



TOURISM TAXATION AND INCENTIVES IN UGANDA

*Presentation by:
Jean Byamugisha
CEO, UHOA*

About UHOA:

- Only trade association for Uganda's Hotel Sector
- Started in May 2000
- Over 520 member hotels
- Some of the roles of the association include;
 - promoting collaboration and partnerships with government development partners and private sector associations.
 - Lobby and Advocacy and speaking with one voice in order to protect the interests of hotels
 - enhancing capacities through training
 - ensuring a conducive investment climate for its members
 - playing a representation role at different platforms
 - as well as supporting member associations to identify and recruit suitable personnel.
 - Marketing our hotels to the world through the hotel magazine and attending expos.



Important Hotel Stats in Uganda

- **Tourism Marketing Master Plan** notes that Uganda has over **3800** hotel establishments with over 250,000rooms and 300,000beds.
- **Bureau of statistics** has a registry of over 6000 Accommodation facilities.
- Over **95%** Owned by Private Sector while less than **5%** Public aided
 - Of the 95% privately owned:
 - **75%** owned by domestic private players
 - **13%** owned by other African private players
 - **7%** owned by non-African Private players
- The sector directly employs over **250,000** persons (*employing slightly more women at 58%*)
- **90%** of the employment in the tourism industry is in the hospitality sector.
- Sector employs mainly the youth (18 – 30yrs) of age (**77%**)



Hotel Occupancy rates over the last 3 years

	2016	2017	2018	2019
Kampala and Entebbe	48%	54%	58%	
Average occupancy outside of Kampala	22%	38%	41%	
Average occupancy in the National Parks	12%	24%	27%	

For any hotel to break even, it must operate at **40%** occupancy

**What's the current tax
regime like?**

Taxes, Licences and Levies paid by hotels in Uganda

Hotels are paying 13 different types of taxes

1. Corporation Tax - **30%**
2. Withholding tax - **6%**
3. Value Added Tax (VAT) – **18%**
4. Hotel Tax - **\$2 per room per night**
5. Local Service Tax – **varies per hotel**
6. Service Charge – **5%**
7. Fees to Trade Unions – **shs 2,000 per staff**
8. Occupational Safety and Health – **shs 2M per star**
9. Copyright Tax for Music – **shs 1M**
10. Property Tax – **varies but more than shs 200,000**
11. Copyright Tax for Movies – **Shs 1M**
12. Ground Rent – **btn \$5000 - \$10,000**
13. Per person night fees (national Parks) - **\$5-\$30**

Cont'd

In addition, Members are also paying 7 different types of Licences Annually

1. Trading Licence
2. Restaurant Licence
3. Bar Licence
4. Swimming Pool licence
5. Operations Licence
6. Liquor Licence
7. Entertainment Licence

(These vary from each local council)

Cont'd

Despite the heavy taxation burden already borne by the sector, 4 new taxes and licences are in the process of being levied on the hotel sector and these include:

- **Tourism Licence**
- **Copyright Act for use of Movies at the Hotels**
- **Tourism Development Levy**
- **Occupational Safety and Health**

Not to mention the Statutory taxes i.e.

- **NSSF**
- **PAYEE**

This brings the total number of taxes paid by the hotel to **26**

Cont'd

- In addition to the high tax burden hotels must also pay the monthly overhead costs that are constant like:
 - **The repayments of the loans for building the hotel – (25%-28%)**
 - **Electricity that is on 24/7**
 - **Cost of running generators for the case of upcountry hotels where electricity is not constant.**
 - **Water bills to keep the hotel operational.**
 - **Cost of wear and tear on the hotels (both the brick and mortar as well as equipment.**
 - **Cost of staff salaries that must be paid whether the hotel is full or not.**

Despite all these challenges, the hotel sector still remains the biggest employer and tax payer in the tourism industry in Uganda.



Challenges Faced by the Hotel Sector in regards to Taxation and Incentives.

Challenges to Sustainability initiatives in the Hotel sector

- **Poor funding options for green initiatives**
 - Loans 23-28% interest rates
 - Green loans cater for big projects yet majority of hotels are SMEs
- **Lack of training**
 - Local Sustainability expert pool is still small and expatriate consultancy is expensive
- **Lack of sensitization**
 - Everyone thinks its someone else problem
- **Lack of access to affordable green options**
 - Solar equipment is expensive

Current Tax Incentives

Under the 5th Schedule of the East African Community Customs Management Act 2004, the following items are tax exempt as long as they are imported by a licensed hotel and were engraved, printed or marked with the hotel logo.

- 1. Washing machines.
- 2. Kitchen ware.
- 3. Cookers.
- 4. Fridges and freezers.
- 5. Air-conditioning systems.
- 6. Cutlery.
- 7. Television sets.
- 8. Carpets.
- 9. Furniture.
- 10. Linens and curtains.

Current Tax Incentives

Additional items that were included in the Financial Year 2008/2009 budget include:

- 1. Health Club/ Gym equipment.
- 2. IT accessories and software (communication equipment).

Proposed Incentives to encourage Sustainable Tourism

The private sector continues to push for more tax incentives to enable them meet the currently trends of the global market.

- **Review of the Tax regime:** Incentives like tax rebates to hotels with green practices
- **Access to financing:** 'Tourism Bank' that will offer more friendly terms to investors in the hotel industry
- **Solar and Green incentives:** to help hotels access solar water heaters and panels for the off grid hotels.

Thank you!!

www.ugandahotelsassociation.com
ugandahotelsassociation@gmail.com

