

CLARIFICATION ON THE CHANGES IN THE PAYE RETURN

Uganda Revenue Authority communicated through a Public Notice issued on 10th October 2022 changes in the PAYE return template to capture the standard withholding rate on secondary employment.

The Withholding tax regulations provide that where an employee who is in more than one employment does not inform any of the employers that they are the primary employer, the employers will withhold PAYE at the standard withholding rate, which is the highest marginal rate, currently 40%.

Income Tax rate for individuals effective 1st July 2012

CHARGEABLE INCOME	RATE OF TAX
Not exceeding UGX 2,820,000 (235,000 pm)	Nil
Exceeding UGX 2,820,000 (235,000 pm) but not exceeding UGX 4,020,000 (335,000 pm)	10% of the amount by which Chargeable income exceeds UGX 2, 820,000 (235,000 pm).
Exceeding UGX 4,020,000 (335,000 pm) but not exceeding UGX 4,920,000 (410,000 pm)	UGX 120, 000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds UGX 4, 020,000 (335,000 pm).
Exceeding UGX 4, 920,000 (410,000)	a) UGX 300,000 (25,000 pm) plus 30% of the amount by which chargeable income exceeds UGX 4,920,000 (410,000 pm); and b) Where the chargeable income of an individual exceeds UGX 120, 000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds UGX 120, 000,000 (10,000,000 pm).

Illustration I (employee with one employer)

PAYE illustration of an employee with a monthly income of UGX 27,000,000/- from a single employer.

Monthly Income	Amount	Tax payable
Total Income	27,000,000	$(27,000,000 - 410,000) * 30\% + 25,000 = 8,002,000$ Add $(27,000,000 - 10,000,000) * 10\% = 1,700,000$
Total PAYE		9,702,000

Illustration II (employee with more than one employer)

PAYE illustration of an employee with a monthly income of UGX 27,000,000/- from two employers.

Monthly Income	Amount	Tax payable
Primary source	15,000,000	$(15,000,000 - 410,000) * 30\% + 25,000 = 4,402,000$ Add $(15,000,000 - 10,000,000) * 10\% = 500,000$ = UGX 4,902,000
Secondary source	12,000,000	$12,000,000 * 40\% = 4,800,000$
Total PAYE		$4,902,000 + 4,800,000 =$ = UGX 9,702,000

From the two illustrations above, the total PAYE is the same, i.e. **UGX 9,702,000**

Employees with secondary employment have been paying 30% in PAYE, contrary to the tax law that requires a 40% payment. The PAYE return template has now been updated.

Please note that the rates explained above have been in force since **01st July 2012**, and **this is not a new PAYE rate**.

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