirements, including regular disclosure of financial statements and other critical information to ensure transparency and protect shareholders' interests.
- **Foreign Companies:** Foreign companies establishing a place of business in Uganda are required to register as foreign companies with Uganda's registrar of companies. A foreign company can trade in Uganda by:

1. Cross listing on the Uganda Securities Exchange.
2. Registering a branch of a foreign company.
3. Incorporating a subsidiary..

4. Appointing an agent, distributor or franchisee
 5. Joint Venture: A foreign company may enter into a joint venture with a local company to combine resources, expertise, or assets to achieve a specific goal or project. Each party maintains its independent identity and shares profits, losses, and control as agreed upon, with the venture often dissolving upon completing the objective.
- **Trusts:** A trust in Uganda is a legal arrangement in which one party, known as the trustee, holds and manages assets for the benefit of another party, called the beneficiary. Trusts are often used for estate planning, wealth management, and protecting assets from creditors or legal disputes.
 - **Single Member Company (SMC):** In Uganda, a Single Member Company (SMC) is a type of private limited company that is owned by a single individual. This structure was introduced by the Companies Act to simplify the process for individuals to start and operate their own business.
 - **Local Company:** A local company is one that is incorporated and registered in





New Legislation in Doing Business

The Competition Act 2024:

Uganda established the Competition Act to prohibit anti-competitive practices and agreements like rice-fixing, market sharing and exclusive distribution and tying arrangements often done by business owners with dominant market positions in Uganda. The law also makes provisions for consumer protection, ensuring that consumers in Uganda are not exploited through unfair practices. Additionally, the Act requires entities to notify the Ministry responsible for Trade before engaging in mergers, acquisitions, or joint ventures, which are assessed for their potential impact on competition.

The Competition Regulations, 2024:

The Regulations seek to establish administrative measures to implement the Competition Act, 2024 by providing for procedures for making complaints against businesses engaged in anti-competitive practices, forms for notification of mergers, and guidelines for mergers, acquisitions and joint ventures.



The Taxation in Uganda

Uganda's taxation system is regulated by Uganda Revenue Authority (URA) and consists of direct and indirect taxes.

Direct taxes

a) Income tax:

Corporate income tax in Uganda is charged at a rate of 30% on profits earned by corporate entities including those in manufacturing. Recent amendments to the Income Tax Act have expanded the taxable scope to include annuities paid by non-residents through a permanent establishment in Uganda and income from tax applies progressively, with a tax-free threshold of UGX 2,820,000 per annum, followed by rates of 10%, 20%, or 30%, and an additional 10% for incomes exceeding UGX 120 million per annum.

b) Withholding Tax

Applied at 6% or 15% on specified payments like professional fees, dividends or royalties.

c) Rental Income Tax

Charged at 30% for companies and 20% for individuals on rental income after allowable deductions.

Indirect Taxes

These are levied on goods and services, including;

a) Value-Added Tax (VAT)

Charged at a standard rate of 18% on most goods and services with the exemption of certain agricultural inputs, educational materials, and health-related services.

b) Excise Duty

Imposed on specific goods and services such as alcohol, cigarettes, fuel, and telecommunications.

Rates vary, e.g., UGX per liter for fuel or 12% on airtime and mobile money services.

c) Import Duty

Charged on goods imported into Uganda country. For individuals, income Rates range between 0% and 60%, depending on the type of goods.

d) Local Taxes

Local government authorities impose taxes such as: Property Tax: Charged annually on properties in urban areas. Trading License Fees: Levied on businesses for operating permits.



Other Taxes and Levies

Stamp Duty: Charged on legal documents like land transactions (ranges from 0.5% to 1%).

Environmental Levies: Applied on specific products like used vehicles or plastics.

Gaming and Betting Tax: Levied on gaming operators, including online betting.



Disposal of business assets in Uganda

The disposal of business assets, such as land, buildings, or shares, excluding trading stock and depreciable assets what is termed as a Capital Gain. A business asset is any asset used in business, held for sale, or owned by a partnership or company. Disposal includes sale, exchange, gift, destruction, or loss of the asset, and can also involve partial disposal. Capital gains or losses are taxed in the year they are realized, with losses being deductible. The gain or loss is calculated as the difference between the consideration received and the asset's cost base at the time of disposal. For individuals, gains from business asset sales are considered business income, while gains from selling shares or commercial buildings are taxed as property income. For companies, gains are added to gross income and taxed at the standard corporate rate of 30%, with adjustments for inflation and original asset prices.



Investing in Uganda

Uganda, the "Pearl of Africa," boasts a wealth of natural resources and has a rich cultural heritage. The country has made considerable progress in enhancing its business environment to attract both domestic and foreign investments such as investment incentives, small and medium enterprises (SMEs), opportunities for youth and women, stock market dynamics, tourism potential, advancements in payment systems, intellectual property rights, and employment law.

Licenses and permits

In Uganda, businesses must comply with several licensing requirements. A valid trading license from Kampala Capital City Authority (KCCA) is required for anyone intending to conduct business within the Kampala metropolitan area, while businesses outside Kampala must obtain the license from the relevant Municipal Council. Non-citizens must first obtain clearance from the Ministry of Trade, Industry, and Cooperatives before applying for the trading license. Additionally, companies intending to invest in Uganda must acquire an investment license from the Uganda Investment Authority, with a minimum investment threshold of USD 50,000 for domestic investors and USD 250,000 for foreign investors. Manufacturers must also obtain a certification mark from the Uganda National Bureau of Standards (UNBS) to ensure their products meet safety, fitness, and interchangeability requirements.

Investment Incentives in Uganda

The Ugandan government acknowledges the pivotal role of investment in fostering economic growth and development. Consequently, it has established a variety of investment tax and non-tax incentives:

1. Tax Incentives

- Tax Holidays: Investors in priority sectors can benefit from tax holidays ranging from 5 to 10 years, particularly for businesses exporting significant percentages of their products or investing in crucial sectors, and those investing huge sums in the economy.
- Capital Allowances: Investors can claim capital allowances on machinery and equipment investments, reducing taxable income over time.

2. Non-Tax Incentives

- Access to Land: The government offers access to serviced land in designated industrial parks at competitive rates.
- Support for SMEs: Initiatives targeting SMEs include mentorship programs, access to finance, and networking opportunities with larger corporations.

Note from Managing Partner

As we launch this annual “**Doing Business in Uganda**”; publication, publication, we recognize Uganda’s strategic position at the intersection of opportunity and challenge. Despite global uncertainties, the country’s economy continues to demonstrate resilience and significant growth potential, particularly in key sectors; Agriculture, Manufacturing and Technology.

Significant progress has been achieved, particularly in; Reforms in business registration and access to credit have reduced barriers for entrepreneurs, fostering a more competitive economy; Efforts to attract foreign capital, including targeted incentives, have led to job creation and strengthened industrial growth and Strategic infrastructure development. However, persistent challenges require attention:

1. Bureaucratic inefficiencies: Delays in approvals and administrative processes hinder timely business operations.
2. Complex taxation systems: Navigating multiple taxes increases operational costs, calling for simplification and transparency.
3. Land acquisition challenges: Issues with ownership and disputes remain a bottleneck for large-scale investments.

In addition, competition law has emerged as a new area in Uganda’s legal and economic landscape. With the introduction of Competition Act 2024, businesses are now being encouraged to operate transparently, fostering fair trade practices and preventing monopolistic tendencies. These laws aim to level the playing field, ensuring both large and small businesses thrive while protecting consumer interests.

On a regional note, we celebrate a major milestone as the East African Community (EAC) marks its 25th anniversary this year.

The EAC’s commitment to regional integration has facilitated cross-border trade, harmonized policies, and increased market access for businesses within the bloc. Uganda, as a key member, continues to benefit from shared economic opportunities and infrastructure initiatives championed by the EAC.

We call upon all stakeholders to strengthen public-private partnerships to drive inclusive and sustainable development, advocate for streamlined and transparent regulatory frameworks to address ongoing challenges, and champion innovation and competitiveness as the cornerstones of Uganda’s economic transformation.

Together, we can unlock the vast potential of Uganda’s vibrant economy and position it as a leader in regional growth. As we celebrate this journey of progress, let us commit to building a future defined by collaboration, resilience, and opportunity.

Thank you for your continued support and dedication to advancing Uganda’s economic development!



Editorial's Team Comments

Isabella Pedun-Associate: "Obtaining legal counsel is crucial in navigating the complexities of doing business in Uganda to protect business interests, ensure legal compliance and avoid costly pitfalls. I wish to express my sincere gratitude to all our readers and encourage business women and men to partner with our team of Associates to position themselves for success and minimize legal and financial risks."



Collines Himbaza- Associate: Uganda's position as a strategic player in regional and international trade and its removal from the FATF grey list and EU AML blacklist, reflects the nation's significant progress in combatting fraud and money laundering. These milestones have enhanced investment opportunities, reduced financial isolation, improved relations with other countries and financial institutions, and eliminated sanctions and penalties, which has fostered a more favorable environment for investment and business collaboration.



Mark Muganga- Junior Associate: "As we reflect on Uganda's investment climate in our annual publication, we recognize both the significant opportunities and the challenges that lie ahead. We extend our heartfelt thanks to the public and our stakeholders for their continued support and engagement. The government's commitment to reforming the Investment Code is a positive step toward streamlining processes and attracting foreign direct investment, particularly in the oil sector. However, we must remain vigilant about concerns regarding political stability, governance, and inflation, which can impact investor confidence. Together, we can work towards fostering a transparent and stable business environment that fully realizes Uganda's investment potential. Thank you for being part of this journey."





Nabasa & Co Advocates



SME Markets

Small and Medium Enterprises (SMEs) are crucial to Uganda's economy, significantly contributing to employment and GDP. The government has implemented various initiatives to bolster SME growth:

1. Access to Finance

- Financial institutions like Uganda Development Bank and Bank of Africa offer tailored loan products for SMEs with favorable terms.
- Government-backed initiatives provide grants and funding opportunities specifically designed for small businesses.

2. Capacity Building

- Training programs enhance business management skills covering essential topics such as financial management, marketing strategies, and operational efficiency.

Focus on Women and Youth

The Ugandan government emphasizes empowering women and youth entrepreneurs as part of its broader economic strategy:

1. Women Entrepreneurs

- Programs like DFCU's Women in Business provide access to microfinance institutions offering loans at lower interest rates.
- Training workshops focus on building skills relevant to running successful businesses.

2. Youth Initiatives

- Initiatives targeting youth entrepreneurship provide startup capital through youth-focused funds via the Uganda Development Bank.
- Training programs emphasize innovation and technology-driven business models.

Political Climate

Uganda's political climate is characterized by relative stability under President Yoweri Museveni's long tenure. While political reforms and multi-party democracy have progressed, concerns about governance, human rights, and corruption persist. Investors often weigh these factors against Uganda's strong economic fundamentals.

One-Stop Centers: URSB and UIA

Uganda Registration Services Bureau (URSB)
The URSB streamlines business registration, intellectual property protection, and insolvency services.

Uganda Investment Authority (UIA)
UIA offers a one-stop-center for foreign investors, providing guidance on licensing, permits, and incentives.



Dispute Resolution in Uganda

Businesses often face disputes related to contracts, land ownership, and labor relations. Uganda employs a dual legal system that combines both statutory and customary law in resolution of disputes. These mechanisms include a hierarchical court system, ranging from local courts to the Supreme Court, and Alternative Dispute Resolution (ADR) methods such as mediation, arbitration, and conciliation, which are actively promoted under the Arbitration and Conciliation Act of 2000. Additionally, Uganda has a Commercial Court Division which specializes in handling business-related disputes to ensure a more efficient and expedited resolution of disputes within the business community.

Fraud

Fraud like investment and consumer fraud, corporate fraud, banking, financial and insurance fraud remains a concern in Uganda. To address this challenge, the government of Uganda developed strategies to mitigate risks of fraud such as establishing the Investors Protection Unit (IPU) responsible for receiving complaints and conducting investigations into fraud perpetrated against investors. It is also recommended that individuals and entities engage legal counsel and seek comprehensive legal advisory services prior to entering into contracts or undertaking business transactions.





Uganda's Stock Market

The Uganda Securities Exchange (USE) serves as a platform for companies to raise capital while offering investors opportunities to participate in various sectors' growth.

Listing on the USE

Listing on the USE provides advantages such as increased visibility and credibility but requires companies to meet stringent financial, governance, and operational requirements outlined in the USE Listing Rules 2021.

Market Segments

The USE categorizes its market into three segments based on company size and securities type:

- Main Investment Market Segment (MIMS): For large companies with strict eligibility requirements.
- Growth Enterprise Market Segment (GEMS): For SMEs with growth potential.
- Fixed Income Securities Market Segment (FISMS): For debt securities like bonds.

General Requirements for Listing

- Approval from the Capital Markets Authority (CMA).
- Engagement with a sponsoring broker.
- Submission of recent audited financial statements prepared per International Financial Reporting Standards (IFRS).
- Ensuring shares are fully paid up and freely transferable.

Challenges Facing the Stock Market

Despite its potential, challenges such as low liquidity levels and limited public awareness about investment opportunities persist. Efforts are underway to enhance financial literacy among the population to encourage more participation in equity markets.



Tourism Sector

Uganda's tourism sector is a significant economic driver due to its rich biodiversity, including national parks which are a home to endangered species like mountain gorillas.

Government Initiatives

- **Infrastructure Development:** The government prioritizes infrastructure improvements leading to tourist attractions.
- **Marketing Campaigns:** Strategic campaigns promote Uganda as a tourist destination highlighting wildlife safaris and cultural experiences.
- **Incentives for Investors:** Tax exemptions on operational costs are offered to investors in the tourism sector.

Potential Challenges

While tourism presents significant growth opportunities, challenges such as political instability in neighboring regions can impact visitor numbers. Environmental sustainability must also be prioritized to protect Uganda's natural resources.

Payment Systems

Uganda has made remarkable progress in modernizing its payment systems over recent years. The rise of mobile money services has transformed financial transactions across the country.

Innovations in Payment Systems

- **Mobile Money Services:** Platforms like MTN Mobile Money have become integral for many Ugandans, allowing convenient money transfers and bill payments.
- **Regulatory Support:** The Bank of Uganda regulates mobile money services ensuring consumer protection while fostering innovation within the financial sector.

- **Financial Inclusion:** Mobile money services have significantly enhanced financial inclusion by providing access to financial services for previously unbanked individuals.



Intellectual Property

Intellectual property rights are crucial for fostering innovation by protecting creators' rights while encouraging investment in new ideas.

Current Landscape

- **Legal Framework:** Uganda's legal framework includes laws governing copyrights, trademarks, patents, and industrial designs aimed at protecting creators' works.
- **Challenges:** Enforcement remains a challenge due to limited resources within regulatory bodies tasked with IP protection.



Employment Law

Uganda's legal framework on employment law is designed to safeguard workers' rights while fostering fair labor practices across all sectors. A key aspect is the requirement for employers to provide written employment contracts that clearly outline the terms of employment. Additionally, to ensure efficient resolution of workplace disputes, the country has established the Industrial Court of Uganda dedicated to handling employment-related matters.

Data Protection and Privacy in Uganda

Businesses that process personal data during their operations are regulated by Personal Data Protection Office of Uganda established under the Data Protection and Privacy Act, 2019. Personal data are information that can identify an individual such as names and national identification numbers and passwords. Processing of such information includes its collection, analysis, modification, transferring and storing. The act requires all businesses engaged in such operations to register with the office, develop internal policies on data protection to guide their business operations, implement security measures to prevent breaches and ensure that individuals have control over and access to their data. The law also sets out penalties for non-compliance, emphasizing the need for businesses and organizations to adhere to best practices in handling personal data to foster trust and protect privacy in the digital age.



Insolvency and winding up business operations of a company in Uganda

Uganda has a legal framework for closing business in Uganda under the Companies and Insolvency Acts; where a company is insolvent, it is a voluntary decision of the share-holders, completion of the company's objectives, as part of a merger, acquisition, or restructuring to streamline operations, court orders, shareholder disputes, declining market conditions among others. Obtaining legal counsel is vital for the smooth and orderly closure of business operations. Whether opting for liquidation or voluntary closure, businesses must approach the process with care to minimize financial and reputational risks.

