

# Country Note

## Uganda



Uganda is situated in east-central Africa, north and northwest of Lake Victoria. It is a landlocked country bordered by Sudan in the north, Kenya in the east, Tanzania in the South, Rwanda in the southwest and the Democratic Republic of Congo to the west. The capital of Uganda is Kampala.

### Why Invest in Uganda:

1. **Predictable Environment:** Uganda has been able to achieve macro-economic stability when clouds of uncertainty rocked many regions of the world.

- Inflation is single digit for over 10 years from a record high of 240% in 1988
- Stable annual economic growth averaging 6% per annum
- Market driven exchange rates

2. **Fully Liberalized Economy:**

- All sectors liberalized for investment and marketing
- Free inflow and outflow of capital
- 100% foreign ownership of investment permitted

3. **Market Access:**

- Uganda enjoys a unique location at the heart of Sub-Saharan Africa giving it a commanding base for regional trade and investment
- Uganda is a member of the commonwealth market for eastern and Southern African States (COMESA), a region with a market of over 300 million people in 20 countries
- Uganda is a member of the East African Community comprising Kenya, Uganda, Tanzania, Rwanda and Burundi
- Duty and quota free access into the US (AGOA) and EU (EBA) markets.

4. **Strong natural Resource Base**

- Rich endowment of rainfall, soils, and favorable temperature range. A number of crops are grown organically
- Unexploited mineral deposits, and tourism opportunities. Confirmed deposits include Gold, Zinc, Wolfram, Petroleum, diamond, vermiculite, silica etc

5. **Government Commitment to Private Sector**

- Government and private sector dialogue in policy formulation

#### Demographic Indicators

Population:	38,319,241
Indian Diaspora:	26,000
Literacy:	78.4%
Government:	Republic
Currency:	Ugandan Shilling
	(1 US\$ = 3590.2 UGX and 1 INR = 55.86 UGX)

- Continuous improvement in providing infrastructure and other social services

## 6. Trainable Labour

- Uganda presently produces over 10,000 University graduates per year
- Quality of labour is one of the biggest attractions

## 7. Security of Investment

- Guaranteed under the Constitution and the Investment Code 1991.
- Uganda is a signatory to main international investment related institutions
- Multi lateral Investment Guarantee Agency (MIGA)
- Overseas Private Investment Corporation (OPIC) of US
- Convention on the recognition and enforcement of foreign arbitral award (CREFAA), ICSID, TRIMS, GATS, and TRIPS

## 8. Investment Incentives

### 1. Investment Capital Allowances

- Initial Allowance on plant and machinery 50-75%
- Start up cost spread over 4 years 25% p.a.
- Scientific research expenditure 100%
- Training expenditure 100%
- Mineral exploration expenditure 100%

Initial Allowance on Hotel and Industrial Buildings 20%

- I. Deductible annual Allowances (depreciable assets)
- II. Depreciation rates of assets range 20-40%
- III. Depreciation rate for Hotels, Industrial Buildings & Hospitals 5%

2. Investors who register as investment traders are entitled to VAT refund on building materials for industrial/commercial buildings

3. Duty and Tax free import of Plant & Machinery

4. First Arrival Privileges in the form of duty exemptions for personal effects and motor vehicle (previously owned for at least 12 months) to all investors and expatriates coming to Uganda

5. Export Zones (Provisional)

- \* A ten year corporation tax holiday
- \* Duty exemption on raw materials, plant and machinery and other inputs
- \* Stamp duty exemption
- \* Duty draw back to apply on input of goods from domestic tariff area

- \* No export tax
- \* Exemption of withholding tax on interest on external loans
- \* Dividends repatriated to get relief from double taxation

## 9. Where should you invest?

Investment opportunities abound in the following areas: Agriculture, Livestock, Fisheries, Forestry, Manufacturing, Mining, Infrastructure, Financial services, Tourism, Printing and publishing

### *Trade and Investment with India* *Annual Bilateral Trade Statistics*

(Value in US \$ Million)

Year	Exports from India to Uganda		Imports from Uganda to India	
	Ministry of Commerce, Govt. of India	Bank of Uganda	Ministry of Commerce, Govt. of India	Bank of Uganda
2014	539.18	1243.83	37.28	23.53
2015	568.53	994.93	37.20	22.59
2016	524.02	677.83	68.22	43.00

Although the Balance of Trade is heavily in favour of India, India encourages higher Ugandan exports to India.

- The major items of Indian exports to Uganda include pharmaceutical products, vehicles, nuclear reactors, plastic, paper and paperboard, organic chemicals.
- The major commodities of imports from Uganda to India are edible vegetables and certain roots and tubers, coffee, tea, mate and spices, wood and articles of wood, wood charcoal, cotton, essential oils, cocoa and cocoa preparation etc.
- In 2016, Uganda Investment Authority (UIA) awarded the High Commission of India as the Best Diplomatic Mission in Uganda for promoting investment from India. Indian companies had the most number of licensed projects in Uganda between 1991 and 2015.
- A Double Taxation Avoidance Agreement between India and Uganda is in effect since 2004.

Sources: Ministry of External Affairs, India: [http://www.mea.gov.in/Portal/ForeignRelation/Uganda\\_Marc\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Uganda_Marc_2017.pdf)

Uganda Investment Authority: <https://www.ugandainvest.go.ug/>