

# NONPROFIT LAW IN UGANDA



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This section describes the legal framework governing nonprofit organizations (also known as non-governmental organizations or NGOs) in Uganda, and includes translations of legislative provisions relevant for a foundation or advisor undertaking an equivalency determination of a foreign grantee under IRS Revenue Procedure 92-94.

These reports have been prepared by the [International Center for Not-for-Profit Law](#) (ICNL). Please direct corrections and comments to [Lily Liu](#).

We include hyperlinks to the following information, to the extent available:

- Longer country reports analyzing various aspects of local legislation; and
- Texts of local laws that affect the decision whether or not to qualify a grantee (generally in translation, although ICNL and the Council cannot warrant the accuracy of any translation; in addition, legislative excerpts were selected by in-country contacts, and ICNL and the Council cannot warrant that all relevant provisions have been translated).

## Table of Contents

- I. [Summary](#)
  - A. [Types of Organizations](#)
  - B. [Tax Laws](#)
- II. [Applicable Laws](#)
- III. [Relevant Legal Forms](#)
  - A. [General Legal Forms](#)
  - B. [Public Benefit Status](#)
- IV. [Specific Questions Regarding Local Law](#)
  - A. [Inurement](#)
  - B. [Proprietary Interest](#)
  - C. [Dissolution](#)
  - D. [Activities](#)
  - E. [Political Activities](#)

- F. [Discrimination](#)
- G. [Control of Organization](#)
- H. [Foreign Grants](#)
- V. [Tax Laws](#)
  - A. [Tax Exemptions](#)
  - B. [Value Added Tax](#)
  - C. [Import Duties](#)
  - D. [Double Tax Treaties](#)
- VI. [Knowledgeable Contacts](#)

## I. SUMMARY

### A. Types of Organizations

Ugandan law provides for the establishment of a variety of not-for-profit organizations (NPOs), and the country is host to a number of national, regional, and international organizations. NPOs interacting with foreign grant makers are most commonly constituted as:

- Non-governmental organizations (NGOs);
- Trusts; and
- Foundations. [\[1\]](#)

NGOs are primarily governed by the Non-Governmental Organisations Act (2016) (“NGO Act”). This Act repealed the [Non-Governmental Organisations Registration Act \(1989\)](#) (“NGO Registration Act”) and the [Non-Governmental Organisations Registration \(Amendment\) Act \(2006\)](#) (“NGO Registration (Amendment) Act”). [\[2\]](#) The NGO Act defines an “organization” as “a legally constituted non-governmental organization...which may be a private voluntary grouping of individuals or associations established to provide voluntary services to the community or any part, but not for profit or commercial purposes” (NGO Act Section 3).

**Trusts** are covered by the Trustees Act Chapter 164 (1954) and the Trustees Incorporation Act Chapter 165 (1939).

**Foundations** can be registered either under the Trustees Incorporation Act or as companies limited by guarantee under the Companies Act Chapter 110.

### B. Tax Laws

Uganda’s Income Tax Act establishes a category of exempt organizations which includes those that are of a religious, charitable, educational, or public character. Qualifying organizations are exempt from tax on almost all categories of income.

Individuals and legal entities are eligible for tax deductions for charitable contributions. Ugandan law subjects certain sales of goods and services to VAT, with a fairly broad range of exempt activities. Foreign grants are exempt from VAT.

## II. APPLICABLE LAWS

- [Constitution of the Republic of Uganda \(1995\)](#), as amended by Act 11 of 2005 and Act 21 of 2006 [3]
- [Non-Governmental Organizations Act \(2016\)](#)
- [The Anti-Money Laundering Act \(2013\)](#)
- [The Non-Governmental Organizations Regulations \(2017\)](#)
- [The Companies Act \(2012\)](#)
- [The Human Rights \(Enforcement\) Act \(2019\)](#)
- [The Trustees Act, Chapter 164 \(1954\)](#)
- [The Trustees Incorporation Act, Chapter 165 \(1939\)](#)
- [Income Tax Act, Chapter 340 \(1997\)](#), as amended by Act 10 of 2007
- [Value Added Tax Act, Chapter 349 \(1997\)](#), as amended by Act 12 of 2006
- [The Value Added Tax \(Amendment\) Act \(2005\)](#)
- [The Value Added Tax \(Amendment\) Act \(2015\)](#)
- [East African Community Customs Management \(EACCM\) Act \(2004\)](#)
- The Advocates (Legal Aid to Indigent Persons) Regulations, SI 12 (2007)
- Public Order Management Act (2013)

## III. RELEVANT LEGAL FORMS

### A. General Legal Forms

Ugandan law provides for several types of not-for-profit organizations (NPOs), including NGOs, trusts, and foundations. Other not-for-profit legal forms, which are outside the scope of this Note due to their limited interaction with U.S. grant makers, include: community-based organizations, cooperative societies, societies, communal land associations, political parties, religious entities, and trade unions.

The NGO Act distinguishes between foreign, indigenous, and international organizations. An indigenous organization is wholly-controlled by Ugandan citizens. A foreign organization is one that does not have original incorporation in any country, is partially or wholly-controlled by citizens of other countries not among the Partner States of the East African Community, and is operating in Uganda under the authority of a permit issued by the National Bureau of Non-Governmental Organizations (hereinafter “Bureau”). An international organization is an organization that has its original incorporation in a country other than a Partner State of the East African Community, is partially or wholly-controlled by citizens of one or more countries other than those of the Partner States of the East African Community, and is operating in Uganda under the authority of a permit issued by the Bureau (NGO Act Section 3).

New regulations for the NGO Act were issued in 2017. Under the regulations – the Non-Governmental Organizations Regulations (2017) (“NGO Registration Regulations”) – the registration application for a local NGO requires a fee of 100,000 Ugandan Shillings

(approximately \$28), while the application of a foreign company requires a fee of 520,000 Ugandan shillings (approximately \$144) (NGO Registration Regulations (2017) Section 2).

**NGOs.** The NGO Act (2016) defines an organization as “a legally constituted non-governmental organization...which may be a private voluntary grouping of individuals or associations established to provide voluntary services to the community or any part, but not for profit or commercial purposes” (NGO Act Section 3). NGOs must register with the National Bureau of Non-Governmental Organizations (NGO Act Section 29(1)).

Certain types of NGOs may be required to undertake supplementary registration. For instance, NGOs that primarily provide legal aid must register with the Law Council (Advocates (Legal Aid to Indigent Persons) Regulations (2007) Section 4). Section 6 of the Regulations requires NPOs that provide legal aid to register as legal aid service providers with the Law Council.

**Trusts and Foundations.** The Trustees Act and the Trustees Incorporation Act govern trusts and foundations. Trusts may be established by any person or association for any “religious, educational, literary, scientific, social or charitable purpose” upon issuance of a certificate of registration by the Minister of Lands, Housing and Urban Development ([Trustees Incorporation Act](#) Section 1(1)). Trusts and foundations are established to provide grants and, in some cases, loan financing at a more affordable rate to NGOs, community-based organizations, and private organizations in support of their goals and objectives. [\[4\]](#)

## B. Public Benefit Status

The NGO Act includes in its definition of “organizations” those that provide “voluntary services to the community or any part” (NGO Act Section 3). The Act, however, does not define the term “voluntary services.” Nor does it otherwise confer a special status on voluntary or public benefit organizations. The Trustees Incorporation Act also does not define “charitable purpose” as the term is used in the section on establishing a trust.

Notably, however, the Income Tax Act provides for an "exempt organization" status, for those organizations, institutions, or irrevocable trusts that a) qualify as religious, charitable, or educational institutions of a public character, and b) have been issued a written ruling by the Commissioner stating that they are an exempt organization ([Income Tax Act](#) Section 2(bb)).

Charitable organizations established under the Companies Act do not benefit from any tax exemptions.

## IV. SPECIFIC QUESTIONS REGARDING LOCAL LAW

### A. Inurement

Common law practice dictates that neither the income nor assets of a not-for-profit organization can be distributed to employees, directors, founders, or any other person other than for the fulfillment of the organization’s statutory purposes. (Reasonable compensation for services rendered in the course of fulfilling the activities of an organization is allowed.) According to local experts, as a matter of common law practice, this prohibition extends to NGOs, trusts, and foundations.

An organization, member, or employee of the organization must not engage in profitable activities for personal gain. According to local experts, as a matter of common law practice, this expectation extends to all NPOs, including trusts and foundations.

## B. Proprietary Interest

NGOs possess legal personality, so property is vested in the organization as a legal entity. There are no express legal provisions that allow donors to retrieve donated property or determine the destination of their contributed assets outside applicable contract obligations. The use of donor-recipient contracts is common in Uganda, but a donor cannot enter into a contract with an organization that enables the donor to recoup his or her donation if the organization dissolves. According to local experts, as a matter of common law practice, this prohibition extends to trusts and foundations as well.

## C. Dissolution

Ugandan law does not provide for the distribution of assets upon liquidation of an NPO. Rather, the law requires the constitution of each organization to establish procedures for the disposition of the organization's assets upon dissolution (NGO Act Section 49(1)). Organizations that have made a resolution for voluntary dissolution must develop and submit to the NGO Bureau and to the official receiver a statement of their affairs, showing particulars of assets, liabilities, names, residence, and occupations of the creditors and the securities held by them (NGO Act Section 49(6)). According to local experts, the general practice is that upon dissolution and winding-up of an organization, its debts and liabilities are settled first and the remaining property is distributed to other organizations with similar aims and objectives. The law prohibits the distribution of assets among members.

## D. Activities

### *1. GENERAL*

Objective V of the Constitution on National Objective and Directive Principles provides that:

(i) The State shall guarantee and respect institutions which are charged by the State with responsibility for protecting and promoting human rights by providing them with adequate resources to function effectively.

(ii) The State shall guarantee and respect the independence of non-governmental organizations that promote human rights.

At the same time, the NGO Act allows the Government of Uganda to exercise considerable control over the operation of NGOs. An NGO is prohibited from operating in Uganda unless it has a valid permit issued by the Bureau (NGO Act Section 31(1)). Applications for a permit are to include "(a) the operations of the organization; (b) the areas where the organization may carry out its activities; (c) staffing of the organization; (d) geographical area of coverage of the organization; (e) location of the organization's headquarters; and (f) date of expiry of the previous permit." (NGO Act Section 31(5)).

Moreover, the NGO Act requires an NGO to: (a) not carry out activities in any part of the country unless it has received the approval of the District NGO Monitoring Committee

(DNMC) and local government of that area and has signed a memorandum of understanding with the local government to that effect; (b) not extend its operations to any new area beyond the area it is permitted to operate in unless it has received a recommendation from the Bureau through the DNMC of that area; (c) co-operate with local councils in the area of its operation and relevant DNMC and Sub-county NGO Monitoring Committee (SNMC); (d) not engage in any act which is prejudicial to the security and laws of Uganda; (e) restrict its operations to the area of Uganda in which it is permitted to operate; (f) not engage in any act which is prejudicial to the interests of Uganda and the dignity of the people of Uganda; (g) be non-partisan and not engage in fundraising or campaigning to support or oppose any political party or candidate for an appointive office or elective political office, nor propose or register a candidate for elective political office; and (h) have a memorandum of understanding with its donors, sponsors, affiliates, local and foreigner partners, if any, specifying the terms and conditions of ownership, employment, resources mobilized for the organization and any other relevant matter (Section 44).

## *2. ECONOMIC ACTIVITIES*

NPOs in Uganda may not pursue economic activities as their sole purpose. [\[5\]](#)

The Income Tax Act, Chapter 340, Section 2(f) provides guidance on the types of economic activities that exempt organizations may engage in without becoming liable for income tax payments. The Income Tax Act provides that income other than property income or business income not related to the functions constituting the basis for an organization's existence will be subject to tax.

## **E. Political Activities**

The law does not impose a limit on the resources of an organization or share of its budget that can be devoted to lobbying or other legislative activities.

As for "political" activities, Ugandan NGOs are not permitted to belong to any political group. The NGO Act requires an NGO to be non-partisan and not engage in fundraising or campaigning to support or oppose any political party or candidate for an appointive office or elective political office, nor propose or register a candidate for elective political office (Section 44(g)). NGOs can actively participate in the election process by conducting educational seminars on current topics of political concern, however, including understanding the platform of various candidates. Moreover, organizations are allowed to engage in monitoring and observing the electoral process, documenting election irregularities, cooperating with the Electoral Commission, and proposing improvements to the process of elections. In the past, organizations have also supported candidates in their bids to challenge election results.

## **F. Discrimination**

The Constitution of the Republic of Uganda prohibits discrimination in all spheres of political, social, and cultural life, as well as based on sex, race, color, tribe, origin, birth, social or economic standing, or disability (Constitution Article 21). In addition, the Constitution includes National Objectives and Directive Principles of State Policy, which provide that "The State shall take appropriate measures to afford every citizen equal opportunity to attain the

highest educational standard possible” (Constitution Objective 18). These provisions bind all persons, including educational institutions.

## G. Control of Organisation

Ugandan law does not restrict other organizations or persons from controlling a Ugandan NPO. A not-for-profit entity might establish an NPO and continue to control or own it. Likewise, a Ugandan NPO could be controlled by a foreign grantor charity.

## H. Foreign Grants

The NGO Act requires an organization to “submit to the Bureau annual returns and a report of the audited books of accounts by a certified auditor” (Section 39(3) (a)). Further, an organization must “declare and submit to the District technical planning committee, the DNMC [District Non-Governmental Organizations Monitoring Committee] and SNMC [Subcounty Non-Governmental Organizations Monitoring Committee] of the area in which it operates, estimates of its income and expenditure, budget, work plan, information on funds received, and the sources of funds” (NGO Act Section 39(3)(b)).

## V. TAX LAWS

### A. Tax Exemption

Uganda’s Income Tax Act provides that an organization is exempt from paying income tax if it falls within the definition of “exempt organization” under [Section 2\(bb\)](#) of the Income Tax Act and has been issued a formal ruling from the Tax Commissioner qualifying it as an exempt organization. The Income Tax Act defines an exempt organization as a company, institution, or irrevocable trust that is:

1. An amateur sporting association;
2. A religious, charitable, or educational institution of a public character; or
3. A trade union, employees’ association, an association of employers registered under any law of Uganda, or an association established for the purpose of promoting farming, mining, tourism, manufacturing, or commerce and industry in Uganda.

All income of an exempt organization is exempt from income tax, with the exception of property income received by the organization. Rental income of immovable property, however, may be also exempt if it is used by the lessee exclusively for the activities of the organization specified in the Act. In addition, business income received by an NGO that is not related to the function constituting the basis of the organization’s existence is subject to tax ([Income Tax Act Section 21\(f\)](#)).

Individuals and legal entities are eligible for tax deductions for charitable contributions to a tax-exempt organization listed in Section 2(bb), (a), and (b) of the Income Tax Act. An individual may claim as a deduction up to 5 percent of that individual’s taxable income for the year in which the gift is made.

## B. Value Added Tax

The standard VAT rate is 18 percent ([Value Added Tax \(Amendment\) Act \(2005\) Section 3](#)). Foreign grants are not subject to VAT. Certain supplies are exempt from VAT, including: unprocessed foodstuffs and agricultural products; educational, medical, dental, or nursing services; social welfare services; and medical equipment ([VAT Act Schedule 2 Section 19](#)).

The legislation also provides for that certain supplies are zero-rated—that is, they are taxable but at a zero percent rate—including drugs and medicines, and educational materials ([Section 24\(4\)](#) and [3rd Schedule of VAT Act \(1997\) Chapter 34](#)).

The annual registration threshold is 150 million Uganda shillings (approximately \$41,000) ([Value Added Tax \(Amendment\) Act of 2015 Section 7\(2\)](#)).

## C. Import Duties

The East African Community Customs Management (EACCM) Act regulates the management and administration of customs duties on imports in Uganda and the region. Goods and equipment used in aid funded projects are exempt from customs duties (EACCM Act Section 114 [Schedule 5\(10\)](#)). However, the Act does not define “aid funded projects.” In addition, goods imported by international and regional organizations with diplomatic accreditation as well as donor agencies are similarly exempt from paying import duties (EACCM Act Section 114 [Schedule 5\(6\)](#)). The Act does not list local or national NGOs as entities entitled to an automatic exemption on imports.

Certain agricultural and health-related items are listed as exempt from import duties ([Schedule 5 Part B](#)).

## D. Double Tax Treaties

No tax treaties have been entered into between Uganda and the United States.

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## FOOTNOTES

[1] Due to their limited interaction with U.S. grant makers, community-based organizations (CBOs), trade unions, cooperatives, cooperative societies, political parties, and religious entities will not be covered by this Note.

[2] The Ugandan Parliament passed the Non-Governmental Organizations Act (2016) (NGO Act) in 2015. The President assented to the Act in January 2016. The Act repealed the old regulations cited as “Non-Governmental Organizations Registration Regulations (2009),” which implemented the old Act. Thereafter, new regulations were adopted: the Non-Governmental Organizations Regulations, 2017. In addition, the Non-Governmental Organizations (Fees) Regulations, 2017, were also adopted for the purposes of prescribing the fees payable upon registration.

Prior to the passing of this law, the Office of the Prime Minister (OPM) embarked on the formulation of a National NGO Policy within the framework of Article 108 of the 1995 Constitution of Uganda that mandates the Prime Minister to be responsible for coordinating the implementation of government policies across ministries, departments, and other public institutions. Various stakeholders including government agencies, NGOs, and donor representatives were consulted to provide input into the NGO Policy. The Policy was approved by the Cabinet in October 2010 and is now in force. However, there is a pending court case that may affect the Policy. The Policy impacts Section 5 of the NGO Act, which provides for the establishment and composition of the National Bureau of Non-Governmental Organizations (hereinafter “Bureau”).

The Bureau has authority to monitor NGO operations and develop policy guidelines for NGOs and community-based organizations (CBOs) (NGO Act Section 6). Additionally, NGOs are required to obtain a periodic permit to operate (NGOs are not absolved from the requirement that they register with the Bureau). The NGO Act also expanded the powers of the Ministry to regulate the dissolution of NGOs.

The Bureau has branch offices which supervise District Non-Governmental Organizations Monitoring Committees (DNMC) (NGO Act Section 19). Each district has a DNMC which is composed of the Chief Administrative Officer, District Community Development Officer, District Internal Security Officer, District Health Officer, District Education Officer, Secretary for Gender and Community Services, and a representative of NGOs in the district. At the sub county level, the Bureau is represented by the Sub county Non-Governmental Organizations Monitoring Committee (SNMC), which is composed of the Senior Assistant Chief Administrative Officer, Sub-county Community Development Officer, Gombolola (sub county) Internal Security Officer, Sub-county Health Inspector, and a representative of NGOs in the sub county.

The Policy also impacts Section 6 of the NGO Act. Under the Policy, the Bureau shall in addition to the functions provided under the Act be responsible for:

- a) Conducting background checks and scrutinizing the credentials and status of all international NGOs seeking to register and operate in Uganda;
- b) Considering applications for the renewal of NGO permits;
- c) Monitoring compliance by all registered NGOs with the terms and conditions of their certificates of registration/incorporation and their constitutions;
- d) Providing appropriate guidelines for the operationalization of the NGO Policy at line ministry and lower levels of the district administration consistent with the principles of the Policy;
- e) In liaison with designated officers in line ministries and local government authorities, monitoring district relations with NGOs to ensure compliance with set guidelines;
- f) Coordinating government engagement with the NGO sector;
- g) Coordinating government engagement with other stakeholders to establish a reliable database and information system on the NGO sector; and

h) In consultation with the lead Ministry and NGO umbrella organizations, preparing periodic reports on the status, contribution, and impact of the NGO sector on national development.

[3] Uganda's legal system is based on English Common Law and African Customary Law. Customary law governs to the extent that it does not contradict the statutory laws, although the 1995 Constitution, as amended, is the supreme law of the land. The articles of the Constitution referenced in this Note are those of the Constitution of the Republic of Uganda, as amended in February 2006.

[4] A community-based organization, or CBO, is an organization "operating at a sub-county level and below, whose objective is to promote and advance the well-being of the members of the community" (NGO Act Section 3). CBOs typically are formed to accomplish one specific purpose: examples include forming groups to work collectively on members' farms or to support funeral ceremony preparations. A few groups take a wider community development role. CBOs are relatively small (usually involving 10-20 households).

[5] Microcredit associations that engage in business may be registered as NPOs with the sole purpose of doing business.