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Foreword

This guide provides answers to questions that are frequently asked by Ugandan business people and foreign investors with an interest in Uganda. It gives a broad overview of the legislative regime applicable to business in the country.

It has been prepared by a team of our Ugandan lawyers who specialise in various relevant areas of law.

We hope you find it useful.

For further information or specific assistance, please do not hesitate to contact any one of our lawyers in Uganda.

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The contents of this guide are for reference purposes only and should not be considered to be a substitute for detailed legal advice. It is correct as at August 2019.
INTRODUCTION

The Country at a Glance

Uganda’s economy has expanded steadily over the past decade with a marked growth in the construction, oil and gas and telecommunications sectors. The economy is highly dependent on agriculture and natural resources. It was recently revealed that 60% of the oil-rich areas in the country remain unexplored and the Government is planning to award more exploration licences.

General Considerations

1. What is the legal system in Uganda?

Uganda, commonly referred to as the ‘Pearl of Africa’, became a Republic following its independence from the United Kingdom on 9 October 1962.

The political system is a parliamentary constitutional democracy. There are three arms of Government: Executive, Judiciary and Parliament.

The Ugandan judiciary operates a hierarchical structure, which consists of Magistrate’s Courts, the High Court, Court of Appeal, and the Supreme Court.

The country’s legislative system is grounded and pivoted in the Constitution of the Republic of Uganda, 1995 (as amended 2005), Statutory law enacted by Parliament, case law, English common law, and African customary law. English case law continues to persuade and impact decisions in the Ugandan courts of law.

2. What are the key recent legal developments affecting doing business in Uganda?


The establishment of a new center for arbitration and mediation in Kampala, the International Centre for Arbitration and Mediation in Kampala (ICAMEK), is a recent development worth noting. ICAMEK is an independent NGO dedicated to advancing alternative dispute resolution in Uganda and across east Africa. It is a private sector led institution which was backed by the Uganda Law Society and the Uganda Bankers Association to compliment the current judicial system with fair, expeditious, efficient and flexible dispute resolution methods.

The Uganda Registration Services Bureau has recently introduced the one-page memorandum and articles of association known as the ‘lean MEMARTS’ which enable a potential business to open for business without necessarily drafting bulky documents for the memorandum and articles of association.

Mobile money tax and social media tax which impose a 0.5% tax on mobile money transactions and UGX 200 per day on Over The Top (OTT) services respectively, have greatly affected doing business in Uganda. This is because the majority of the economy is private sector driven with a great part of the population relying on mobile money platforms to save and transact in their business operations.
ESTABLISHING A BUSINESS

Business Vehicles

3. What are the most common forms of business vehicles used in Uganda?

The most common form of business vehicle in Uganda is a private limited liability company. Notably, shareholders can take any form from natural persons to corporate bodies or Ugandan and non-Ugandan directors and shareholders. A private limited liability company may also have one member/shareholder. However, the membership should not exceed 100.

The most common form of business vehicle used by foreign investors in Uganda is a private limited liability company.

Another common alternative is for a foreign incorporated company to register to do business in Uganda as a branch. Once a foreign company is registered as a branch, it becomes regulated in largely the same way as if it was incorporated under the laws of Uganda.

4. In relation to the most common form of corporate business vehicle used by foreign companies in Uganda, what are the registration and reporting requirements?

- Registration

The procedure for the incorporation of a private company is as follows:

- Name reservation: A prospective company makes an application to the Registrar of Companies requesting for a company name search in their database. Following the successful search where there is no existing similar company name, the company can reserve the proposed company name for a period of 30 days within which period it shall be valid for use (i.e. incorporation of the company).

- Registration/Incorporation at the Registry: The Companies Act, 2012, provides for model articles, which can be adopted by a company when registering. Once the memorandum and articles of association have been executed by at least one subscriber, they are then stamped with a duty currently levied at 0.5% and a registration fee levied at 1% of the nominal share capital of the company. All the constitutive documents are then registered by the Registrar and the company number is accorded.

Registration can take between three and five days from the date of submission of the documents to the Company Registry. Among the documents that have to be filed with the Registry are a form notifying the directors and shareholders of the company, a statement of nominal capital and a notice of the address of the company.

- Reporting requirements

A Ugandan company must notify the Registrar of any changes within the company that relate to its:

- memorandum and articles of association;
- director, secretary and auditor’s details;
- change of share capital and allotment of shares;
- change of company name; or
- changes in the company assets.

This information is often updated in the annual returns which have to be filed.
with the Registrar once a year within 42 days of the Annual General Meeting. For public companies, a copy of the audited financial statements is required to be filed together with the annual return.

A foreign company is obliged to submit documents and information at the Company Registry within 30 days of its establishment. A branch of a foreign company is required to file any alterations to any information relating to the company (such as charters, memorandum and articles, principal place of business, names and addresses of persons authorised to receive service on behalf of the foreign company) with the Registry within 60 days.

5. What grants or incentives are available to investors?

Uganda’s laws and policies are generally favourable towards foreign investors. Free trade zones and privatisation programs have been created to encourage foreign investors.


Unlike the Old Code, the New Code defines an investor to include a foreign and/or a domestic investor. To qualify as a domestic investor, an individual has to be a citizen of an East African Community Partner State. These include Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda. Therefore, every citizen of any of the East African Community Partner States, all companies incorporated under the laws of any of the East African Community Partner States as well as all companies and all partnerships in which the controlling interest is owned by a person who is a citizen of an East African Community Partner State are considered domestic investors under the New Code.

The definition of a foreign investor under the New Code now also includes:

- every natural person who is not a citizen of any of the East African Community Partnership States;
- a company incorporated under the laws of any country not being any of the East African Community Partner State; and
- a company incorporated under the laws of Uganda in which the majority of the shares are held by a person who is not a citizen of any of the East African Community Partner State or a partnership in which the controlling interest is owned by a person who is not a citizen of an East African Community Partner State and holds an investment licence issued in accordance with the New Code.

This implies that all citizens, companies and partnerships of any of the East African Community Partner State are no longer considered foreign investors under the laws of Uganda and for investment purposes will be treated as though they were Ugandans.

This further implies that any of the already existing investors from any of the East African Community Partner States do not have to apply for renewal of their investment licences.

Contrary to the Old Code where a foreign investor was required to obtain an investment licence before operating a business, the New Code strictly, requires all investors to register with the UIA before making any investment in Uganda or before participating in the operations of any investment activity in Uganda. This means that foreign investors must register with UIA before making any kind of investment in Uganda.

Under the New Code the application for an investment certificate is made to the Secretariat in a prescribed form indicating the full name and address of the applicant, the shareholding and nationality of the business enterprise, the nature and capital structure of the business as well as the business plan and the amount invested.

Upon investment registration every applicant is required to provide the following information:

- certificate of registration of the business;
- business plan (containing details such as action plan, commencement of operations, raw materials sourced in Uganda, financing and assets to be sourced outside Uganda, land required for the investment including certificate of land title);
- environmental impact assessment certificate issued in accordance with the relevant laws;
- the projected number of employees; and
- licence granted by the business sector in which the investor intends to operate.

After application for registration, the applicants are either issued an investment certificate or notified of the refusal. This is within five working days after the UIA receives the application. The duration and the terms of the certificate will be indicated on the investment certificate.

Furthermore, both domestic and foreign investors are required to have a minimum amount in investment capital to qualify for registration and obtain an investment licence from UIA. The minimum investment capital is USD 50 000 and USD 100 000 respectively.

An investor importing any plant, machinery, equipment, vehicles or construction materials for an investment project will benefit from the concessional rates of import duty and other taxes as may be specified in the finance acts from time to time.

Under the Old Code, in order to qualify for incentives, the foreign investor had to have satisfied three or more of the objectives specified under the New Code. However, under the New Code, notwithstanding incentives granted under other laws, an investor who meets any of the following qualifications for incentives and commences operations after the commencement of the New Code, qualifies for incentives:

- has the minimum investment capital for the investment as required in the relevant Acts of Parliament;
- engages in any of the priority areas specified in Schedule 2 of the New Code (such as agro processing, food processing, medical appliances, building material, lighting, automobile manufacturing and assembly, household appliances, furniture, tourism, mining, real estate development, pharmaceuticals and telecommunications);
- exports a minimum of 80% of the goods produced;
- provides for substitution of 30% of the value of imported products;
- sources 70% of the raw materials used, locally;
- directly employs a minimum of 60% Ugandan citizens, or
- introduces advanced technology or upgrading of indigenous technology.
The 1991 Investment Code Act of Uganda (Investment Code) established the Uganda Investment Authority, which promotes, facilitates and supervises foreign investment while providing incentives to foreign investors (which include exemptions from import duties and sales tax).

- **Licences and permits**: A foreign investor must deposit a sum of USD 100 or its equivalent in Ugandan Shillings. This is a prerequisite for the acquisition of an entry permit which is imperative for an investor’s enjoyment of the incentives under the Investment Code.

- **Custom duty incentives**: Foreigners are exempted from paying import duties and sales tax on any plant, machinery, equipment, vehicles or construction materials they import for an investment project.

6. Are there any restrictions on foreign investments (including authorisations required by the central or local Government)?

Uganda’s Investment Code provides for unrestricted foreign ownership of investments and partnerships with Ugandan nationals, except in the lease or ownership of land for crop or animal production.

The Investment Code was created to simplify the investment procedure. Under this law, an investment licence is a prerequisite for foreign investors in Uganda.

In addition, the Government has started implementing national content requirements embedded in each of the various industries and/ or sectors in Uganda, for instance in the oil and gas sector.

**Exchange Controls**

7. Are there any exchange controls or currency regulations?

The Government encourages foreign investment. Therefore, it has not enacted exchange controls or restrictions save for the requirement that all remittances and/ or repatriations to and from Uganda be made through a duly licensed financial institution or a person or entity duly licensed to conduct money transfer business.

Further, the Financial Institutions (Anti-Money Laundering) Regulations of 2010, make it a requirement for a financial institution to report, on a monthly basis, any transaction amounting to USD 10,000 or its equivalent in any other currency involving cash or ‘near cash’ such as travellers’ cheques, to the national law enforcement agencies and provide a copy to the Central Bank.

**Import/ Export Regulations**

8. Are there any import/ export regulations?

The core regulation governing the import and export frontiers in Uganda is the regional statute enacted by the East African Legislative Assembly, the East African Community Customs Management Act, 2004 (EACCCA).

In addition, Uganda has enacted the Excise Duty Act, 2014, which is a duty on imports and exports of goods.

The Uganda Revenue Authority (URA) has the mandate to collect taxes and supervise and implement tax laws in Uganda.
9. What are the main laws regulating employment relations?

The main law governing employment relations in Uganda is the Employment Act of 2006 (Employment Act). While employment relations are embedded in the Employment Act, there are other laws that govern employment relations such as the Occupational Safety and Health Act of 2006, the Uganda Retirement Benefits Authority Act of 2011 and the Workers Compensation Act of 2000.

Employment relations are also determined by the employer and employee through contract. Therefore, the terms of services, rights and obligations are stipulated under contract law with specific reference to minimum standards set within the Employment Act.

10. Is a written contract of employment required? If so, what terms must be included in it? Do any implied terms and/or collective agreements apply to the employment relationship?

A written contract of employment is not required as per the Employment Act, 2006.

Notwithstanding this, an employee is equally entitled under the law to receive written particulars of employment including:

- job description;
- place and hours of work;
- duration of the contract; and
- remuneration details (wages due, rate of overtime applicable, allowances and when they are payable).

11. Do foreign employees require work permits and/or residency permits?

Yes, foreign employees require work permits and/or residency permits. The permits allow the applicant to live and work in Uganda. The validity period of the permit ranges from six months to 36 months renewable at the end of the period.

Work permits are classed under different classes such as:

- Class A2 - Government contractors
- Class B - Investment in agriculture
- Class E - Manufacturing
- Class A - Diplomatic service
- Class D - Business and trade
- Class G1 - Missionaries and volunteers
- Class C - Mining
- Class G2 - Expatriate employees
- Class A - Official service
- Class F - Professionals

The award of a work permit is greatly dependent on the contribution the foreigner is likely to make to the Ugandan economy.

Additionally, foreign employees can choose to subsequently acquire residence permits depending on the duration of time they have spent in Uganda. Ordinarily, if they have lived in Uganda for a minimum of 10 years, they become eligible for a residence permit under the ‘due to long stay’ category. Furthermore, where a foreigner marries a Ugandan citizen and the marriage subsists for at least three years, he or she is eligible for a residence permit due to the marriage.
12. Are employees entitled to management representation and/or to be consulted in relation to corporate transactions (such as redundancies and disposals)?

Employers must make some notification of collective redundancies to the relevant authorities. For example, notifying the Commissioner Labour about the pending collective redundancy.

Employees, aggrieved following a redundancy and disposal, can be represented by a Labour Union before a labour officer when a dispute arises as to the rights or liabilities under a contract of employment or under the Employment Act, 2006.

13. How is the termination of individual employment contracts regulated?

Under the Employment Act, termination of employees must be both fair and lawful. Termination is deemed to have taken place where:

- the contract of service is ended by the employer with notice;
- a contract expires following the completion of the specified tasks; or
- the contract of service is ended by the employer with or without notice, because of unreasonable conduct by the employee.

The Employment Act and practice in courts of law, have shown that employers must always assign reasons for a termination and hold a fair hearing before the termination.

Ultimately, the Employment Act governs the dismissal of an employee (either by summary dismissal or termination by notice), the requisite notice period, and any remedies for any unfair dismissal.

An individual whose employment is terminated by summary dismissal, is not entitled to a severance allowance.

14. Are redundancies and mass layoffs regulated?

The Employment Act regulates redundancies and mass layoffs. The substantive reasons for redundancies and mass layoffs should be economic, technological, structural or of a similar nature.

The procedural requirements include a notification to the representative of the employees at the labour union providing information on the undertaking, and it should be given in good time. The Commissioner Labour must be notified of the reasons for the collective termination, workers likely to be affected, and the time within which the collective termination is to be effected.

Tax

15. When is a business vehicle subject to tax in Uganda and what are the main taxes that apply to a business?

The Income Tax Act imposes income tax on every person, both natural and artificial, who has a chargeable income (derived from a source in Uganda) for a year of income.

The tax rate for companies is 30%.

Withholding tax is applied to payments of dividends and interest. Specifically, it is applied to interest payments made to a resident person.

It however excludes interest paid:

- by a natural person;
- to a financial institution (other than interest on Government securities);
- by a company to an associated company; and
- and exempt from tax in the hands of the recipient.

The withholding tax rate applicable to interest payments to a resident person, excluding interest on Government securities, is 18%.

A resident company that pays a dividend to a resident shareholder must withhold tax at the rate of 18%. There is an exception where the dividend income is exempt from tax in the hands of the shareholder.

There is no compensating tax in Ugandan law.

16. How are the following taxed:

17. Are there any thin capitalisation rules (restrictions on loans from foreign affiliates)?

Yes, there are thin capitalisation rules that relate to the interest payable by the company during the year of income. This is deductible on the part of debt that exceeds the 1.5 to 1 debt to equity ratio for the period the ratio was exceeded.

The new tax rules as of 2018, Section 25 of the Income Tax Act as amended, provide that the amount of deductible interest in respect of all debts owed by a taxpayer who is a member of a group shall not exceed 30% of the tax earnings before interest, tax, depreciation and amortisation.

It further provides that a tax payer whose interest exceeds 30% of the tax earnings before interest, tax, depreciation and amortisation may only carry forward the excess interest for not more than three years and the excess interest shall be treated as incurred during the next year of income.

The limitation of interest deductions and capping it at three years could hamper the financing of long-term projects, which usually face delays in completion. Companies now have to look at efficient ways of sourcing and using debt.

This move was mainly based on concern within the Uganda Revenue Authority that some multinational companies were exploiting thin capitalisation rules to abuse the tax system by limiting their tax bills. Many companies were said to be front loading debt, much of it through shareholder loans into their Ugandan subsidiaries, as a way of reducing their tax burdens and extracting more revenues out of the country.
18. Must the profits of a foreign subsidiary be imputed to a parent company that is tax resident in Uganda (controlled foreign company rules?)

Under the Income Tax Act, where a foreign controlled resident company (which is not a financial institution) has a foreign debt to foreign equity ratio in excess of 2 to 1 at any time during the year of income, a deduction is not allowed for the interest paid by the company during that year on the part of the debt that exceeds the 2 to 1 ratio.

19. Are there any transfer pricing rules?

The Income Tax (Transfer Pricing) Regulations set the rules for transfer pricing in Uganda. The Regulations are applicable to transactions between associates where one party to the transaction is located in and is subject to tax in Uganda and the other party to the transaction is located in or outside Uganda.

The Regulations seek to ensure that no party enjoys tax benefits as a result of non-arm’s length terms and conditions of a transaction.

There are no specific transfer pricing penalties. However, the Commissioner of Taxes can conduct an audit, make adjustments in the taxable profit, and demand tax where applicable.

20. How are imports and exports taxed?

- **Customs duty**

  Customs duty is charged on goods imported into Uganda depending on their assessed customs value.

  EACCMA provides for several methods of ascertaining the customs value of goods imported into the East African Community (EAC) for purposes of levying customs duty.

  The transaction value method is the primary method. It generally relies on the declared cost, insurance and freight (CIF) value of the goods imported. The applicable customs duty rate is prescribed in the EAC Customs External Tariff, 2017 commonly referred to as the CET Code.

  - **Value added tax**

    Value added tax (VAT) is chargeable on goods and services imported into Uganda unless the goods or services are exempted from VAT. The standard rate is 18%. Zero rating and exemption from VAT is granted sparingly to essential goods and services.

  The taxable value of imported goods for purposes of VAT is the sum of:

  - the value of the goods ascertained for the purpose of customs duty, in accordance with the EACCMA, whether or not any customs duty is payable on the goods;
  - to the extent not included above (i) the cost of insurance and freight incurred in bringing the goods to Uganda; and (ii) the cost of services treated as part of the imported goods; and
  - the amount of customs duty, if any, paid on the goods.

  The VAT Act provides for zero rating of services exported out of Uganda. For services to be deemed to have been exported out of Uganda the direct beneficiary of the service must be a foreign person and the service must be consumed (physical and final consumption) outside Uganda.

  A recent development that is VAT exemptions that were previously enjoyed for supplies of passenger automobiles and entertainment for the extractive sector and donor funded projects were scrapped. Under Uganda’s tax law, entertainment is defined to mean the provision of accommodation, food, beverages and a couple of other amusement activities.

  The scrapping of this VAT makes it more expensive for construction projects that are in remote areas where things like food and accommodation are in short supply.

- **Excise duty**

  Excise duty is chargeable on the importation of goods that are classified as excisable goods pursuant to the Excise Duty Act, 2014 at the rate prescribed in the Act.

21. Is there a wide network of double taxation treaties?

Uganda is currently party to a number of double taxation treaties. These include agreements with: Denmark, the EAC, Egypt, India, Italy, Mauritius, Netherlands, Norway, South Africa, the United Kingdom and Zambia.

Double taxation treaties are pending with: Belgium, China, Seychelles and the United Arab Emirates.

22. In what circumstances are employees taxed in Uganda and what criteria are used?

Income tax is imposed on income from business, employment and property. The scope of liability for tax depends on a person’s residence status.

For a resident person, income tax is charged on gross income from all over the world. The tax for a non-resident person is only charged on income derived from sources within Uganda.

An individual is resident for tax purposes if he or she:

- has a permanent home in Uganda and was present in Uganda for any period in a particular year of income under consideration;
- has no permanent home in Uganda, but was present in Uganda for a period or periods amounting in the aggregate to 183 days or more in that year of income; or
- was present in Uganda in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income.

23. What income tax and social security contributions must be paid by the employee and the employer during the employment relationship?

The following are some of the mandatory contributions:

- **Pay as you earn and personal income tax returns**

  This is collected on a monthly basis through a system known as Pay As You Earn (PAYE). The Income Tax Act obliges employers, while making payment of employment income in any month, to withhold tax at the prescribed withholding PAYE tax rates and pay the tax withheld by the 15th day of the following month to the URA.

  PAYE is the method of deducting income tax from salaries and wages. It applies to all income and benefits from any employment (namely wages, salaries, bonuses, commissions, directors fees and taxable benefits).
• National Social Security Fund

Social Security contributions are made to the National Social Security Fund (NSSF). Participation in this fund is mandatory for every employer with more than five employees and is intended to provide a state retirement benefit for salaried workers. Contributions are made by both the employer and the employee. The employee’s portion is deducted from his or her salary and the total amount is paid by the employer to NSSF.

Under the current NSSF regime, 15% of an employee’s monthly earnings (with 5% deducted from the employee’s earnings and 10% drawn from the employer) should be contributed into the Social Security Fund established by the Act.

A key requirement in the remittance of taxes and other mandatory deductions is the registration and obtaining of a tax identification number (TIN) from the URA. The TIN is required for the following transactions:

• incorporation of companies;
• registration of property title and stamping of instruments;
• approval of plans and payments to the country authorities;
• acquisition of trade licences;
• importation of motor vehicles; and
• registration with the National Social Security Service.

Competition

24. Are restrictive agreements and practices regulated by competition law? Is unilateral (or single firm) conduct regulated by competition law?

There is no general competition law in Uganda. Instead, certain sectoral regulations have competition provisions or provisions governing amalgamation or transfers, which import competition law aspects. For instance, the Uganda Communications Act, 2013, prohibits restrictive agreements and practices in the communications sector.

Uganda is a member of the Common Market for East and Southern Africa (COMESA). By virtue of this membership, it has to abide by the COMESA Competition Regulations, 2004. That said, Uganda has not yet domesticated the COMESA Competition Regulations and they therefore do not yet form part of Ugandan law. However, compliance with the regulations is advisable because of the sanctions and reputational adverse effects that can be suffered by an investor/acquirer in other COMESA Member States or interstate transactions.

25. Are mergers and acquisitions subject to merger control?

There is no general competition law in Uganda and as such mergers and acquisitions are not subject to merger control. However, under the Uganda Securities Listing Rules, 2003, there are approvals that must be obtained from the Capital Markets Authority and Uganda Securities Exchange. These may require the parties to a merger and acquisition transaction to make some disclosures. Specific sectors in Uganda have similar controls such as the communications, insurance and banking sectors.

Intellectual Property

26. Is IP protected in Uganda?

Yes, the following Acts regulate IP in Uganda:

• Constitution of the Republic of Uganda of 2006;
• Industrial Property Act of 2016;
• Trademarks Act of 2010;
• Copyright and Neighbouring Rights Act of 2006.

Ugandan IP laws have been drafted to reflect the international standards set in the TRIPS Convention and ARIP0 Convention that Uganda is party to. These Conventions have greatly impacted copyright, trade marks, industrial property and patents laws in Uganda.

The Copyright and Neighbouring Rights Act of 2006 mainly provides for the protection of literary, scientific, artistic, computer programmes and electronic data banks, among others.

The Trademarks Act of 2010 provides for the protection of distinct trademarks upon registration. The protection granted under this law is territorial and not universal. The law also protects registered trade marks from infringement by any other person who is not the registered owner of the mark.

The Industrial Property Act of 2016 aims to promote inventive and innovative activities; facilitate the acquisition of technology through the grant and regulation of patents, utility models, industrial designs and technovations; to provide for the designation and functions of the registrar, and the establishment of a register of industrial property rights; and for related matters. Under the law a patent is granted where an invention is novel and industrially applicable. Utility models are granted where the invention is new and industrially applicable. Technovations that provide solutions to specific problems in the field of technology, proposed by an employee of an enterprise, are protected.

The Trade Secrets Protection Act of 2009 provides for the protection for, but not limited to a formula, pattern, compilation, program, method, technique or process; or information contained or embodied in a product, device or mechanism which may be used in trade or business, that is not generally known in the trade or business and is subject to efforts that are reasonable under the circumstances to maintain its secrecy.

Consumer Protection

27. Are marketing agreements regulated?

Marketing agreements made between parties are usually made with the intention of dictating the quality of products to be maintained in the market; ascertaining the standardisation of packages and containers used; and regulating the flow of products to the market. These agreements are not regulated by any governmental authorities and are commercially based.

Therefore, since marketing agreements are contract based, they are predominantly regulated by the Contracts Act of 2010 (which is the main law regulating contractual relations in Uganda).

28. Are there consumer protection laws and if so, what are they?

Uganda does not have a robust legislative and policy framework to address consumer protection.
However, in 2018 a memorandum of understanding was signed between the Ministry of Trade, Industry and Cooperatives and Financial Sector Deeping Uganda (FSDU), which seeks to cultivate a national consumer protection policy and to facilitate the creation of an exhaustive consumer protection law.

In addition, the Consumer Protection Bill was drafted and awaits cabinet approval and parliamentary discussion to be passed into law.

The banking sector enjoys regulations that address issues of consumer protection through the Bank of Uganda Consumer Protection Guidelines of 2011. These ensure fair and equitable financial services and increase transparency in financial transactions. They establish principles of fairness, reliability and transparency to direct the banker-customer relationship.

Some of the provisions include:

- Financial service providers are precluded from recovering debt from third parties (such as the consumer’s referees, family members and friends), if they have not signed contracts of guarantee.
- Debt recovery is required to be transparent with the cost of assets to be assessed at a fair market value.
- A 10 days cooling off period within which to revoke any financial product agreement.
- The need for financial services providers to highlight to consumers the fees, charges, penalties, relevant interest rates and any other consumer liabilities or obligations.
- Provision for safeguarding of consumer information relating to their accounts and any information about previous or existing financial relationships.
- The requirement for promotional material to be fair, clear and not misleading.
- Financial service providers are required to establish and maintain appropriate and effective consumer complaints procedures.

29. How are product liability and product safety regulated?

Uganda does not have specific legislation on product liability and product safety. This field of practice is mainly regulated by common law and decided cases.

Insurance

30. How is insurance regulated?

Insurance in Uganda is regulated by the Insurance Act of 2017 (Act) and the Insurance Regulations of 2002 (Regulations).

The Insurance Regulatory Authority of Uganda (IRA), established under the Act, is the regulatory body for insurance in Uganda. The main object of the IRA is to ensure the effective administration, supervision, regulation and control of insurance businesses in the country.

The Act makes provision for the IRA and stipulates its functions to include regulation, supervision, monitoring and control of insurance businesses.

The Act makes provision for classification of insurance businesses to include life insurance businesses and non-life insurance businesses. It further provides for regulation of t, which is an arrangement between a financial institution and an insurer under which the financial institution distributes to its customers through its distribution channels, an insurance product of the insurer.

The Act provides that only a company incorporated under the laws of Uganda, an insurance corporation established by law, or a cooperative insurance society registered under the laws of Uganda can operate an insurance business in Uganda. These requirements do not apply to a foreign reinsurer that enters into a reinsurance contract with a licensed insurer; or a retrocession agreement with a licensed reinsurer; or a foreign insurer that carries on insurance business in accordance with an exemption granted by the IRA.

The Regulations provide for licensing of insurance companies, the mode of application, and the fees to be incurred while lodging the application. The Regulations further make provision for the paid-up capital for the different classifications of insurance businesses (which are UGX 1 billion in the case of life or non-insurance businesses and UGX 2.5 billion in the case of reinsurance businesses).

The Regulations further provide for insurance brokers, insurance agents, insurance surveyors, loss adjusters and loss assessors.

Data Protection

31. Are there laws protecting personal information?

Article 27(2) of the Ugandan Constitution guarantees the right to protection of personal information. This right is implemented in part through the provisions of the Data Protection and Privacy Act recently passed. The Act generally prohibits the collection and or processing of personal data without the consent of the data subject except where the collection is pursuant to law, required for performance of a public duty, required for national security or health reasons.

The Act also prohibits the retention of data for a period longer than it is required for the purpose it was collected and provides for the right to be forgotten.
E-Commerce

33. Are there any laws regulating e-commerce (such as electronic signatures and distance selling)?

Electronic signatures and distance selling are regulated by the Electronic Transactions Act of 2011 (Act) and the Electronic Signature Regulations of 2011 (Regulations). The Act provides for the use, security, facilitation and regulation of electronic communications and transactions. The Act mainly focuses on electronic signatures and their legal effect.

Under the Act, electronic transaction means the exchange of information or data, the sale or purchase of goods or services, between businesses, households, individuals, the Government, and other public or private organisations, conducted over computer-mediated networks, which is mainly e-commerce.

The Act addresses the legal effect of electronic records, use of electronic signatures, authenticity of data messages, admissibility and evidential weight of data messages or electronic records and consumer protection.

Under consumer protection, the Act requires a person offering goods or services for sale, hire or exchange through an electronic transaction to provide (on the website or electronic communication where the goods and services are offered):

- the full name and legal status of the person;
- the physical address and telephone number of the person;
- the website address or email address of the person;
- the membership of any self-regulatory or accreditation bodies to which the person belongs or subscribes and the contact details of that body; and
- any code of conduct to which that person subscribes and how the consumer may access that code of conduct electronically.

In the case of a legal person:

- the registration number;
- names of directors and place of registration;
- the physical address where the person may be served with documents;
- a description of the main characteristics of the goods or services offered;
- the full price of the goods or services, including transport costs, taxes and any other fees or costs;
- the manner, terms and conditions of payment; and
- the time within which the goods will be dispatched, among others.

The Act further addresses the performance of an electronic transaction; invalidity of provisions; cancellation of an electronic transaction after receipt of goods or services; and the liability of a service provider.

Notably, the Act shall have effect in relation to any person, whatever his or her nationality or citizenship and whether he or she is outside or within Uganda.

Fintech

34. Is fintech regulated? If so, how?

In Uganda, the dominant activity within the fintech sector is the provision of mobile money services. Mobile banking is also gaining traction.

The Central Bank has issued guidelines to regulate the mobile financial service industry. They require that entities dealing in mobile financial services be registered limited liability companies. They are required to provide proof of their financial positions, business plans and risk management proposals, and ought to have appropriate and tested technology systems in place.

The guidelines require that, where an entity is not a registered limited liability company subject to the approval of the Bank of Uganda, it partners with a registered financial institution and should have an escrow account with the financial institution.

The partnering licensed institution should ensure that the mobile money service provider has adequate measures to prevent money laundering and terrorist financing and equally should comply with the requirements on consumer protection.

The Central Bank is in charge of the approval and supervision of mobile money services.

Each mobile financial service provider is required to maintain a register of its agents and to execute due diligence during the hiring and training of these agents. They should use systems that are interoperable with other payment systems in the country and internationally.

Furthermore, service providers are required to adhere to international Know Your Customer (KYC) standards so as to prevent money laundering and terrorism financing. Mobile financial service providers, as well as their agents, should uphold the privacy and confidentiality of their customer information, and data.

In addition, the Electronic Transactions Act of 2011 was enacted to provide for the use, facilitation and regulation of electronic communication and transaction. This law ensures that all electronic transactions conform to the best international practices and encourage investment and innovation in information, communications and technology.

Environmental Considerations

35. Are there laws protecting the environment? If so, what are they?

Uganda has a labyrinth of laws and policies to protect the environment while enabling businesses to grow.

The Constitution demands that laws are enacted: to protect and preserve the environment from abuse, pollution and degradation; to manage the environment for sustainable development; and to promote environmental awareness.

Article 237(2) of the Constitution, requires the State and local governments to safeguard and protect the biodiversity of Uganda by conserving and promoting the rational use of natural resources.

The National Objectives and Directive Principles of State Policy, require the State to promote sustainable development and public awareness of the need to manage land, air and water resources in a balanced and sustainable manner for the present and future generations.

As an instrument for guarding the country against unwanted alien species of plants and conserving endemic species, The Agricultural Seeds and Plants Act, Cap 144 provides for the promotion, regulation and control of plant breeding and variety release, importing and quality assurance of seeds and other planting materials.

The law relating to environmental management is consolidated through the Uganda Wildlife Act, which aims to protect the flora and fauna by providing for sustainable management of wildlife. The Act establishes the Uganda Wildlife Authority, which enforces sustainable management of wildlife conservation areas, and proposes policies and procedures for the sustainable use of wildlife.
36. How are disputes resolved in Uganda?

The judicial arm of the Government is at the forefront of dispute resolution in Uganda.

The highest court in the land is the Supreme Court, which hears appeals.

Below it is the Court of Appeal, which is also an appellate court but doubles as the Constitutional Court.

Below the Constitutional Court is the High Court of Uganda, which is the third Court of record and has original unlimited jurisdiction, meaning it may hear any matter whether of a civil or criminal nature. The High Court is comprised of several divisions one of these being the Commercial Division, which is dedicated to hearing disputes of a commercial nature.

Below the High Court are the Magistrate’s Courts, which have jurisdiction to hear disputes which fall within the region of UGX 50 000 000 (approx. USD 13 298) and below. The Magistrate’s Courts are not courts of record.

37. Are there any alternatives to litigation?

Ugandan legal system and practice provides for and encourages the amicable settlement of disputes. When a suit is filed in the High Court of Uganda, parties are required to first attend mandatory mediation and thereafter have the suit heard if they fail to have the matter settled out of Court.

If a valid arbitration clause exists in an agreement, or the parties agree to refer a dispute to arbitration on an ad hoc basis, any dispute arising from such agreement must be submitted to arbitration.

The Arbitration and Conciliation Act, Chapter 4 provides for domestic arbitration, international commercial arbitration and defines the law relating to conciliation of disputes in Uganda. It establishes a Centre for Arbitration and Dispute Resolution and its accompanying arbitration rules provide for enforcement of foreign arbitral awards.

The arbitration law also provides for a mandatory stay of court proceedings where a contract contains an arbitration clause. In practice, the local courts are very supportive of arbitration. They are capable of both enforcing the awards and staying court proceedings until commencement of arbitration.

38. Are foreign judgments and international arbitration awards enforceable in Uganda?

Uganda is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 and as such, foreign/ non-domestic arbitral awards may be recognised and enforced in Uganda.

39. Are there laws against money laundering and bribery?

The Anti-Money Laundering Act of 2013, criminalises the intentional conversion, transfer, transportation or transmission, and concealment of property knowing that such property is the proceeds of crime.

The law imposes various obligations on accountable persons (who are: advocates, trust companies, casinos, real estate agents, dealers in precious metals and gems, financial institutions, investment brokers and dealers, insurance companies, the Registrar of Companies, the Registrar of Land, the Uganda Investment Authority, non-governmental organisations, churches and charitable organisations).

These are obligations to:

- maintain accounts in true names and identities;
- undertake due diligence before initiating a business relationship and further customer due diligence during the existence of the business relationship;
- undertake additional due diligence in relation to cross-border correspondent banking;
- develop internal policies, procedures and controls against money laundering and terrorist financing; and
- appoint a money laundering control officer to oversee the anti-money laundering activities and control of terrorist financing programmes.

The law requires the accountable persons to record each transaction exceeding 1 000 currency points (UGX 20 000 000) and maintain the record for a period of 10 years.

The Act further provides for lifting of the corporate veil so as to impose personal liability on a director of a limited company where the company is involved in money laundering.

The Financial Institutions (Anti-Money Laundering) Regulations of 2010, require financial institutions to record and report on a monthly basis any transactions in excess of USD 10 000 to the Financial Intelligence Authority and to the Central Bank.

The Financial Intelligence Authority exists to monitor, investigate and curb financial crime in Uganda.

The Anti-Money Laundering (Amendment) Act, creates an obligation to implement appropriate risk management measures where a customer is a politically exposed person and to report suspicious transactions.

There is a requirement to perform due diligence in transactions involving cross-border correspondent banking and enhanced due diligence measures where the customer is from a country specified as high risk.

Dispute Resolution

The National Environment Act, Cap 156 establishes the National Environment Management Authority (NEMA) as the overall body and principal agency responsible for coordinating, supervising and monitoring all aspects of environmental management in Uganda.

The Authority is mandated to integrate environmental considerations into socio-economic development policies and programmes; develop standards, guidelines, laws and other measures in environmental management; and coordinate government policies, liaise with lead agencies and international organisations in environmental management.

The Act creates the requirement of completing environmental impact assessments (EIAs) for projects likely to have a negative effect on the environment as an effective management tool. In addition to the management of natural resources, the Act provides for mechanisms of establishing environmental standards and criteria for environmentally acceptable behaviour.

An entity which seeks to exceed these environmental standards is required to apply for a pollution permit to enable it carry out its activities.

The law imposes various obligations on accountable persons (who are: advocates, trust companies, casinos, real estate agents, dealers in precious metals and gems, financial institutions, investment brokers and dealers, insurance companies, the Registrar of Companies, the Registrar of Land, the Uganda Investment Authority, non-governmental organisations, churches and charitable organisations).

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Uganda subscribes to the East African Community Directive/2014/14/ EAC Council of Members, which was issued to guard against regional money laundering activities. The directive establishes guidelines to be followed by market intermediaries in the securities markets of partner states: Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda.

Uganda is also effectively a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which aims to curb money laundering in Eastern and Southern Africa by implementing the Financial Action Task Force mechanisms.
There are two main laws that govern the dissolution of a business: the Companies Act of 2012 (Companies Act) and the Insolvency Act of 2011 (Insolvency Act).

The dissolution of a business may be carried out voluntarily or involuntarily by either the members of the business itself or other parties, such as creditors.

A company may wind up for any reason as long as it follows the due process under the Companies Act. This may include:
- passing a special resolution;
- giving notice of the resolution in the Gazette and in a newspaper with a wide national circulation;
- registering a resolution for voluntary winding up with the Registrar of Companies and sending a copy to the official receiver; and
- the directors making a declaration in the prescribed form to the effect that they have formed the opinion that the company will be able to pay its debts in full within a period not exceeding 12 months.

The dissolution of a business under the Insolvency Act is twofold. It can be undertaken either by the members themselves (members’ voluntary liquidation) where the company is solvent, or by the creditors of the business (creditors’ voluntary liquidation) where the company is insolvent.

A branch of a foreign company may be deregistered where a representative of the branch itself makes an application to the Registrar indicating that the company ceased to have a place of business in Uganda. Thereafter it will give notice in writing and as from the date on which the notice is given, the obligation of the company to deliver any document to the Registrar ceases and the Registrar may strike the name of the company off the register.

Deregistration can also occur where the place of business in Uganda is abandoned. A representative of the company must give notice in writing and as from the date on which the notice is given, the obligation of the company to deliver any document ceases and the Registrar may strike the name of the company off the register.
Our Firm

We help our clients manage legal complexity and unlock opportunity in Africa.

We have an enviable track record of providing legal services to the highest professional standards in Africa. We work for clients across numerous African jurisdictions on corporate, finance, competition, taxation, employment, technology and dispute resolution matters.

With eight offices in six African countries and over 400 specialist lawyers, we draw on our unique knowledge of the business and socio-political environment to advise clients on a wide range of legal issues.

Everywhere we work, we offer clients a service that uniquely blends expertise in the law, knowledge of the local market, and an understanding of their businesses. Our aim is to assist clients to achieve their objectives as smoothly and efficiently as possible while minimising the legal and regulatory risks.

Our clients include domestic and foreign corporates, multinationals, funds and financial institutions, across almost all sectors of the economy, as well as state-owned enterprises and governments.

Our expertise is frequently recognised by independent research organisations. Most recently, our Kenyan practice won the 2022 Chambers Africa Award for Law Firm of the Year in Kenya. In 2022, Bowmans won six IFLR Africa Awards including overall M&A Team of The Year; Jurisdictional Firm of the Year: South Africa; Loans Firm of the Year: South Africa; M&A Firm of the Year: South Africa; and Project Finance Firm of the Year: South Africa. We also advised on the deal named M&A Deal of the Year. At the 2022 Africa Legal Awards, we won four practice awards including Banking and Finance Team of the Year; Capital Markets Team of the Year; Tax Team of the Year and Transportation and Infrastructure Team of the Year.

Recognising the size and enormous diversity of Africa, our approach to providing legal services across the continent is intended to offer on-the-ground advice in the countries that matter for our clients. Our presence in Africa is always evolving to meet the changes that are shaping the future of this vast continent.

Currently, we have our own offices in six African countries: Kenya (Nairobi), Mauritius (Moka), South Africa (Cape Town, Durban, Johannesburg), Tanzania (Dar es Salaam), Uganda (Kampala) and Zambia (Lusaka).

We work closely with our Bowmans Alliance firms in Ethiopia (Aman & Partners LLP) and Nigeria (Udo Udoma & Belo-Osagie). These are two of the leading corporate and commercial law firms in their jurisdictions.

We have a special relationship with a competent practitioner in Mozambique. We also have a non-exclusive co-operation agreement with French international law firm Gide Loyrette Nouel that provides our clients access to assistance in francophone west and north Africa. The arrangement provides complementary access for Gide’s clients and lawyers to markets in central, southern and eastern Africa.

On the global front, Bowmans has long-standing and excellent relationships with a range of international law firms with whom we often work on Africa-focused client mandates. We are also a member firm of Lex Mundi, a global association of more than 160 independent law firms in all the major centres across the globe. Lex Mundi gives us the ability to connect our clients with the best law firms in each of the countries represented.
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