

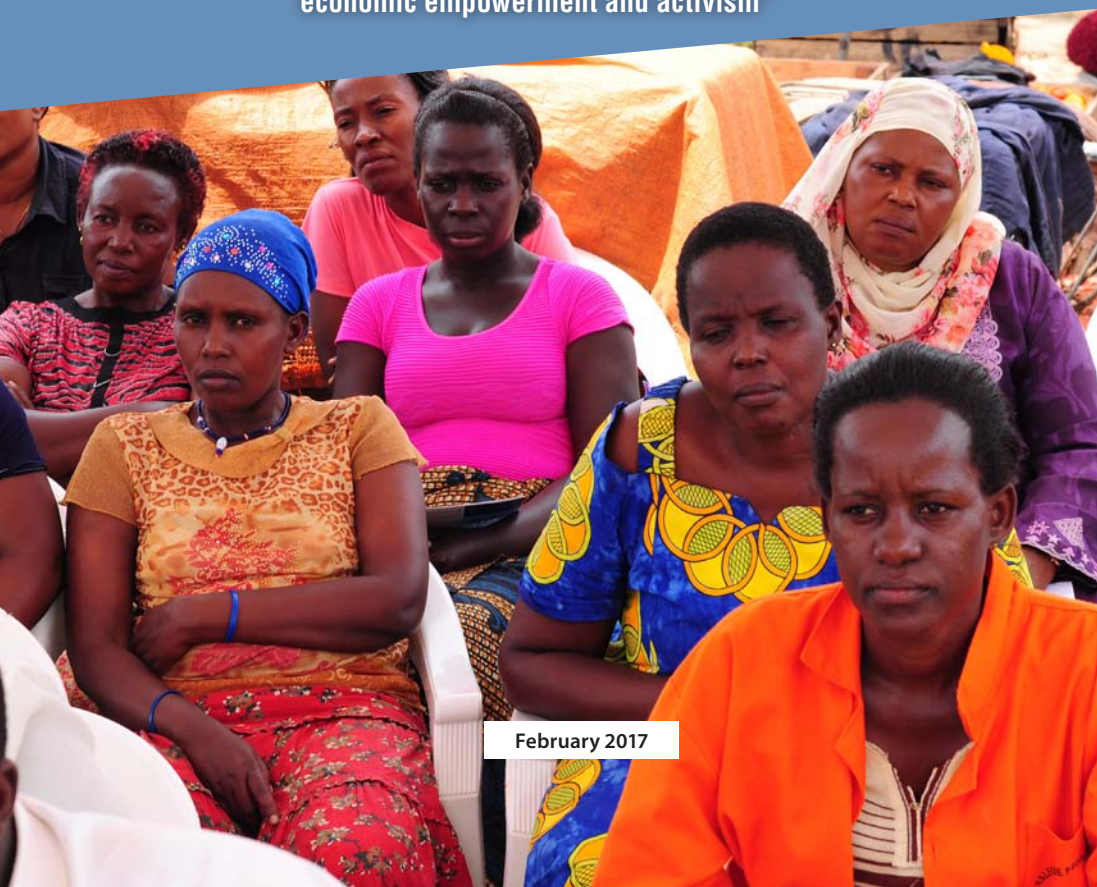


Gender Transformation & Empowerment

PRACTICAL SIMPLIFIED POCKET HANDBOOK TO SUPPORT WOMEN'S ECONOMIC EMPOWERMENT

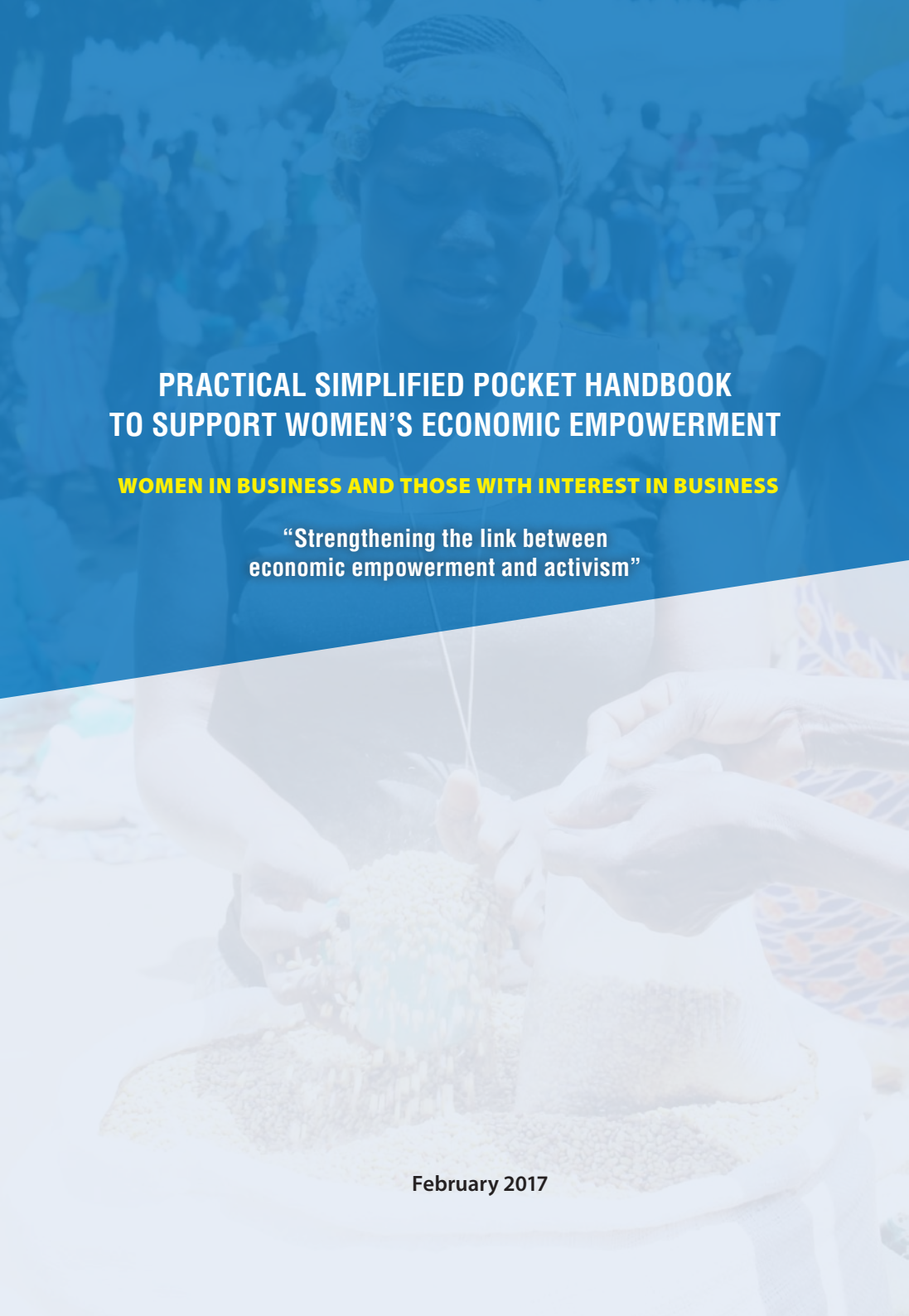
WOMEN IN BUSINESS AND THOSE WITH INTEREST IN BUSINESS

“Strengthening the link between
economic empowerment and activism”



February 2017

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Acknowledgement

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List of acronyms

AGM	Annual General Meeting
BoD	Board of Directors
BoU	Bank of Uganda
CBR	Central Bank Rate
GoU	Government of Uganda
IGA	Income Generating Activities
PAYE	Pay As You Earn
SACCO	Savings and Credit Cooperative Organizations
SUPCO	Supervisory Committee
UMRA	Uganda Microfinance Regulatory Authority
URA	Uganda Revenue Authority
VAT	Value Added Tax
WHT	Withholding Tax

Overview

This Handbook is developed to support local interventions that are targeted at economic transformation of women working as groups and members of low income communities. It is an information/knowledge product developed by UWONET to create awareness and form the foundation or background to a broader scale of intervention to improve the socio-economic wellbeing of these women groups.

The scope is brief and the content is deliberately limited to suit the levels of understanding and appreciation of the target groups. That is, the approach is considerate of the literacy and numeracy skills of the users and the target rural based women groupings. The selection of topics was based on the incumbent knowledge gaps and needs expressed by the communities for which this has been prepared. The focus is on broader macro-economic as well as micro-economic issues and what they mean in terms of livelihood security at the community level. It explores ways in which women and women's groups can expand their income generating/business interests so as to realize economic empowerment to reduce their vulnerability in the social-economic and political spheres of development.

Introduction:

This handbook focuses on daily livelihood socio-economic activities. It presents the details of financial practices and economic engagements that include: savings, borrowing/loans/credit, entrepreneurship, customer care and taxation. The different topics have been arranged into modules and presented in the detail as laid down below:

Topic 1: Savings

Focus: How to develop a savings plan and goals to strength the savings clubs.

Content

- ▶ What is savings?
- ▶ Why is it important to save?
- ▶ How to set savings goals?
- ▶ How and where to save?
- ▶ What are the considerations when saving?
- ▶ Check list for the appropriate savings option?

1.1 What is Savings?

Saving is putting money aside to use in the future. When you store money away, for some purpose, then you are practicing savings.

1.2 Why is it important for you to save?

- a. First of all, savings allows you to meet your basic household needs—such as buying food, clothing, lights, soap among various other needs for the family.
- b. Also when you save, you can use the money later to start or expand your business. It is strongly recommended that initial capital for any business should be savings and not loans.



- c. When you save, it allows you also to invest your savings by purchasing other valuable commodities such as cows ... which can provide milk for children or you can use money to buy improved seeds and fertilizers so that you can improve the performance of the farm.
- d. Many financial service providers that provide loans will want to see that you have the capacity to save before trusting you with their money.
- e. Savings allows you to deal with emergencies and unforeseeable events such as loss of loved ones or medical emergencies.
- f. Savings enable households to meet the education requirements for their children and other relatives.
- g. Saving money in safe places such as bank accounts allows you to keep your money safe.
- h. It is important to identify different savings goals and remember to make a savings plan for all of these goals. The above examples also illustrate a time dimension of savings.

1.3 Savings goals: saving regularly and knowing how much to save

What do you need to know about savings goals?

Savings goals are the specific things we want to achieve in our lives that require us to save money purposely to pursue and successfully realise the specific goals.

When setting and pursuing savings goals, the following should be clear and carefully handled:

- ▶ Set specific savings goals
- ▶ Figure out the amount of money you earn and spend
- ▶ Determine the costs of your savings goals
- ▶ Make decisions about
 - How much to save
 - How to pay off debt
 - How much to invest in your business
- ▶ Decide on the timing for doing these things

A typical example of savings goals would be

My savings goal is to buy one female goat. After looking at all my income and expenditures, I decide to save UGX 30,000 every month from my farm enterprises for 6 months to raise UGX 180,000 for buying the goat.

How to pursue your savings goals

- ▶ To achieve savings goals, we can adopt the proverb that says ***"one by one makes a bundle"***.

Illustration: Different saving goals

	January	February	March		Total Saving
John	10,000	10,000	10,000		240,000
Mary	50,000	50,000	50,000		1,200,000
James	100,000	100,000	100,000		2,400,000

- ▶ You can always save! You don't need much money to start saving. Whether you are a student, a farmer ... you can always put a little money aside.
- ▶ When you save regularly, even in small amounts your money will "grow" to significant amounts.

The illustration below demonstrates the gradual changes in the savings goals of the different examples used:

- ▶ It is important to identify different savings goals and remember to make a savings plan for all of these goals. The above examples also illustrate a time dimension of savings.
- ▶ Examples:
 - Short term goal: school fees, a phone (you can achieve it in a few months)
 - Medium term goal: land, livestock (you can achieve it in months, maybe a year)
 - Long term goal: buying a house, vehicle (you can achieve this by saving for several years)
- ▶ Explanation:
 - You need to determine how much money you will need for these items and when.
 - With this information you can determine the amount you have to save and for how long.
- ▶ As a rule of thumb, remember to:
 - Try to save at least 10% of your income even if you don't have a specific purchase or investment for which you are saving.
- ▶ Savings only work if it is given priority. Say:

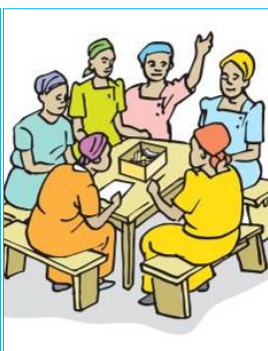
- Pay yourself first—put 10% of your earnings aside for savings before you spend on anything else. If you can't afford 10% right away, start with less, you can also save more than 10% if you can afford; but save something.

1.4 So then, how and where can you save?

Normally after you harvest and sell your produce, you will receive your payment and it is very important to save this money in a safe place. To save your hard earned money, you can consider saving it in one of the following ways highlighted below:



Saving: At home



Saving: At VSLA



Saving: At bank



Saving: With friends



Saving: At SACCO



Saving: Livestock

1.5 The things that you must consider in savings

Set Goals: Determine the achievements that you want in life, such as educating your children or building a permanent house. Then try to understand smaller goals that you need to achieve that will eventually deliver those big goals.

Budget: By budgeting, you look at the money you receive and all your expenditures. It helps you to see how much you can save.

Be realistic: Set realistic savings goals. It is more important to develop the discipline than to punish yourself by saving more than you can afford.

Stick to it: Keep it going. Once you develop the discipline of saving, keep it going, and always remember that there are several other ways of savings such as investing.

Invest: You will feel very good when you can convert your savings into investments. You can invest by buying assets like land, machinery, improved seeds or fertilizers.

1.6 What are the benefits and attributes of saving in different areas?

Type	Advantage	Disadvantage
Formal Institutions		
Commercial Banks Credit Institutions	▶ Offer high interest on savings ▶ Savings are more secure due to Bank of Uganda Supervision ▶ Savings qualify you for loans	▶ High costs and charges ▶ Limited outreach / branches ▶ High minimum balance requirements
Microfinance Deposit-Taking Institutions (MDI's)	▶ Have developed branch networks upcountry—closer to rural population ▶ Formerly MFIs better products for rural areas ▶ Secure—BoU supervision	▶ Few and not easily accessible

Type	Advantage	Disadvantage
Semi-formal Institutions		
SACCOs	► Pay interest on savings (nominal)	► Management challenges
SACCOs	► Accessible within community ► Easy to form	► Governance problems ► Fraud and theft/ security
Informal Institutions		
Savings and Credit Associations ROSCAs VSLAs SILCs ASCAs	► Rural based, closest to people ► Mobilizes savings from community ► Savings kept within community (quick and easy access) ► Groups are self managed (members know each other)	► Limited savings/ micro savings leads to low loan amounts ► ROSCA you wait for your turn ► Default ► Insecurity and theft of cash/boxes broken
Saving at home/ with spouse/ friend/neighbor ...etc	► Convenient for those without bank accounts ► Easily accessible such as emergencies	► Tempting - ease of access can result into mismanagement ► Risk of theft ► Loss due to fire, rodents, ...etc
Investing	► Allows you purchase valuables for future use ► Allows diversification	► Requires larger amounts of money

1.7 Checklist when selecting savings services provider

- Access
- Convenience and ease of use
- Opening deposit requirements
- Safety
- Interest earned on savings

Topic 2: Loans/Debit/Loans

Focus: Accessing and managing credit

Content

- ▶ What is credit?
- ▶ Importance of accessing credit
- ▶ Purpose and use of credit
- ▶ Readiness to access credit
- ▶ Key attributes for credit access
- ▶ Procedure for loan
- ▶ Consumer protection
- ▶ The don'ts of a loan
- ▶ Where to borrow from



2.1 What is credit?

Accessing credit or borrowing is defined as taking money in cash from a financial institution, a group or from individual; with the commitment that this cash will be paid back at some defined time in the future.

2.2 Is accessing credit important in the first place anyway?

Borrowing money can be very important for meeting the costs of your business, meeting family subsistence needs and growing your business. However borrowing money entails taking on risk, because when you borrow money, it has to be repaid back fully with interest and normally within a given period of time.

2.3 Why should you require credit/borrow money?

Some reasons why borrowing money is important for you may include:

- a. Credit can be used to hire labour for work activities, including agricultural activities.
- b. Solve cash flow problems—for instance a farmer might not have enough cash to bring in new harvest, yet his produce has ready market. Accessing credit can allow the farmer to hire labour so that the proper harvest is done.
- c. To buy machinery and equipment such as tractors.
- d. Credit also helps in fulfilling other personal and family needs such as school fees.

Without doubt therefore, the ability to access credit can provide a significant improvement in the business operations of rural based communities including women.

2.4 Are you ready to access credit?

We have seen that ability to access credit is important for sustaining and growing our income generating activities. It is important however for borrowers to remember that loans are meant to be paid back in full, with interest and within a defined period of time. This is important for borrowers must ensure that their activities enable them to both pay back the loans and generate enough profits for savings.

2.5 What do microfinance specialists emphasize as important attributes for successfully accessing credit?

- a. It is important that you can demonstrate some experience in the income generating activity to be financed. In case of agriculture at least two seasons gives a financier confidence.
- b. It is important that you can show that you are capable of saving. This can be demonstrated if you have sources of income that can contribute to repaying loans. {As an example if you want a loan to grow an acre of maize, it helps if you can demonstrate that you have another income generating activity, such as rearing a dairy cow or owning a small retail shop}.

- c. You must show that you are capable of working hard. A loan will enable you to farm on a larger scale, so you must demonstrate ability to work hard.
- d. If you are a low income earner, it is useful for you to join and be part of a group. This provides several advantages, including the following:
 - i. Members of a group co-guarantee each other, so as individuals you may not always require security such as land title to access loans.
 - ii. As group members, it is easier to collectively market e.g. harvested produce. When there is easy access to markets, then the financier is given more confidence to lend.
 - iii. As group members, you can access valuable training and support from development agencies, farmer associations and lending institutions. This training is very useful in managing loans effectively.
- e. It is important to ensure that you use borrowed money fully for the purpose for which it is borrowed. For instance, if you acquire a loan of 500,000 for one acre, and you plant ½ an acre, you will not have enough harvest to repay the loan, and make savings. This then discourages one from borrowing further, hence stopping opportunities.
- f. If you choose to borrow money as an individual, you will normally be required to present securities (such as land title or car log book), in addition to at least 2 guarantors; these requirements tend to disadvantage women in accessing loans. This type of credit might be an appropriate option if large sums of money are required, and securities available.
- g. If as a small business you seek to acquire an individual loan, then you might need to present some collateral. The value of the collateral should be a certain percentage of the loan amount.
- h. To ensure that you are ready to borrow, as yourself these questions below may guide you. If you answer yes to most of them, then you are ready to borrow.

No.	Borrowing checklist:
1.	Do I have a clear business need for the loan?
2.	Do I have a clear Work plan or business need for the loan?
3.	Do I have ready market for my products?
4.	Do I have experience in the activity for which I intend to take out a loan?
5.	Am I hard worker?

No.	Borrowing checklist:
6.	Do I have collateral to take to the bank?
7.	Do I belong to a group which can jointly access a loan?
8.	Is my group registered?
9.	Do my fellow group members feel that I have the capacity to manage a loan?

2.6 What is the formal loan procedure?

i. Application



ii. Screening



iii. Assessment/Appraisal



iv - v Approval/Disbursement



vii. Repayment/Recovery



vi. Monitoring



Explanation:

The Loan Cycle

A. The application process

This process has several purposes including:

- ▶ Obtain the basic information from you which the lender needs to decide whether to grant the loan
- ▶ Assist you in selecting the appropriate loan program

B. Appraisal process

The lender is primarily interested in two things: the amount you want to borrow and your financial situation (which includes your credit history). The process gathers the information to help determine your ability and your desire and commitment to repay the loan. The results are documented by the lender so that he/she can understand your ability to repay the loan.

C. Approval process

Loan approval is a process that determines whether the loan is a good risk for the lender, and thus whether he/she should provide you the loan. The decision is based on the information gathered in the appraisal process.

D. Loan disbursement

If the loan is approved, the disbursement is done, this means that the loan is paid out to you.

E. Loan monitoring

Once you have received the loan money, it is important for you to keep track of how much money you have to pay and when to ensure that you pay back your loan according to the schedule. The lender will also check on you and monitor how you have used the loan money.

F. Loan repayment

At this stage, you are expected to pay the loan as scheduled in the contract signed. Failure to do so may cause some unwanted actions or consequences. You must therefore only borrow what you can afford to pay back.

2.7 Consumer protection measures you need to be familiar with

Now if you decide to go to the bank or microfinance institution to either save or borrow money, you should remember that you have certain rights and responsibilities?



It is your right to:

- Be given enough information about various loan products for you to make a right decision.
- Be given all relevant information including all the charges relating to your loan.
- Bank to keep all your information private and confidential.
- If you open a savings account, it is your right to access your savings anytime you need them.
- You are entitled to guidance to all procedures and processes.

In exchange, it is your responsibility to ensure that:

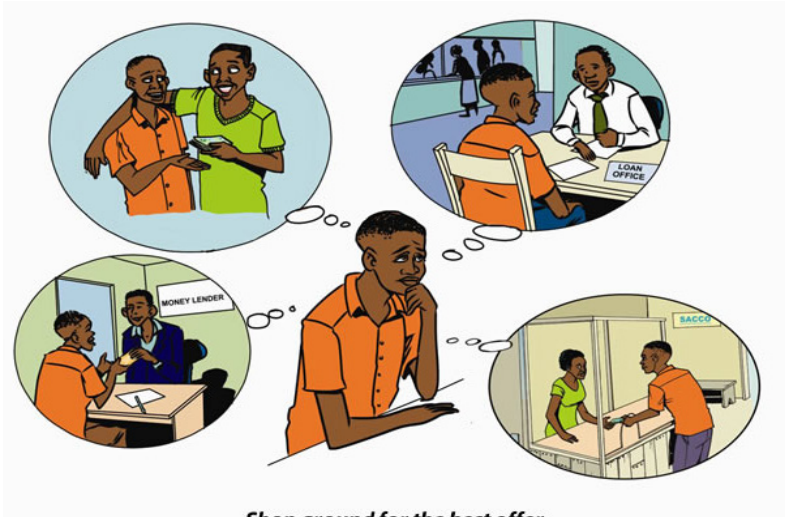
- You provide information accurately and honestly to the financial institution so that they provide the best services to you.
- You respect the loan contract make timely repayments as per the schedule

2.8 And once you get the loan, please remember the following big DONTs!

- Do not forget to keep your repayment schedule which you have agreed with your lenders.

- b. Don't divert a loan, by using it for other purposes rather than investing in your farm. Once you do this, you are most likely to fail to pay it back.
- c. Don't get a loan to service another loan, this will only increase your debts and also spoil your name. Eventually no one will want to lend you more money in the future.
- d. If you get into difficulty with repaying the loan, DON'T keep quiet! Immediately contact your loan officer and inform him/her about your situation.

2.9 Where to get loans from?



Shop around for the best offer

When you want to take a loan, shop around for the best offer. Compare the offers from different financial institutions by considering the following:

- a. Interest rate (how much more you have to pay in addition to what you borrowed),
- b. Repayment period (number of months or weeks or year, etc),
- c. Interest rate calculation method declining/flat¹, fixed/variable²),
- d. Charges and penalties

1 Declining–interest is computed on the unpaid balance demanded from the borrower Flat–the interest is computed on the principle amount borrowed

2 Fixed–the interest computed does not easily change in response to the changes in the market

Variable–the interest computed easily changes in response to the changes in the market environment

- e. Collateral requirements/security acceptable
- f. Savings requirements
- g. Guarantors
- h. Waiting time/turn-around time, processing period
- i. Understand the ***"Total Cost of Credit"***.

If you shop around for the best lender, you will most likely end up paying a little less with better repayment terms. Borrowing from the wrong lender could cost you a lot, so research your options and choose wisely. Be confident when asking financial institutions for costs and terms of products – it is their responsibility to provide you with all the information that you need to decide which product is the best for you.

Topic 3:

Savings and Credit Cooperative Organization–SACCOs

Focus: Overview of SACCOs as mode of business.

Content

- Introduction
- Key terms and definitions
- What are the components of a SACCO

3.1 Introduction

A SACCO is a financial service institution that is member based; member founded, member governed and member managed. It is a financial cooperative.

Why SACCOs

According to a report by FinScope, 2013, the national survey report on “Access and use of financial products and services in Uganda” over

74 percent of the population still depend on semi-formal, non-bank financial intermediaries. The major forms of financial services providers in this category include: SACCOs, savings and credit groups ... etc. This points out the role of SACCOs in provision of rural financing and hence its indirect injection and influence on the rural and wider economies.



3.2 Key terms and definitions

There are terms that are commonly used when referring to SACCOs and operations of SACCOs. A selection of such terms are defined and briefly explained below to facilitate the ease of understanding for the users of this handbook:

SACCO	Savings and Credit Cooperative Organization
Shares	Members' contributions
Savings	Members' deposits into the institution
Loans	Borrowings
Annual General Meeting	An assembly of all stakeholders in the SACCO
Board of Directors	The governing body of a SACCO

Meaning of a SACCO

SACCO is a financial Cooperative registered under the Department of Cooperatives in the Ministry of Trade, Industry and Commerce. Thirty people can form a SACCO with no minimum capital requirement for registration. Currently, SACCOs are only mandated to conduct external audit and Annual General Meeting (AGM) of membership and thereafter submit Annual Returns to the Department of Cooperatives.

3.3 What are the components of a SACCO?

SACCOs must have the following profile:

a. Institutional information:

- i. Institution type: *Microfinance–Saving & Credit Cooperative*
- ii. Address: postal, telephone and mail: *xxx...*
- iii. Regional location: *Region and sub–region*
- iv. District: *xxx*
- v. Year of establishment: *xxx*
- vi. Number of branches: *xxx*

b. Legal status

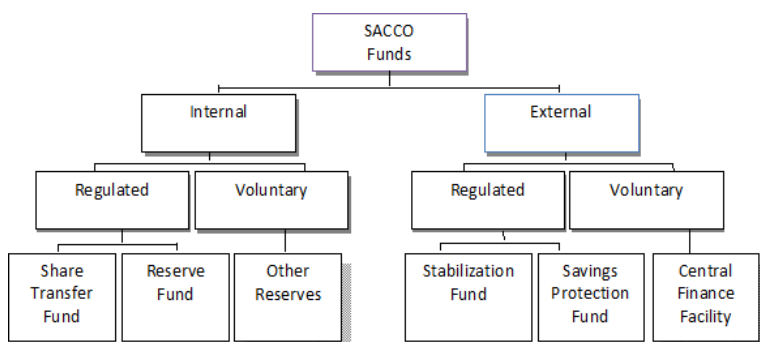
- i. Tier IV Microfinance and Institutions and Money Lenders Act 2016
- ii. Regulator–Uganda Microfinance Regulatory Authority (UMRA³)

³ This body is not yet fully established

- iii. Licensing
- iv. Regulation supervision
- v. Corporate body permanently registered (as a co-operative society) under the provisions of section 5 (2) of the Co-operative Societies Statute, 1991 of the Government of Uganda (GoU)
- vi. Registration certificate number: xxx
- vii. Vision: To ...xxx
- viii. Mission statement: ...xxx

c. SACCO Funds

SACCOs are required to ensure the following funds are available;



i Reserve fund share transfer fund

- ▶ Created through the appropriation of annual surplus of 10% and not more than 5% respectively.
- ▶ SACCOs are permitted to create other reserves as they deem necessary.

ii SACCO stabilization fund

- ▶ Financed by annual contributions by SACCOs (0.5% average total assets) and monies realized from the sale of assets liquidated.

iii Savings protection fund

- ▶ Co-funded by tax payers and annual contribution by SACCOs.

iv Central financing facility

Two or more SACCOs to establish a Central Financial Facility to serve member institutions.

d Affiliation and cooperation

SACCOs are allowed to seek formal linkages with outside sources of support as;

- i. Member of national microfinance apexes;
 - ▶ Uganda Co-operatives Societies and Credit Union (UCSCU)
 - ▶ Association of Microfinance Institutions of Uganda (AMFIU)
 - ▶ Uganda Cooperative Alliance (UCA)
- ii. Member of regional development agencies
- iii. Partner with development agencies

Note

Technical and infrastructure support

- ▶ UCA/UCSCU can provide suitable start-up kits (including standard, core SACCO rules) training material and means of delivering trainings.

e Adequate governance and management

i Board of Directors–BoDs

- ▶ **Structure:** Chairperson, Vice Chairman, Treasurer, Secretary and different Committees.
- ▶ **Composition:** 9 members; 3 females and 6 males.

Note

- i. Elected transparent Board
 - ▶ Board must be elected according to transparent elections, must understand their respective responsibilities. Clear evidence over time of changes to Board composition.

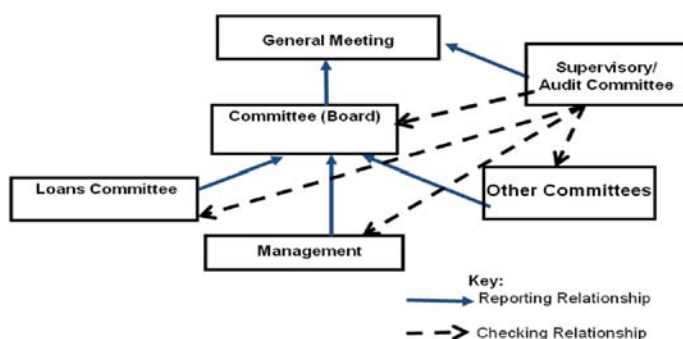
ii Entry criterion:

- ▶ Confirmed membership to the SACCO.
- ▶ Approval of a contesting candidate by an established Vetting Committee.
- ▶ Majority votes through democratic election by the Annual General Management (AGM).

iii Committees' functions

- ▶ Credit Committee oversees loans administration, appraisal and approval of loans above UGX: xxx/= only.

- ▶ Full Board committee support the process of loans administration; appraisal and approval of loans above UGX: xxx /= only.
- ▶ Supervisory Committee (SUPCO) conducts internal audit.
- ▶ Other General duties:
- ▶ Entire BoD collaborates with management staff and consultants to formulate rules, procedures and policies for the institution which remain subject to approval by the AGM.
- ▶ They also assist in the implementation of the resolutions of the AGMs.
- ▶ **Term limits:** maximum of two
- ▶ **Maximum time frame per-term:** two years



Key strengths of board composition of SACCOs	Key challenge of the board
A mix of skills (though limited) with experience in financial accounting, seasoned bankers, legal practice, medical profession, religious denominations, teaching professions, public administration, farmers, business sector and agricultural financing backgrounds.	Recurrent lack of clear outlook with regard to roles and responsibilities.

iv Annual General Meetings (AGMs)

- ▶ This is the supreme body of a SACCO.
- ▶ That comprises of the entire SACCO membership, BoDs and Management .
- ▶ The assembly is held annually prior to the 3rd month subsequent to the completion of annual audits.

Note

- ▶ Member education.
- ▶ Member education must be instituted to ensure that members understand their rights and obligations.

iv *Management staff composition*

- ▶ Back Office: Chief Executive Officer, Branch Managers, Financial Manager, Accountant and Internal Auditor.
- ▶ Front Office: Cashiers, Customer Care Desk Officers and Relationship Officers/ Seles Executives.
- ▶ Loans Officers:

v *Policy and procedures documents*

- ▶ The By-laws and Internal Policies.
- ▶ Human Resources Policy guideline.
- ▶ Credit and Lending Policy.

Note

Rules

- ▶ SACCO rules should be clear, transparent, presented in written manuals and key documents posted in English and national languages.
- ▶ These should be in simplified format and in possession of each member.

f *Infrastructure*

- ▶ Physical office: owned or rented premises
- ▶ Computers
- ▶ Motor vehicles
- ▶ Cash safes
- ▶ Office equipment

g *Outreach and portfolio*

- Clientele:** member based
- Criterion:** Purchase of shares
- Cost per share:** UGX ... xxx.
- Main Sub-Counties(s):** ... xxx. S/counties
- Villages:** ... xxx.

vi. Portfolio summary

As ...at

Product	 branch
Loans outstanding(UGX)	xxx
Number	
Savings (UGX)	
Number	
Shares (UGX)	
Number	
Asset Values(UGX)	

Note

Portfolio Quality

SACCOs are required to aim for a high standard of portfolio quality; with maximum PAR for 30+ being 10 percent

vii *Products and services*

Product Name	Period in which product available (MM/DD/YY)		Main features	Interest rate of product	Calculation method	
	From	To			Flat	Declining
...xxx Loans	xxx	xxx		% pa		
...xxx Loans		xxx	xxx	% pa		Declining

Savings					
Time deposit (Fixed)				% pa	
Regular savings (Ordinary/ Voluntary)			Deposits and withdrawal made anytime any frequency per day with no charges	N/A	
...xxx savings				%	
...xxx savings				%	

- ▶ Fiscal agents to receive payments or deposits from a government body on behalf its members.
- ▶ Insurance or risk management programmes for its members.
- ▶ Mobile money services.
- ▶ Salary payment services.
- ▶ School fees collection services.

vii Financial transparency and consumer protection measures

- ▶ The list of SACCOs will be published annually in the Gazette and at least one newspaper of a wide circulation in Uganda.
- ▶ Quarterly reporting to UMRA using a standardized national Performance Monitoring Tool–PMT.
- ▶ Products and their features displayed in the banking hall for members' awareness.
- ▶ Internal controls are performed by SUPCO.
- ▶ Required by law to execute major external audit are by certified public accountants subsequent to end of every financial year 31st December.
- ▶ The audited reports are presented to the stakeholders during the annual general assembly. This is concluded with financial awareness trainings for the members.
- ▶ SACCOs required to post on notice boards accessible to members, their latest financial statements including Profit and Loss account and Port at Risk Reports.

Note

Consumer protection

SACCO members who feel unfairly treated can contact AMFIU through the Consumer Protection Desk or call **0800133033**.

ix Risk and portfolio management

- ▶ Effective expense control–SACCOs are designed to be low cost institutions and financially self-sustaining. This implies large inputs of voluntary ideas and cost minimization.
- ▶ Strict adherence to accounting policies, procedures & internal control guidelines/manual.
- ▶ Each borrower is conditioned to buy at least a share so as to increase the institutions capital.
- ▶ To safeguard against high delinquency, MIS are installed, and configuration customized to the respective needs of a SACCO.
- ▶ Reporting and monitoring indicators such as Loan Loss Reserve Ratio, Portfolio per Credit Officer, PAR, and Portfolio in arrears, operating self sufficiency are generated.
- ▶ Deployment of a sufficient number of loan officers.
- ▶ To maximize the benefits of accuracy, strict checks and verification practices, a dual accounting system (Manual and automated) are managed for tallying reconciliation.
- ▶ Assets register (inventory).
- ▶ Bank statements for reconciliation purposes.
- ▶ Treasury bills account in the central Bank of Uganda and Time Deposit account.
- ▶ Selected founding members in the SUPCO and BoD as a memoir.

Note

- ▶ Loans to board members should be monitored during annual audits
- ▶ Non–performing loans to board members should be recovered immediately with any possible means.

Topic 4:

Entrepreneurship and Investments

Focus: Entrepreneurship and business development

Content

- ▶ Meaning of entrepreneurship
- ▶ Meaning of entrepreneur
- ▶ Identification and selection of business enterprises
- ▶ Planning for the enterprises
- ▶ Management of the business/enterprises

4.1 Meaning of entrepreneurship

"The art of identifying viable business opportunities and mobilizing resources to convert those opportunities into a successful enterprise through creativity, innovation, risk taking and progressive imagination"

"Entrepreneurship may also refer to an individual's ability to turn ideas into action. Entrepreneurship involves engaging in socially useful wealth creation through application of innovative thinking in order to meet consumer needs using one's own labour, time and ideas".



It is therefore a key element in helping people to be more creative and self confident in whatever they undertake.

4.2 Meaning of an entrepreneur

An entrepreneur is a person who develops a new idea and takes the risk of setting up an enterprise to produce a product or service which satisfies customer needs.

Both men and women can be successful entrepreneurs; it has nothing to do with gender.

All entrepreneurs are business persons, but not all business persons are entrepreneurs.

4.3 Identification and selection of business enterprises

The process of selection of enterprises/Income Generating Activities (IGAs)

"Why are Income Generating Activities so helpful? Two reasons:"

- a) **"IGAs give us more control over our income;** much better than frequently seeking help from relatives or neighbors or expecting handouts from the government. These methods of survival make us vulnerable. IGAs help us to be independent."
- b) **"IGAs help us manage risks; by earning income in different ways from different sources. It is more likely that the household will have income throughout the year with a variety of sources."**

4.4 The five most important points in selection of enterprises

To select an IGA, we follow five important points.

- a. **Customers:** will customers buy my products/services?
- b. **Knowledge and skills:** do I have the knowledge and skills to operate this activity?
- c. **Startup and working costs:** do I have the money to start up and operate?
- d. **Sales and income:** is the IGA profitable?
- e. **Family expenses:** will the income from the IGA, when added to other family income, be enough to pay household expenses?

If an IGA is selected without using the five important points, the IGA might...

- ▶ Not have enough customers
- ▶ Be too complicated for us
- ▶ Be too expensive to start up, or

- ▶ Be unprofitable
- ▶ Not help pay our weekly household expenses..

4.5 Identify promising IGAs:

Before we select an IGA, we must understand our choices. There are activities that people in our community undertake to generate income. These can be things people make, buy and sell, or services people perform for others."

Some usual examples are; bee keeping, bicycle repair, butchery, carpentry, cassava selling and buying, chicken vendor, shoe repair, firewood and charcoal selling, fish smoking, goat keeping, knitting, mat weaving, meat roasting, pottery, poultry raising, produce buying and selling, radio repairing, secondhand clothes selling, seedling nursery, tailoring, tea room / restaurant, vegetable growing, etc.

What are some common IGA selection mistakes?

"We see others operating the IGA."

"We hear that it is profitable."

"We think that it is easy to operate."

Important notes and characteristics of enterprises/IGAs

- i. **Business/IGAs** are activities in which resources are invested with expectation of return in future.
- ii. The costs and benefits of the activity will be recognizable, measurable and:
 - ▶ Can be planned, financed and implemented as a unit.
 - ▶ Has a specific starting and finishing time in order to achieve specific objectives.
- iii. Business is an activity around which a conceptual boundary can be ascribed:
 - ▶ Must have specific geographical location.
 - ▶ Is likely to have partially or wholly independent administrative structure and a set of accounts.

Choosing enterprise takes into consideration a number of factors

- i. Takes into consideration needs of the immediate community.
- ii. Takes into consideration the capacity of the proprietor.
- iii. Exploitation of the locally available resources culturally familiar and acceptable.
- iv. What the community wants.
- v. Strengths and weaknesses with regard to skills, experience and capabilities.

- vi. What are the entrepreneurs' interests and objectives?
- vii. Local needs.
- viii. What can be produced locally?
- ix. What can be marketed easily at a fair price?
- x. What can you provide?
- xi. What resources are required to produce and sell the product?
- xii. What is the required; quantity/quality that can make it profitable?
- xiii. What equipment, materials, facilities are needed for the activities?
- xiv. How much will it cost to start the business?
- xv. How long will it take to get started?
- xvi. What other short term or long term benefits might be desired from the business?
- xvii. What risk is involved in this kind of business?

4.6 Tips on how to venture into agri-business

This may involve the selection of specific agricultural sectors through the following general procedures; identification of selected specific characteristics highlighted below:

i. Map, identify and select viable agribusiness enterprises

This requires that you scan the locality for the nature and forms of agribusinesses and general agricultural activities within the specific localities.

ii. Understand the agricultural value-addition chains

Value chain refers to every transaction in the production and marketing of a commodity. For example in rice, the value chain would include the business of wholesaling inputs, the business of retailing inputs, the business of converting inputs into rice (through farm production), the business of transporting rice, the business of milling rice, the business of marketing the milled rice. For each of these businesses in the value chain, there are cash flows where goods and services are purchased and sold. The interested entrepreneur needs to understand where their competitive advantage lies so as to make an entrance decision.

iii. Execute some investment analysis

These can be undertaken for the respective stages of the value chain activities. Three tools are chromatically stated according to increasing complexity below:

- ▶ Gross margin analysis—assesses the Returns on Investments (RoI)
- ▶ Cost benefit analysis—that illustrates Profitability (P)

- Value chain analysis—focuses on the Internal Rates of Return (IRR)

iv. The cost of the agribusiness:

The above analysis should enlist and aggregate all specific costs involved in the agri-business segment.

v. Understand the market and market stability

Identify the agri-business sector with verifiable demand; for example rice produce. There should be a fair estimate of the number of actors for the business segment.

vi. Experience and knowledge

Does the entrepreneur have the technical knowledge such as adequate understanding of the agronomic application of fertilizers and inputs? Also, this relates to how long the entrepreneur already has exposure to this specific sector. Agribusiness requires patience!

vii. Skills and competencies

What is the commercial expertise that the entrepreneur has to successfully marshal this business? Think through the robust opportunities and peculiar bottlenecks.

viii. Environmental externalities

What is the ecological zoning for commercial agriculture in the particular geographical area?

ix. Commercial/ volume of business

What is the level of commercialization of the selected agribusiness operation in a given locality?

x. Tenure

What is the tenure of the enterprise selected? This has implications on the cash flows and may determine the required starting investment capital as well as sustainable agri-business operations.

xi. Access to resources

Ascertain the availability of and accessibility of productive resources that are critical for successful accomplishment of agribusiness activities; including inputs, labour, equipment and facilities like storage and transportation.

xii. Access to external support

Ascertain the availability, proximity and accessibility of external productivity and profitability enhancing opportunities such as extension services and technical assistance.

4.7 Planning for your enterprise

This section explains how goals and objective of enterprises are outlined, how and when they can be achieved. It is a road map to owning and operating a business. It should be developed before starting the business and revised overtime/regularly.

How to develop a business plan

- ▶ Title of business: name and nature
- ▶ Location, e.g. physical, telephone, email and postal address
- ▶ Business profile
- ▶ Goal of the business
- ▶ Objectives of the business
- ▶ Strategy: the various ways of doing things. (give e.g. in procurement, transportation, production and marketing)
- ▶ Budget/financial plan
- ▶ Management and organization structure
- ▶ Risks and assumptions.

Importance of a business plan

- ▶ To obtain financing from financial institutions.
- ▶ It is a guide for the day to day operation of the business.
- ▶ It is a legal requirement for formalizing the business e.g. trading license, certification, tax assessments etc.
- ▶ It helps to keep business focused.
- ▶ It provides information regarding the background and capacity of the businesses.
- ▶ It helps businesses to avert potential risks.

Business registration

This is the process of making a business a legal. Different types of businesses can be registered with government authorities at different levels. When you register a business, you are issued a document as in the Table below.

Steps in business Registration

- a) Market vendors only register during respective market days. They do not require annual license fees. Rather, they pay market dues and commission during the market days of the different markets.
- b) Small scale business proprietors are required to visit the respective licensing offices and inform the local government administrative unit (as in the table below) about their business; describe the nature and locations. The authority arranges and sends an officer to assess the nature of business and grades into a tier of license fee.
- c) The fees are then paid as advised by the Assessor, and a receipt issued.
- d) The receipt must be kept in the business premise until the license has been prepared by the authority.
- e) For associations, companies and SACCOs, shareholders are required to convene a meeting and draw resolutions including the one stipulating the mutual agreement and decision to register. A stipulated quorum is required particular persons must append their signatures.
- f) A Legal Advisor must be involved in the process of drafting and finalizing all documents.
- g) The additional requirements must be finalized before proceeding to the registration as indicated in the summary table below.
- h) Trading licenses are valid for 12 months (one year) and are renewable at a fee as per the assessment.

Type of business/ enterprise	Where to register?	Requirements	Legal document Issued
Small scale business and retail shops	Division/Town council/sub- county offices	► Name of enterprise ► Address/location ► Proprietor	Trading license

Type of business/ enterprise	Where to register?	Requirements	Legal document Issued
Associations, investment clubs, Community Based Organisations, VSLAs, ROSCAs, SACCOs	Municipality Division/ Town council/ sub-county offices - Office of the Senior Community Development Officer	▶ LC endorsement ▶ Constitution ▶ Resolution to register ▶ Name of association ▶ Address/location ▶ 30 members	Certificate of registration
SACCO	District Commercial Officer	▶ Constitution ▶ By-law ▶ Resolution to register ▶ Memorandum and Articles of Association ▶ LC endorsement ▶ Name of SACCO ▶ Address/location ▶ 30 members	License
Company Limited by shares	Registrar of Companies	▶ Constitution ▶ Memorandum and Articles of Association ▶ Resolution to register ▶ Name of company ▶ Address/location ▶ Form No. 7 ▶ Details of Board of Directors	Certificate of incorporation Trading license

4.8 Business management: stability & growth (mitigating the causes of business failure within short periods)

a Plan

It is good practice to develop a clear work plan. The work plan should indicate all the details about the enterprise you are going to engage in. A good work plan should capture some of the following key information requirements:

- ▶ What enterprise and how much (e.g. you can indicate that you are going to plant maize on one acre).
- ▶ The different stages of activities (e.g. from planting, to selling and what needs to be done at each of these stages).
- ▶ The amounts of money required and the sources of these funds.

To develop this work plan, you can seek assistance of resourceful and technical persons such as at the District Farmers Associations (DFAs) or NGOs.

b Budget

Develop a clear budget. This should indicate how much money you need for all activities. After creating a budget you should be able to see how much savings you need to meet the budget. At the same time, you will be able to see how much money you need, and if you may need to borrow to meet the budget.

c Record keeping

To ensure that you manage your finances within your business, it is important to keep proper records.



Why is proper record keeping important?

- i. Proper records allow you to track the performance of the enterprise.

- ii. Records will be very key requirements for convincing the lenders such as banks and microfinance institutions to lend to you money.
- iii. Records allow you to properly plan. For instance when you fill out the financial requirement record demonstrated below, it shows you at the end how much money you need, and therefore how much you may apply for as a loan.

All the above can be done if you can learn to use and adopt methods such as the one indicated below:

Example: Financial requirements analysis records

Financial requirement for planting season _____ of Year _____

What do you plan to plant?

Shs Planting
 beings

A Clearance of land

Labour for clearing

Other clearing costs

Total costs of clearing

B Inputs

Seeds

Fertilizers

Other inputs **1**

Other inputs **2**

Other inputs **3**

Total costs of inputs

C Planting

Labour for planting

Weeding

Other costs **1**

Other costs **2**

Total planting costs

D Harvesting and post harvest

Labour for harvesting

Other harvest and post harvest costs

E **Total harvest & post harvest costs**

F **Total costs for planting in the season**

G **Less: own contribution**

H **Total loan required**

d Why is this report important?

- i. It will allow you capture all the costs for the enterprise (e.g. planting a particular crop within a season).
- ii. This report allows you to have records to track actual performance.
- iii. This report can be helpful when applying to a bank or MFI for a loan.

Example: Farm income and expenses analysis report

Work plan financial analysis

Planned income and expenses report for planting season

.....of year.....

	Budget	Actual
A Income		
Income from harvest of		
Other income		
Income from		
Income from		
Total income from the season		
B Planting expenses		
Seeds		
Fertilizers		
Labour costs		
Other inputs 2		
Other inputs 3		
Total planting costs		
C Farmer household expenses		
School fees		

Other family costs

Other costs **1**

Other costs **2**

Total household expenses

D Total savings

How to use this report

- a. Before the season begins, fill out the budget component with all expected costs. You can use your experience of the past seasons to fill this section.
- b. The actual income and expenditure can be filled with other records at the end of a season.
- c. **Why is this report important for you?**
 - i. It allows you capture all the different areas of income from the enterprises.
 - ii. Record all expenses, (e.g. all costs of planting and household expenses).
 - iii. Indicates whether incomes are enough to meet the expenses in the enterprise undertaking and profits available for savings.
 - iv. Being able to save enables proper planning for an entrepreneur.

In conclusion

Savings

- You know the importance of savings
- You have learned how you can better save and invest your finances

Accessing credit

- You know why credit is important to improve your business
- You have learned about different financial service providers

Managing your finances in your business

- You know the important records to keep to track the financial performance of your business
- Proper records can be helpful in accessing financing
- Plan for future savings

Topic 5: Marketing and Value Addition

Focus: Understanding marketing and value addition

Content

- Understanding value addition

5.1 Understanding value addition

Value addition relates to improving a product so that its shelf life is longer, quality improves and its market value increases. The commonest application of value addition process is in agricultural production and processing chain of activities.

Illustration:

- Imagine a crop produce like maize. The following activities add value to maize grain:
 - i. Roasting maize
 - ii. Grinding maize into flour
 - iii. Packing maize as snacks eg doritos
- For each of the above (i-iii) activities, there is an increase in the market value of the product, and consequently the market price of the product.
- It implies for example that actors connected along a chain producing and delivering agricultural goods to consumers through a sequence of activities starting from the inputs, production, processing, marketing and consumption.
- At each level and or stage of engagement of actors in the value or supply chain, do not participate in isolation; rather their activities depend largely on other impacts and interventions.

Topic 6: Customer care and Language

Focus: Customer Care and Language

Content

- ▶ What is customer care?
- ▶ Methods of good customer care
- ▶ Benefits of customer care

6.1 What is customer care?

This is the art of ensuring that customers enjoy the benefit of service beyond the product offered.

6.2 Methods of good customer care

- ▶ Effective communication. Customer care is centered on communication. This includes verbal, written and gestural/body language that are indicative of courteousness, reception and positive service to the customer.
- ▶ Provide alternatives and options for the customers. This increase the satisfaction that customers yield from a specific service offered to them. It serves as a one stop centre and helps a customer to save resources such as: time, financial and strains involved in locating the services and goods that they are seeking for.
- ▶ After sales services—a practice that involves user trainings, packaging and transportation, follow up and concerns that are necessary to ensure that a customer is happily using the goods and items that they have purchased.

6.3 Benefits of customer care

- a. It is the simplest way of retaining the existing customers than acquiring new ones.
- b. It is the strongest determinant that can make or break the reputation of an enterprise.
- c. It is the strongest tool for competition.
- d. Customers shall be willing to pay more for a better experience.
- e. It is an integral part of a product process. This means that product is only effectively developed and delivered when the users/market/consumers are satisfied with the final results.

Topic 7: Taxes and Non Tax Revenue

Focus: Taxes, non tax fees and charge

Content

- ▶ What are taxes?
- ▶ What you need to know about taxes
- ▶ Other dues, fees and charges

7.1 Introduction?

This module provides guidelines for complying with tax laws and procedures for central government taxes. It outlines the structure of Uganda's tax system, the different forms of taxes, the tax payers' obligations and the different ways an aggrieved tax payer can seek redress.

7.2 What are taxes?

Taxes are compulsory deductions that government makes on incomes of its citizens, the profits of businesses and transactions. The amounts deducted are a percentage of the money being taxed.

It is defined as the monetary charge imposed by government on persons, entities, transactions or property to yield public revenue.

Thomas. M. Cooley: 'The Law of Taxation' provides a tax definition that embraces the non-monetary contribution as "... the enforced proportional contribution from persons and property levied by the state by virtue of its sovereignty for the support of government and for all public needs".

One of the main characteristics of a tax is that the payer does not demand something equivalent in return from government for the payment. It is expected that when taxes are collected, they are used by government for public good and not just for those who make the payments.

7.3 What makes it legal for governments to collect taxes?

- a. The Constitution of Uganda, Article 152(l) empowers 'Acts of Parliament' to impose taxes.
- b. Uganda Revenue Authority (URA) Act CAP 196 defines the administrative framework for tax categorization and collection.

- c. URA administers the tax laws (acts) on behalf of Ministry of Finance, Planning and Economic Development – MoFPED under the following legislation regulating taxes:
 - i. Customs Tariff Act. Cap 337.
 - ii. The East African Customs Management Act.
 - iii. The Excise Tariff Act. Cap 338.
 - iv. The Income Tax Act. Cap 340.
 - v. The Stamps Act. Cap 342.
 - vi. Traffic and Road Safety Tax Act. Cap 361.
 - vii. The Value Added Tax Act. Cap 349.
 - viii. The Finance Act. Cap 340.
 - ix. All other taxes and non-tax revenue as the Minister responsible for finance may prescribe.

7.4 Principles of taxation?

These are concepts that provide guidelines towards a good taxation system:

a Equity/fairness

- i. Same amounts should be paid by entities or persons that are equal in earnings or wealth.
- ii. The tax should increase as the taxable income increases.

b Convenience

- i. Payers should not undergo undue difficulties to pay tax. E.g medium, place, manner ... etc.

c Certainty

- i. The taxes are well understood by both the payers and collectors. Tax is legally documented.

d Economical

- i. The administrative cost of collecting taxes should be kept low - maximum of 5% of the tax revenue.

e Simplicity

- i. Type of tax, methods of assessment and collection must be simple and understandable to all.

f Ability to pay

- i. Tax should not take-away much income to discourage the participation of the payers.

7.5. What are the main characteristics of taxes?

- i. **Progressive Tax:** a structure in which the tax rate increases as income increases.
- ii. **Regressive Tax:** structure which is not based on the ability to pay; reduces as income increases.
- iii. **Proportional Tax:** a structure in which the tax rate remains fixed, regardless of amount of tax base.

7.6. Classification of taxes

- a. **Direct taxes:** are imposed on incomes from businesses, employment, property, and the burden of taxes is borne by the individual or entity. Examples are corporation tax, individual income tax, pay as you earn, capital gains tax and rental tax.
- b. **Indirect taxes:** are levied on consumption of goods and services collected by an agent (tax payer). Examples are Value Added Tax (VAT), excise duty and import duty.

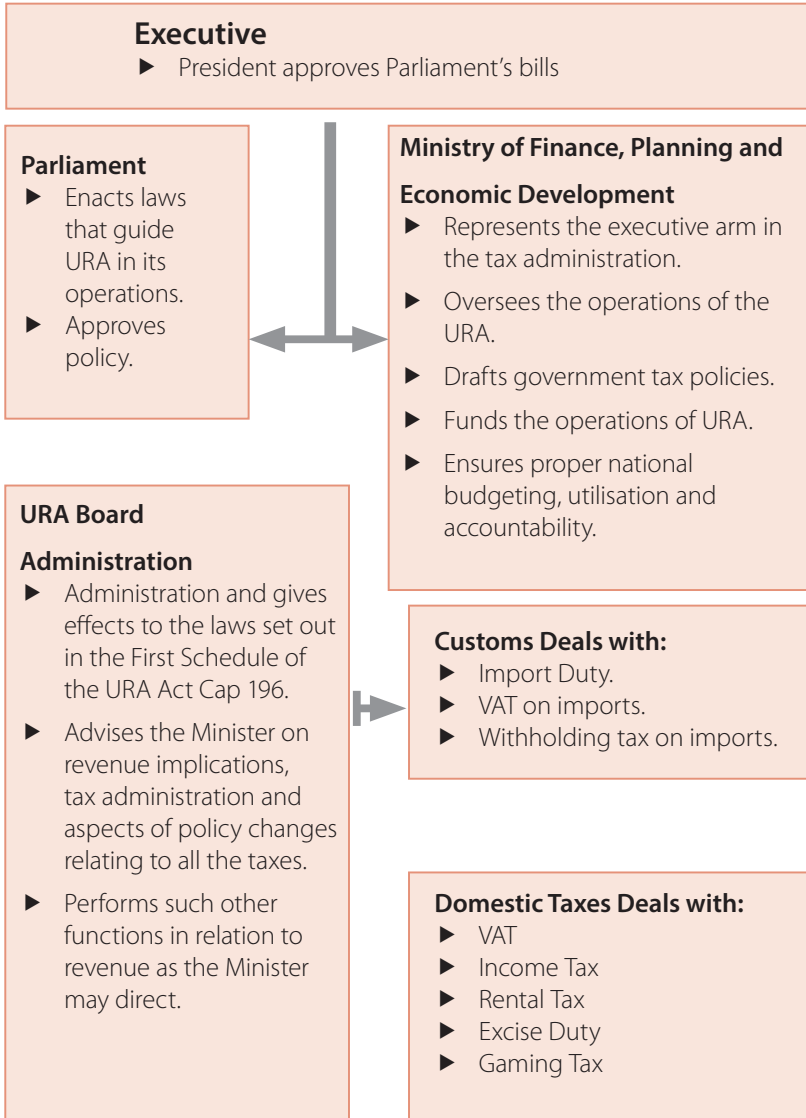
Illustration:

Shopkeeper B sells bread to K for Shs 2,000, on which VAT has been charged. The VAT on the bread is Shs 305 and is paid to the Government. Although K has paid the Shs 305 on bread that was priced at Shs 1,695, the tax is accounted to URA by B and K need not follow up the transaction with URA.

7.7. Importance/The role of taxes?

- a. To finance Government recurrent and development expenditure such as salaries and projects.
- b. Regulate demand and supply in the economy during times of inflation.
- c. Encourages the growth of local industries, creates employment opportunities and export trade.
- d. Protects society from undesirable/harmful products/industries, such as excise duty on cigarettes.
- e. Progressive taxation is useful for promoting equality in distribution of the wealth/income if a nation.

7.8 The structure of Uganda Tax System



7.9. Explanation of some new concepts in taxation

a) What is e-Tax

URA has an eTAX system that is used for registration of tax payers, filing returns, assessments and paying of taxes. eTAX is a name given to an integrated Tax Administration System that provides online services the tax payer on a 24 hour basis. The payers can lodge their applications online through the web portal from anywhere on the globe as long as they are connected to the internet. Upon uploading the application on the web-portal, the system will generate an e-acknowledgement receipt with a reference number and search code that you can use to track the status. Note: any attachments have to be delivered to URA Domestic Taxes Office.

When the application is being processed, the applicant will be contacted in case of any query, interview or inspection. When application is approved, the applicant will be issued a TIN with limited details displayed on the Certificate of Registration. Where the application has been rejected, the tax payer will be issued a rejection notice stating the reasons for rejection through their registered email address.

The tax payer will on receipt of the TIN be able to log onto the web portal and create his/her own account for any further transactions.

Benefits: less time consuming, easy to edit the details and receipt of notices from URA.

b) What is e-filing?

A tax payer registered with URA for any tax type as the only source of income other than employment has an obligation to submit a return for the period defined by the respective tax law. URA has facilitated taxpayers to fulfill this obligation electronic filing of tax.

Tax payers can obtain returns from the portal <http://ura.go.ug> fill and upload. In case of any clarifications, enquiries can be made to services@ura.go.ug or call the toll free lines. Toll Free Hotline for Uganda Revenue Authority: 0800117000.

c) What is e-payment?

Through the URA web portal <http://ura.go.ug>, tax payers can access the payment registration slip, register the payment and go to the bank to make the actual payment. The payments can be monitored through the web portal.

7.10. What types of taxes do you need to know about?

a) Income tax

This is tax imposed on a person's taxable income at specific rates. A person includes an individual, company, partnership, trustee, government and sub-divisions of government. Income is derived from business, employment and property.

Income tax is administered under the Income Tax Act (1997) Cap 340.

► **Year of income:** the period of twelve months ending on June 30, and includes a substituted year of income and transitional year of income.

► **Employee's relief**

This refers to the gains or income that is not included in the chargeable income of the employee and therefore not taxable on an employee.

- i. The employee's income that is below the taxable threshold, currently UGX: 235,000 per month.
- ii. Pension.
- iii. Discharge or reimbursement of medical expenses actually incurred by the employee.
- iv. Life insurance premiums paid by a taxable employer (company/individual) for the benefit of employee.
- v. Expenses incurred by the employee; discharge or reimbursement for the employee on official duty of the employer.
- vi. Meals and refreshments or value thereof provided to all at equal terms.
- vii. Employers' contribution to a retirement fund for the benefit of the employee.
- viii. Any non-cash benefit whose value is less than UGX: 10,000 a month.
- ix. A relief of 25% on terminal benefits for employees who have the employer for at least 10 years.
- x. Passage costs.
- xi. The employment income of an expatriate employee in a listed institution, under a technical assistance agreement subject to the Minister's approval.
- xii. Official employment income of persons employed in armed forces, Uganda Police Force, Uganda Prisons. It excludes persons serving there in civilian capacities.
- xiii. Employment income of Ugandans posted to work in Ugandan diplomatic missions abroad.

xiv. Employment income of persons employed by EADB.

► Collection of Tax from employment income

This is collected on a monthly using a system known as Pay As You Earn (PAYE).

► The current monthly PAYE Tax rates

The Income Tax Act obliges employers while making payments of employment in any month to withhold tax at the prescribed withholding PAYE tax rates and pay the tax withheld by 15th day of the following month to URA.

Monthly Emoluments	Tax Rate (Bracket)
1. Not exceeding sHS 235,000	Nil
2. Exceeding Shs 235,000 but not exceeding Shs 335,000.	10% of the amount by which chargeable income exceeds Shs235,000
3. Exceeding Shs 335,000 but not exceeding Shs 410,000	Shs 10,000 plus 20% of the amount by which chargeable income exceeds Shs 335,000
4. Exceeding Shs 410,000	a. Shs.25,000 plus 30% of the amount by which chargable income exceeds Shs 410,000 Where the chargeable income of an individual exceeds Shs. 10,000,000 an additional 10% charged on the amount by which chargeable income exceeds Shs. 10,000,000

b) Property Income

Property Income is defined in the income tax act as;

- Any dividends, interest, natural resources payments, rents, royalties, and any other payments derived by a person from the provision, use or exploitation of property.
- The value of any gifts derived by a person in connection with the provision, use or exploitation of property.
- The total amount of any contributions made to a retirement fund during a year of income by a tax exempt employer.
- Any other income derived by a person but does not include an amount which is business, employment or exempt income.
- Any amount included in a business income of the person under any section of Income Tax Act.

Note: Rent is classified under business income if it's derived by a person whose business is wholly or mainly the holding or letting of property. However, if rent is derived by the person whose business is not wholly or mainly the holding or letting of property, then it is classified under property income. For example, if a company receives rent from its properties, then it is classified as property income because it is not in the business of holding or letting of property.

c) Exempt income

Certain incomes by law are not taxed and they are referred to as exempt income. These are listed in section 21 of the Income Tax Act.

d) Taxation of small business tax payers (presumptive tax)

The concept of small businesses in taxation was developed to accommodate low income tax payers who would ordinarily find difficulty to prepare formal accounts. The preparation of these accounts would require the engagement of professional accountants which is very costly.

The Income Tax Act provides for an arrangement of taxing small businesses based on gross turn-over or total sales. This is referred to as presumptive tax.

► Who is a small business tax payer?

This is a resident tax payer whose gross turn-over from all businesses owned by such a person in a year is more than five million shillings but does not exceed One hundred Fifty Million Shillings. The term "Turn over" refers to one's total sales in a year. However, persons in the following activities are exempted from presumptive tax;

► Medical Practice	► Dental Practice
► Architectural service	► Engineering services
► Accounting and Audit practices	► Public entertainment services
► Legal practice	► Public utility service
► Any other professional services	► Construction services

► Determination of sales for a small business tax payer

In order to benefit from a presumptive tax regime, a tax payer must keep records of daily sales, which is the basis for determining their tax bracket. Daily sales may be recorded as follows;

Date	Item Sold	Sales (Shs)
01/01/2014	Groceries	5000
02/01/2014	-	10,000
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Monthly Total		15,000

Presumptive rates for Towns and Trading Centres

Business Trade	With turn over between (UGX35-50 Million)	With turn over between (UGX 20-35 Million)	With turn over between UGX 10-20 Million)
General Trade	300,000	200,000	100,000
Carpentry/ Metal works	300,000	200,000	100,000
Garages (Metal vehicle repair)	350,000	250,000	100,000
Hair and beauty/salons	350,000	250,000	100,000
Restaurants and Bars	350,000	250,000	100,000
Clinics	350,000	250,000	100,000
Others	300,000	250,000	100,000

► Election (Option) not to be under presumptive tax

A tax payer who would ordinarily fall under presumptive tax regime may opt out by notifying commissioner in writing to be assessed on chargeable income. The chargeable income method involves preparation of statements by the taxpayer. Such a taxpayer is required to submit the election notice together with their Annual Income Tax Return for that year by the due date of filing such return of income.

► Income tax registration

Every taxpayer who is in business is required to register with URA for tax purposes. This enables URA to issue TIN. The following are required for TIN registration;

Resident/Non Resident Limited Company	a) A copy of certificate of incorporation from Registrar of companies b) Company Form 7, certified by the Registrar of companies c) Completed non-individual application form. d) Completed individual application form for each Director e) An introduction letter if registration is to be done by a person other than Directors/Subscriber/ proprietor f) A copy of Board resolution where shareholders are different from Directors g) Requirement of referees including their Bankers.
	h) A copy of tenancy agreement/rent payment receipts. In case of owner occupied premise, a letter to that effect should be attached.
Sole proprietor/ Individuals	a) Copy of two identification documents; driving permit, voter's Id, employment Id, passport, national Id, etc. b) A fully completed individual application form
Partnership	a) A copy of certificate of incorporation from Registrar of companies b) A copy of the Partnership Deed c) Completed non-individual application form for partnership. d) Completed individual application form for each partner e) A copy of tenancy agreement/rent payment receipts. In case of owner occupied premise, a letter to that effect should be attached.

Non-Governmental Organizations (NGOs)	a) A copy of the registration certificate from NGO Board. b) Completed non-individual application form. c) Completed individual application forms if NGO has directors. d) A copy of tenancy agreement/rent payment receipts. In case of owner occupied premise, a letter to that effect should be attached.
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e) Withholding Tax System (6%)

This tax is deducted at source by a Withholding agent upon making a payment to another person. The Income Tax CAP 340 specifies persons who are required to withhold tax as well as those upon whom the tax is imposed, depending on the nature of the transaction. A withholding agent is the person making payment and obliged to withhold tax; and the recipient of the payment is the payee. It levied on employment, goods and services.

Withholding tax is 6% levied on the remuneration of services rendered by services entities such as consultants.

f) Value Added Tax (18%)

This is an indirect tax that is paid by a person who consumes or imports goods and services in Uganda. The tax is charged on value added at different stages of production or supply of goods and services.

VAT was introduced in Uganda in July 1996 to replace the Sales Tax and Commercial Transactions Levy (CTL). VAT is administered under the Value Added Tax Act (CAP 349) of the Laws of Uganda.

VAT is 18% of the goods and services that we consume and commodities that we buy, sell and make use of on a daily basis.

► VAT Registration

This is the process of getting eligible persons put or recorded on the VAT register. VAT Threshold refers to the minimum level of taxable turnover above which a person is required to register for VAT. The current annual threshold is Shs. 150 Million, however for registration purposes, this is determined on a quarterly basis, i.e it is Shs. 37.5 Million in any three consecutive calendar months.

g) Local Excise duty

This is a tax on consumption of specified goods and services. It is imposed to protect revenue resources as domestic production replaced importation and regulate consumption of certain goods with negative health implications such as spirits and cigarrates.

This tax is administered under the Excise Act 2014.

7.11. Non Tax Revenue (NTR)

This refers to duties, fees and levies that are charged by government for provision of specific services and penalties for specified offences. NTRs are imposed by Specific Acts of Parliament and administered by Ministries and other government departments.

The NTR directly administered by URA include; stamp duty and motor vehicle transactions fees. These include; the registration fees, change of ownership fees, duplicate fees, alteration fees, re-registration fees, OTV fees, cancellation and endorsement fees, search and certification fees.

However, URA collects Other Non-Tax Revenues (ONTR) on behalf of Ministries and other government departments. The common ones include;

- Passport fees
- Work permit fees
- Court fees and fines
- Traffic express penalties
- Land transfer fees
- Royalties
- Business and Company registration fees
- Tender fees
- Permit fees

Stamp duty: is payable on every document that confers any right of liability upon being created, transferred, limited, extended, extinguished or recorded.

Instruments with a fixed stamp duty rate		
No	Instrument	Current Rate
01	Affidavit including a affirmation or declaration	5000
02	Agreement or Memorandum of an agreement	5000
03	Articles of Association of a Company	10,000
04	Cancellation	5000
05	Caveat (Under the Registration of Title Act)	5000
06	Memorandum of association of a Company	10,000

07	Partnership	5000
08	Policy of Insurance	35,000
09	Power of Attorney	5000
10	Promissory note	5000
11	Solemn or statutory Declaration	5000
12	Release of Instrument	5000

Instruments attracting an ad valorem (percentage) rate

No	Instrument	Current Rate
01	Debenture	0.5% of the Total Value
02	Equitable Mortgage	0.5% of the Total Value
03	Gift	1% of the Total Value
04	Hire purchase Agreement	1% of the Total Value
05	Lease	Ground Rate Multiply by the number of lease term plus premium then multiply by 1% of the total value
06	Mortgage Deed	0.5% of the total value
07	Security bond	1% of the total value
08	Agreement relating to deposit of title deeds	1% of the total value
09	Transfer of shares	1% of nominal value
10	Further Charge	0.5% of the value
11	Transfer of land	1% of the value given by the chief government valuer
12	Capital Duty:	
	On nominal share capital or any increase of it of any company incorporated in Uganda with Limited liability	0.5% of the increase in total value
	Capital duties on companies listed on the Uganda Stock Exchange	Nil

► **Customs: clearance of passengers and baggage**

Others

a) Trading license

These are usually charged by government administrative units in the respective areas where business shall operate. The amounts are tiered and hence the higher the capital level and volume of the business, the higher the amounts. This is not a tax.

b) Inspection fees

These are charged by respective authorities and instituted to ensure "quality control measure". The examples include fees paid for stamping weighing scales, fees paid to Veterinary authorities for movement of livestock, fees paid for licensing and commercial sale of processed foods and beverages to the public. The standards required are defined and enforced by the Uganda National Bureau of Standards.

c) Market duties

These are fees that are levied to small scale traders and market vendors. They are usually charged for such purpose as commission to market owners, for cleaning and maintenance services, and provision of business infrastructure and related social facilities.

d) Commissions and brokerage fees

These fees paid to sales persons as their income for the successful sales. Although it is almost customary that amounts are usually a percentage of the actual sales price of a successfully sold commodity, these tend to vary depending on the negotiations between the Broker/Sales agent and both buyer and owner of the item.

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