

LOCAL SERVICE TAX

(ASSESSMENT & PAYMENT)

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Volume 1, Issue 2

What is Local Service Tax?

This is a tax levied on wealth and incomes of all persons in gainful employment, self –employed and practicing professionals, self-employed artisans, business men/women and commercial farmers.

Who is eligible to pay?

- ◆ **Person in gainful employment** earning a monthly take-home salary exceeding Ugx 100,000.
- ◆ **Self-employed and practicing professionals** who include medical and veterinary doctors, engineers, accountants, consultants, technicians, lawyers, dentists, pharmacists, architects, scientists, surveyors, valuers, ICT specialists e.t.c
- ◆ **Self-employed artisans** who include craftsmen, plumbers, builders, electricians, masons, carpenters, mechanics, blacksmiths, painters, welders, bakers, furniture makers, florists, skilled artisans and any other artisans not mentioned excluding sole petty artisans and juakalis, who are not fully established and not business entities.
- ◆ **Businessmen and businesswomen** who include owners of shops, fuel stations, restaurants, bars, furniture workshops, directors and shareholders of business companies, printery workshops, food vendors, commission agents, insurance brokers, butchers, real estate service providers, owners of road construction firms, outside-catering service providers, coffee millers, maize millers, fish mongers, timber merchants, garage owners and shoe makers and any other businessmen and business women not mentioned.
- ◆ **Commercial farmers**

Computation

1. Professionals

Professionals	Monthly Income Earned	Annual LST Payable
Doctors, Pharmacists, veterinary doctors, engineers, Accountants, auditors, Consultants, lawyers, architects, artists, journalists, writers, surveyors, planners, scientists, etc	1,000,000 onwards	100,000
photographers, counselors, dramatists, actors, sports persons, programmers and any other professional not motioned	Exceeding 500,000 but not exceeding 900,000	50,000

2. Persons in Gainful employment and earning a take-home salary

Amount of monthly income earned (in shs)	Rate of LST (in shs) per year
Exceeding 100,000/= but not exceeding 200,000/=	5,000
Exceeding 200,000/= but not exceeding 300,000/=	10,000
Exceeding 300,000/= but not exceeding 400,000/=	20,000
Exceeding 400,000/= but not exceeding 500,000/=	30,000
Exceeding 500,000/= but not exceeding 600,000/=	40,000
Exceeding 600,000/= but not exceeding 700,000/=	60,000
Exceeding 700,000/= but not exceeding 800,000/=	70,000
Exceeding 800,000/= but not exceeding 900,000/=	80,000
Exceeding 900,000/= but not exceeding 1,000,000/=	90,000
Exceeding 1,000,000/=	100,000

Note: “take-home salary” means gross salary after deducting income tax in the form of Pay as You Earn (PAYE)

3. Artisans

Artisans	Monthly Income Earned	Annual LST Payable
Crafts persons, plumbers, builders, electricians, mechanics, black smith,	Exceeding 100,000/= but not exceeding 200,000/=	5,000
painters, welders, bakers, furniture makers, florists, tailors, radio & TV repairers	Exceeding 200,000/= but not exceeding 300,000/=	10,000
hair dressers, semi-skilled artisans and any other not mentioned	300,000/= on wards	20,000

LST for Businessmen/women

BUSINESS MONTHLY TURNOVER (IN SHS)	LST PER YEAR.
500,000 but not exceeding 1,000,000/=	5,000/=
Exceeding 1,000,000/= but not exceeding 2,000,000/=	10,000/=
Exceeding 2,000,000/= but not exceeding 3,000,000/=	20,000/=
Exceeding 3,000,000/= but not exceeding 4,000,000/=	30,000/=
Exceeding 4,000,000/= but not exceeding 5,000,000/=	40,000/=
Exceeding 5,000,000/= but not exceeding 6,000,000/=	50,000/=
Exceeding 6,000,000/= but not exceeding 7,000,000/=	60,000/=
Exceeding 7,000,000/= but not exceeding 8,000,000/=	70,000/=
Exceeding 8,000,000/= but not exceeding 9,000,000/=	80,000/=
Exceeding 9,000,000/= but not exceeding 10,000,000/=	90,000/=
Exceeding 10,000,000/=	100,000/=

How to Pay

1. Employees earning a salary or wage-

Under this category, the employer will submit a salary schedule with the respective local service tax computation therein to KCCA for assessment.

2. Professionals, Artisans, businessmen/women-

- ◆ Assessment is done alongside trading license or by separate assessment by authorized KCCA Officials.
- ◆ Payment can be made by way of Electronic Funds Transfer (EFT) or Bank drafts, or by Bank payment Advice Forms (BPAFs).

In all cases, BPAFs can be obtained from the Revenue office at the nearest Divisional office.

Effective date for payment of LST

- ◆ In the first four months of every financial year for employees earning a salary or wage.
- ◆ Once in a financial year for Professionals, Artisans within the first four months.
- ◆ Once in a calendar year and Businessmen/women before being issued a trading license.

What if I do not pay?

- ◆ A surcharge of 50% shall be levied on the expected Local service Tax after it is due.
- ◆ On conviction in the courts of law, the defaulter will serve a term not exceeding one month imprisonment or be required to pay a fine not exceeding double the amount due.

Who is exempted from paying LST?

- ◆ Members of the Uganda People's Defense Force.
- ◆ Members of the Uganda Police Force.
- ◆ Members of the Uganda Prisons Service.
- ◆ Members of the Local Defense forces sometimes referred to as LDU's; and
- ◆ Members of the Diplomatic missions accredited to Uganda.
- ◆ Unemployed persons and peasants.
- ◆ A person engaged in subsistence or occasional economic activities.
- ◆ Petty food vendors.
- ◆ Boarder-Boarder (BODA-BODA) cyclists.
- ◆ Sole petty artisans and juakalis, who are not fully established and are not business entities; and
- ◆ People living in poverty who are unable to earn a minimum income to access basic necessities of life.

NB: "Peasants" include people who produce for their own subsistence and have nothing or very little to sell to the market.

CONTACT US:

For more inquires on Trade Licensing, please visit any Division Urban Council Offices-Revenue unit at Kawempe, Nakawa, Lubaga, Makindye, Central division or Our Head offices at:

City Hall, Directorate of Revenue collection P.O Box 7010, Kampala- Uganda Tel: 0204660100/1/9/4, or Visit our Website: www.kcca.go.ug, or E-mail: info@kcca.go.ug