

# Uganda

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## I. Summary

### A. Types of Organizations

Uganda's legal system is based on English Common Law and African Customary Law. Customary law governs to the extent it does not contradict the statutory laws, although the 1995 Constitution is the supreme law of the land. [\[1\]](#)

Ugandan law allows for the establishment of a variety of not-for-profit organizations (NPOs) and hosts a variety of regional and international NGOs. NPOs interacting with foreign grantmakers are most commonly constituted as:

- non-governmental organizations (NGOs);
- trusts; and
- foundations. [\[2\]](#)

NGOs are primarily governed by the [Non-Government Organisations Registration Act, Cap 113 of 1989](#) (NGO Registration Act) which was amended by the Non-Governmental Organisations Registration (Amendment) Act, 2006 (NGO Registration (Amendment) Act).[\[3\]](#) The NGO Registration Act defines an "organization" as "a nongovernmental organization established to provide voluntary services, including religious, education, literary, scientific, social or charitable services, to the community or any part of it"

(NGO Registration Act, Section 1(d)). Trusts are covered by the Trustees Act, Chapter 164, 1954 and the Trustees Incorporation Act Chapter 165, 1939. Foundations can be registered either under the Trustees Incorporation Act or as companies limited by guarantee under the Companies Act.

## B. Tax Laws

Uganda's Income Tax Act establishes a category of exempt organizations which includes organizations that are of a religious, charitable, educational, or public character. Qualifying organizations are exempt from tax on almost all categories of income.

Individuals and legal entities are eligible for tax deductions for charitable contributions to tax exempt organizations. Ugandan law subjects certain sales of goods and services to VAT, with a fairly broad range of exempt activities. Foreign grants are exempt from VAT.

## II. Applicable Laws

- [Constitution of the Republic of Uganda, 1995.](#)
- [Constitutional Amendment Act, 2006.](#)
- [Non-Governmental Organizations Registration Act, Chapter 113 \(1989\).](#)
- [Non-Governmental Organisations Registration \(Amendment\) Act, 2006.](#)
- NGO Registration Regulations, 2009.
- [NGO Registration Regulations, SI 113-1, 1990.](#)
- [The Companies Act, Chapter 110 \(1961\).](#)
- The Trustees Act, Chapter 164 (1954).
- [The Trustees Incorporation Act, Chapter 165 \(1939\).](#)
- [Income Tax Act, Chapter 340 \(1997\).](#)
- [Value Added Tax Act, Chapter 349 \(1997\).](#)
- [The Value Added Tax \(Amendment\) Act \(2005\).](#)
- [East African Community Customs Management \(EACCM\) Act \(2004\).](#)

## III. Relevant Legal Forms

### A. General Legal Forms

Ugandan law creates several types of not-for-profit organizations (NPOs), including: NGOs, trusts, and foundations. Other not-for-profit legal forms, which are outside the scope of this Note due to their limited interaction with U.S. grantmakers include cooperative societies, societies, communal land associations, political parties, religious entities, and trade unions.

**NGOs.** The Nongovernmental Organisations Registration Act, 1989 (“NGO Registration Act”) defines an “organization” as “a nongovernmental organization established to provide voluntary services, including religious, educational, literary, scientific, social or charitable services to the community or any part of it” ([NGO Registration Act](#), section 1(d)). The Law does not distinguish between membership and non-membership organizations. NGOs must register with the National Board of NGOs (NGO Registration Act, Section 2(1), NGO Registration (Amendment) Act, Section 4, and Regulation 3 of the NGO Registration Regulations, 2009).

**Trusts and Foundations.** The Trustees Act and the Trustees Incorporation Act govern trusts and foundations. Foundations also may register as companies limited by guarantee under the Companies Act ([Companies Act](#), Cap. 110, 1961). Trusts may be established by any body or association for any “religious, educational, literary, scientific, social or charitable purpose” ([Trustees Incorporation Act](#), 1(1) (1939)).

Trusts and foundations are established to provide grants, and in some cases loan financing at a more affordable rate to NGOs, community-based organizations [4], and private organizations, in support of their goals and objectives.

## **B. Public Benefit Status**

The NGO Registration Act defines as covered “organizations” those providing “...charitable services to the community or any part of it” ([NGO Registration Act](#), section 1(d)). The Act, however, does not define the term “charitable services.” Nor does the Trustees Incorporation Act define “charitable purpose” as the term is used in the section on establishing a trust.

Notably, however, the Income Tax Act restricts "exempt organization" status to organizations, institutions or irrevocable trusts that qualify as religious, charitable, or educational institutions of a public character that have been issued a written ruling by the Commissioner currently stating that it is an exempt organization ([Income Tax Act](#), Section 2(bb)).

Charitable organizations established under the Companies Act do not benefit from any tax exemptions.

## **IV. Specific Questions Regarding Local Law**

### **A. Inurement**

Common law practice dictates that neither the income nor assets of a not-for-profit organization can be distributed to employees, directors, founders, or any other person other than for the fulfillment of the organization’s statutory purposes. Reasonable compensation for services rendered in the course of fulfilling the activities of an organization is allowed. According to local experts, as a matter of common law practice, this prohibition extends to NGOs, trusts and foundations.

Regulation 15(1) of the NGO Registration Regulations, 2009 provides that “an organization or a member or employee of the organization shall not use the organization directly or indirectly to engage in any gainful activities for individual interests except for the economic interest of the organization or in fulfilling its objectives.” According to local experts, as a matter of common law practice, this prohibition extends to all NPOs including trusts and foundations.

### **B. Proprietary Interest**

NGOs possess legal persona, so property is vested in the organization as a legal entity. There are no express legal provisions that allow donors to retrieve donated property or determine the destination of their contributed assets outside applicable contract obligations. The use of donor-recipient contracts is common in Uganda, but a donor cannot enter into a contract with an organization that enables the donor to recoup his or her donation if the organization dissolves. According to local experts, as a matter of common law practice, this prohibition extends to trusts and foundations.

### **C. Dissolution**

Ugandan law does not provide for the distribution of assets upon liquidation of an NPO. Rather the law requires the constitution of each organization to establish procedures for the disposition of the organization’s assets upon dissolution (Article 10 of NGO Registration (Amendment) Act amending Article 13 of the NGO Registration Act and Regulation 17(7)(b) of the NGO Registration Regulations, 2009). According to local experts, the general practice is that upon dissolution and or winding-up of the organization the debts and liabilities of the organization are settled first and the remaining property is distributed to other organizations with similar aims and objectives. The law prohibits the distribution of assets among members.

## **D. Activities**

### **1. General**

The NGO Registration Act, the NGO Registration (Amendment) Act, and its implementing NGO Registration Regulations, 2009 allow the Government of Uganda to exercise considerable control over the operation of NGOs. An NGO is prohibited from operating in Uganda unless it has registered with the National Board of Nongovernmental Organizations (“Board”) (NGO Registration Act, Section 2(1), NGO Registration (Amendment) Act, Section 4, and Regulation 3 of the NGO Registration Regulations, 2009).

When issuing the certificate of registration to the NGO, the Board may grant the registration subject to conditions or directions “generally as it may think fit to insert in the certificate, and particularly relating to: (a) the operation of the organization; (b) where the organization may carry out its activities; and (c) staffing of the organization” (NGO Registration Act Section 2(2)). [\[5\]](#)

### **2. Economic Activities**

NPOs in Uganda may not pursue economic activities as their sole purpose.[\[6\]](#) NGOs may engage in economic activities for fundraising purposes such as the sale of goods or services to the public or to any other organization (see NGO Registration Regulations, 2009 Regulation 15(4)). The prices of such goods and services must be in conformity with the prices, if any, prescribed by the Government for those goods and services or, where no such prices have been prescribed, prices must be in conformity with open market prices. Money earned by the organization in excess of the administrative costs incurred must be reinvested in the project or as directed by the organization (NGO Registration Regulations, 2009 Regulation 15(5)).

The Income Tax Act, Cap. 340, section 21(f) provides further guidance on the types of economic activities that exempt organizations may engage in without becoming liable for income tax payments. The Income Tax Act provides that income other than property income or business income not related to the functions constituting the basis for an organization’s existence will be subject to tax.

## **E. Political Activities**

No legal provision exists that imposes any limits on an organization’s budget that can be devoted to lobbying or other legislative activities.

As for “political” activities, Ugandan NGOs are not permitted to belong to any political group. They cannot directly or indirectly support a political candidate running for office. NGOs can actively participate in the election process through conducting educational seminars on current topics of political concern, including understanding the platform of various candidates. Moreover, organizations are allowed to engage in monitoring and observing the electoral process, documenting the flaws in elections, cooperating with the Electoral Commission, and proposing improvements to the electoral process. In the past, organizations have supported candidates in their bids to challenge election results.

## **F. Discrimination**

The Constitution of the Republic of Uganda prohibits discrimination in all spheres of political, social, and cultural life, as well as based on sex, race, color, tribe, origin, birth, social or economic standing or disability (Constitution, Art. 21). In addition, the Constitution includes National Objectives and Directive Principles of State Policy that provide, “The State shall take appropriate measures to afford every citizen equal opportunity to attain the highest educational standard possible” (Constitution, Objective 18). These provisions bind all persons including educational institutions.

## **G. Control of Organization**

Ugandan law does not restrict other organizations or persons from controlling a Ugandan NPO. A not-for-profit entity might establish an NPO and continue to control or own it. Likewise, a Ugandan NPO could be controlled by a foreign grantor charity.

## H. Foreign Grants

Regulation 15(3) of the NGO Registration Regulation, 2009 requires that where an organization “receives monies in convertible currency in its possession, it shall open and operate an external bank account with a reputable bank in which the currency shall be deposited and through which the transactions shall be conducted.” To monitor the use of foreign grants and related NGO activities, Ugandan law requires NGOs to: submit to the NGO Board an annual return and a report approved by the organization's annual general meeting or Board of Directors; provide to the relevant district development committee estimates of its income and expenditures for review and approval; and submit to the Board or any other authority information that the Board may consider to be in the public interest (NGO Registration Regulations, 2009, Regulation 16). [\[7\]](#)

## V. Tax Laws

### A. Tax Exemption

Uganda's Income Tax Act provides that an organization is exempt from paying income tax if it falls within the definition of “exempt organization” under [Section 2\(bb\)](#) of the Income Tax Act and has been issued a formal ruling from the Tax Commissioner qualifying it as an exempt organization. The Income Tax Act defines an exempt organization as a company, institution, or irrevocable trust that is:

- a. an amateur sporting association;
- b. a religious, charitable, or educational institution of a public character; or
- c. a trade union, employees' association, an association of employers registered under any law of Uganda, or an association established for the purpose of promoting farming, mining, tourism, manufacturing, or commerce and industry in Uganda.

All income of an exempt organization is free from income tax, with the exception of property income received. Rental income of immovable property, however, may be exempt if it is used by the lessee exclusively for the activities of the organization specified in the Act. In addition, business income received by an NGO that is not related to the function constituting the basis of the organization's existence is subject to tax ([Income Tax Act S 21\(f\)](#)).

Individuals and legal entities are eligible for tax deductions for charitable contributions to a tax exempt organization listed in Section 2 (bb) (a) and (b) of the Income Tax Act. An individual may claim as a deduction up to 5% of that individual's taxable income for the year in which the gift is made.

### B. Value Added Tax

The standard VAT rate is 18% ([Value Added Tax \(Amendment\) Act, 3\(2005\)](#)). Foreign grants are not subject to VAT. Certain supplies are exempt from VAT, including: unprocessed foodstuffs and agricultural products; educational, medical, dental or nursing services; social welfare services; and medical equipment ([VAT Act, Schedule 2, Section 19](#)).

The legislation also makes provision for select zero rated supplies, including: drugs and medicines, and educational materials ([Section 24\(4\)](#) and [3rd Schedule of VAT Act, Cap. 349, 1997](#)).

The annual registration threshold is fifty million Uganda shillings (50,000,000 Ug Shs) ([Section 7\(2\) VAT Act, Cap. 349, 1997](#)).

## C. Import Duties

The East African Community Customs Management (EACCM) Act regulates the management and administration of customs duties on imports in Uganda and the region. Goods and equipment used in aid funded projects are exempt from customs duties (EACCM Act, Section 114, [Schedule 5 \(10\)](#)). However, the Act does not define “aid funded projects.” In addition, goods imported by international and regional organizations with diplomatic accreditation, and donor agencies are similarly exempt from paying import duties (EACCM Act, Section 114, [Schedule 5 \(6\)](#)). The Act does not list local or national NGOs as entities entitled to an automatic exemption on imports.

Certain agricultural and health-related items are listed as exempt from import duties ([Schedule 5, Part B](#)).

## D. Double Tax Treaties

No tax treaties have been entered into between Uganda and the United States.

# VII. Knowledgeable Contacts

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## Footnotes

[1] The articles of the Constitution referenced in this Note are the same as those of the amended Constitution of the Republic of Uganda (amended February 2006).

[2] Due to their limited interaction with U.S. grantmakers this Note will not cover Ugandan law as it relates to community-based organizations (CBOs), trade unions, cooperatives, cooperative societies, political parties, and religious entities.

[3] The Ugandan Parliament passed the NGO Registration (Amendment) Act in 2006. The President assented to the Act in May 2006, and it came into operation in August 2007. The new NGO Regulations, cited as 'Non-Governmental Organisations Registration Regulations, 2009,' which implement the Act were gazetted on March 29, 2009 and are in force. Thus the NGO Registration Regulations SI 113-1, 1990 are null and void (Regulation 20 of the NGO Registration Regulations, 2009).

The 2006 NGO Registration (Amendment) Act modified the 1989 NGO Registration Act as it pertains to the National Board of Nongovernmental Organizations. The Board has authority to monitor NGO operations and develop policy guidelines for CBOs. Additionally, NGOs are now required to obtain a periodic permit to operate (NGOs are not absolved from the requirement that they register with the NGO

Board). The Amendment Act also expanded the powers of the Ministry to regulate the dissolution of NGOs.

The Office of the Prime Minister (OPM) embarked on the formulation of a National NGO Policy within the framework of Article 108 of the 1995 Constitution of Uganda that mandates the Prime Minister to be responsible for coordination of implementation of government policies across Ministries, Departments, and other public institutions. Various stakeholders including government agencies, NGOs and donor representatives were consulted to provide input into the NGO Policy. The policy was approved by the Cabinet in October 2010 and is now in force. However, there is a pending court case that may affect the policy.

[4] A CBO is an organization “operating at a subcounty level and below, whose objective is to promote and advance the well being of its members or the community.” (Nongovernmental Organizations Registration (Amendment) Act, Amendment 6.) CBOs typically are formed to accomplish one specific purpose: examples include forming groups to work collectively on members’ farms or to support funeral ceremony preparations. A few groups take a wider community development role. CBOs are relatively small (usually involving 10-20 households).

[5] The NGO Registration Regulations, 2009, Regulation 13 requires organizations to comply with the following requirements in carrying out their operations:

- a. Organizations shall "not make any direct contact with the people in their area of Uganda" without providing seven days notice in writing of its intention to do so to the local councils and Resident Direct Commissioners.
- b. Organizations shall cooperate with the local government councils and district committees in the area.
- c. Organizations are prevented from engaging in any act which is "prejudicial to the security of Uganda or any part of it.”
- d. Organizations shall restrict their operations to the area of Uganda in respect of which it is permitted to operate.
- e. Organizations shall hold themselves responsible for all actions of their members and employees done in the course of their employment.
- f. Organizations shall obtain the approval of the Board for any goods for which they seek exemptions.
- g. Organizations shall not engage in any act which is prejudicial to the interests of Uganda and the dignity of the people of Uganda.

[6] An exception is Micro–Credit Associations that engage in business and may be registered as NPOs with the sole purpose of doing business.

[7] Regulation 14 (a) and (c) of the NGO Registration Regulations, 2009 also provides that an organization at the time of registration shall comply with certain staffing regulations, particularly specifying:

- an organization shall submit to the Board a chart showing its organizational structure as stipulated in its constitution accompanied by a statement specifying its foreign staff requirements where necessary, indicating requirements of the Ugandan counterparts of foreign employees; and indicating the period for replacement of its foreign employees with qualified Ugandans.
- an organization shall not employ a person who is not a citizen of Uganda unless that person has, before proceeding to Uganda for employment, submitted a diplomatic mission in his/her country of origin for transmission to the Government of Uganda for consideration for his suitability for employment.

Additionally, the NGO Registration Regulations, 2009 Regulation 2 defines a foreign NGO as one which is not a local organization including an affiliate of a foreign or international organization with offices in Uganda. Regulation 10(b) of the NGO Registration Regulations, 2009 sets out prescribed fees for a foreign

organization of USD 100 or its equivalent. The same fee is payable upon application for a permit or for renewal of a permit.