

THE INCOME TAX (AMENDMENT) BILL, 2004

MEMORANDUM

The object of this Bill is to allow deductions to employers in respect of contributions made to retirement funds for the benefit of their employees, grant lessors the right to claim deductions on property leased under finance leases, increase the rate of withholding tax on imports and Government contracts and make miscellaneous amendments to the Income Tax Act, Cap. 340.

GERALD M. SSENDAULA
Minister of Finance, Planning and Economic Development

THE INCOME TAX (AMENDMENT) BILL, 2004

ARRANGEMENT OF CLAUSES

Clause

1. Short title and commencement
2. Amendment of section 21
3. Amendment of section 22
4. Amendment of section 59
5. Amendment of Third Schedule

A BILL for an Act
ENTITLED
THE INCOME TAX (AMENDMENT) ACT, 2004

An Act to amend the Income Tax Act

BE IT ENACTED by Parliament as follows:

Citation and commencement

1. (1) This Act may be cited as the Income Tax (Amendment) Act, 2004.
- (2) This Act shall come into force on 1st July, 2004.

Amendment of section 21

2. Section 21 of the Income Tax Act, Cap. is amended in subsection (1) by substituting for paragraph (f) the following-

“(f) the income of an exempt organisation, other than –

(i) property income, except rent received by an exempt organisation in respect of immovable property and the rent is used by the lessor exclusively for the activities of the organisation specified in paragraph (bb) (i) of the definition of “exempt organisation” in section 2; or

(ii) business income that is not related to the function constituting the basis for the organisation’s existence;”

Amendment of section 22

3. Section 22 of the principal Act is amended in subsection (2) by substituting for paragraph (i) the following-

“(i) a contribution or similar payment made to a retirement fund by the employee either for the benefit of the employee or for the benefit of any other person”

Amendment of section 26

4. Section 26 of the principal Act is amended in subsection (2) by substituting for “ five currency points” the words, “fifty currency points.”

Amendment of section 59

5. The principal Act is amended by substituting for section 59 the following –

“Finance Leases

59(1) Where a lessor leases property to a lessee under a finance lease, for the purposes of this Act, the lessor shall be treated as the owner of the property.”

(2) The lease rental payments are treated as expenses to the lessee and property income to the lessor from the lease of the asset.

(3) A lease of property is a finance lease if -

(a) the lease term exceeds seventy-five per cent of the effective life of the leased property;

(b) the lessee has an option to purchase the property for a fixed or determinable price at the expiration of the lease; or

(c) the estimated residual value of the property to the lessor at the expiration of the lease term is less than ten per cent of its fair market value at the commencement of the lease.

(4) For the purposes of subsection (3), the lease term includes any additional period of the lease under an option to renew.”

Amendment of Third Schedule

6. The principal Act is amended in the Third Schedule by substituting for Part VIII the following-

“Part VIII

Withholding tax rate for goods and services transactions

The withholding tax rate applicable for goods and services transactions and for imported goods under section 119 is 6%”.