



LEGAL ALERT

STAMP DUTY FREQUENTLY ASKED QUESTIONS?

1. WHAT IS STAMP DUTY?

Stamp Duty is a tax imposed on the legal instruments listed in Schedule 2 of the Stamp Duty Act.

A legal instrument means a document by which a right or liability is, or purports to be, created, transferred, limited, extended, extinguished or recorded.

2. ON WHAT IS STAMP DUTY IMPOSED?

- Any legal document listed in Schedule 2 being signed in Uganda, in relation to a service or property located in or taking place within Uganda.
- A bill of exchange, cheque, or promissory note created outside Uganda that is accepted, paid, presented for acceptance or payment, endorsed, transferred, or otherwise dealt with in Uganda.
- Any other legal document drafted outside Uganda, listed in Schedule 2, in relation to property or an action within Uganda.

It should be noted that this does not apply to instruments issued by the Government of Uganda and Public International Organizations.

3. WHEN IS STAMP DUTY PAYABLE?

Stamp duty is payable within-

- i. If executed within Uganda, 45 days
- ii. If executed outside Uganda, 30 days from the date of receipt in Uganda.

- iii. In the case of a promissory note or bill of exchange executed outside Uganda and payable within 30 days, 7 days from the date of receipt in Uganda.

4. WHAT ARE THE COMMON TYPES OF LEGAL INSTRUMENTS ON WHICH STAMP DUTY IS IMPOSED?

- Employment Contracts
- Land sale
- Land lease
- Tenancy agreements
- Contracts for sale and supply of good and services(vendors)
- Motor vehicle purchase
- Memorandum of Association of a company.
- Articles of Association of a company.
- Changes in share capital (ordinary and preferential)
- Debentures
- Loan agreements
- Caveats
- Mortgages
- Hire Purchase agreements
- Bank guarantees
- Insurance bonds
- Insurance policies
- Letters of credit
- Partnership agreements (Formation and dissolution)
- Professional licenses and certificate

A complete list of the legal instruments subject to Stamp Duty may be found in Schedule 2 of the Act.

5. WHAT ARE THE PENALTIES FOR NOT PAYING STAMP DUTY?

A person who-

- a. attempts to pay using a cheque or promissory note without it being duly stamped or postdates it and having it stamped,
- b. executes a legal instrument without it being duly stamped, or;
- c. attempts to vote under proxy on behalf of a shareholder without the document that confers that authority being duly stamped,

attracts a penalty and the person is liable to a fine of Two million Ugandan Shillings (UGX 2,000,000/=) or imprisonment not exceeding six months or both (Section 57 of the Act).

Also, a director or company secretary of a company that issues a share warrant not duly stamped commits an offence and is liable on conviction to a fine not exceeding Two Million Ugandan Shillings. The same applies to an insurance company whose policy is not duly stamped.

6. WHAT ARE SOME OF THE IMPLICATIONS FOR NOT PAYING STAMP DUTY?

- i. In cases where a legal instrument is submitted to a public official, other than a police officer, and it is not duly stamped, the instrument shall be impounded.
- ii. In cases where a legal instrument is to be relied upon as evidence in a legal proceeding, and is not duly paid, such evidence may not be admissible or be acted upon by a public official.

Should you wish to obtain more information in relation to the above please contact the following.

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About TASLAF Advocates

TASLAF Advocates provides blended legal and tax services to the most impactful entities operating in Uganda & East Africa. We are driven by a desire to create social impact and harness the interconnectedness of the African eco-system in our provision of blended legal & tax services. Our clients include leading private equity/impact funds, construction and oil & gas companies, tech companies, leading NGOs and social enterprises looking to set up or expand in Uganda and East Africa.

Our team combines a breadth of experience, education, and training in the best institutions in the world. We are always on the lookout for the most talented and ambitious professionals to join the team. With a mix of lawyers and accountants across the board, our service offerings are unequalled in both tax & legal assignments.

Our pro-bono arm provides free legal services to leading SME's and social enterprises in Uganda helping them to save legal fees and create impact in their areas of operation.

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