



ADMINISTRATION OF PROPERTY RATE (TAX) IN UGANDA

A TECHNICAL GUIDE ON ADMINISTERING THE LG PROPERTY (RATING) ACT IN UGANDA

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Disclaimer

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INTRODUCTION

Property taxation is one of the most significant sources of revenue for local governments in Uganda, particularly for urban municipal authorities. It provides a critical funding stream for essential public services, including road maintenance, waste management, water supply, and other municipal functions. Despite its importance, compliance with property tax obligations remains low, largely due to limited awareness, insufficient understanding of the law, and weak engagement between property owners and local authorities.

This Technical Guide has been developed to address these challenges by providing clear, practical, and accurate information on the Local Governments (Rating) Act, 2005, Cap 140, which governs property taxation in Uganda. The guide is designed to enhance awareness and understanding of property tax laws among property owners and local government officials, promote voluntary compliance, encourage transparency and civic participation in revenue mobilization, and serve as a reference for all stakeholders involved in property tax administration.

The technical guide reflects both the legal framework and the practical realities of administering property tax in Uganda, providing guidance on how to determine taxable property values, calculate rates, and apply allowances such as the conservancy deduction.

Legally, property taxation in Uganda is anchored in the Constitution of the Republic of Uganda, which guarantees every citizen the right to property (Article 26) and provides that no tax shall be imposed except by an Act of Parliament (Section 152(1)). Under the Local Governments (Rating) Act, 2005, property tax constitutes a significant portion of local government revenue, accounting for an average of over 30% of gross revenue in urban councils.

GLOSSARY OF TERMS

Gross Rate: Refers to the annual rental value at which a property may reasonably be expected to be let, assuming the tenant is responsible for paying utility charges, water and sewerage fees, local council taxes, and any other operational or overhead costs. It represents the total expected

annual income from a property that is subject to valuation for rating purposes in Uganda.

Ratable Value: Means the net annual rental value of a property determined in accordance with the Local Governments.

Conservancy allowance: Refers to a deduction of 22% from the gross rental value of a property to account for services provided by the local authority, including water supply, sewerage, waste collection, and other municipal services, as provided for under the Local Governments (Rating) Act, 2005.

Rate per Annum: Refers to the annual property tax levied on a property, calculated as a percentage of the ratable value. In Uganda, this rate typically ranges from 0% to 12% of the ratable value, with a minimum annual charge of UGX 2,000. For properties being assessed for the first time, it is generally recommended that the rate does not exceed 5% of the ratable value.

Property: Immovable property such as an industrial or non-industrial building or structure of any kind but excluding vacant sites or land without any buildings.

Industrial building: Means a factory, mill, workshop, or any other premises of a similar nature that is used wholly or mainly for industrial purposes, including the manufacture, processing, or assembly of goods.

UNDERSTANDING PROPERTY TAX

What is Property tax (PT)?

Property tax is a local government tax charged as indicated under Section 83 of the Local Government Act, Cap 138, Schedule 7. It is a tax payable annually by owners of commercial, rented residential houses and shops, factories, hotels, and industrial property located within the municipality area.

Who pays property tax?

The property owner (landlord or business owner) pays. Section 6(2) of the Local Government (Rating) Act provides "that the person liable for

payment of the rate shall be the owner of the property in respect of which the assessment is made." If you own a building that is rented out or used for business, you must pay property tax to the municipal council. Therefore, anyone who owns a building which is used for commercial purposes (including residential rented properties) is eligible to pay.

1.2 Where does a Municipal Council get the mandate for property taxation?

Section 2(1) and (5) of the Local Government Rating Act (LGRA) provides that "Every local government shall levy such rates as it may determine on the basis of the rateable value of any property within its jurisdiction". Property tax is also provided for under the Local Government Act, Seventh Schedule.

1.3 Do partially completed buildings pay property tax?

Yes, to the extent they are completed and in commercial usage. Any part of such premises used for commercial purposes is liable for property tax based on the rent derived from use of all, or part of the space used for commercial purposes.

1.4 Is Property Tax the same as Ground Rent?

Ground Rent, is a charge for use of land leased out by the municipality, Uganda Land Commission or a private landowner and is regulated under the Land Act. It is an annual levy payable to a registered land owner by lawful tenants of leased land. Property tax is a charge on commercial buildings. Ground Rent is payable even when the land is vacant, undeveloped or with no ongoing economic activity. Nonpayment of the Ground Rent may terminate the lease and lead to re-entry by the main Land Owner.

Can one be liable for both Property Tax and Ground Rent?

Yes. If you own a building on leased land. Ground Rent is payable to land owner. Property tax is payable for any commercial and industrial building irrespective of whether the land is leased or private land. Private land tenure

systems such as "Mailo" or community owned land are not eligible for payment of ground rent to the Local Government but must pay property tax.

1.5 Is Property Tax not the same as Rental Income Tax collected by URA?

No. Taxation of Rental Income is provided for under Section 5 of the Income Tax Act. Rental Tax is payable to the Uganda Revenue Authority based on actual or declared rent collected by the property owner in a year. Property tax is assessed basing on reasonable annual rental value on property used for commercial purposes and payable to local governments.

The Taxpayer is expected to complete a return of Rental Income for a year of income with supporting agreements where available or rental receipts issued to tenants(s) during the year.

1.6 Do tenants also pay property tax?

No. Tenants do not pay directly. However, landlords may include the tax in rent. But in the event the owner defaults, the Municipal Council may obtain a court order to collect rent directly from tenants until the property Tax debt is fully recovered.

ASSESSMENT AND CALCULATION

2.1 How is property tax calculated?

Property tax is assessed basing on reasonable annual rental value on property used for commercial purposes and payable to local governments. The assessors may depend on tenancy agreements or values based on the general rental value of the area. Property tax is assessed at a percentage ranging from 0% to 12% of the total expected annual rent less at least 22% for running costs and maintenance of the property.

2.2 How often is property valuation done?

Every 5 years, or earlier if significant changes in buildings or infrastructure occur. Supplementary valuations maybe done to update the valuation list whenever newly completed property occur. After expiry of the valuation list, that is, after the initial five years,

the Municipal Council may extend validity of the valuation list for at least 6 months.

2.3 What is the process for appointment of Property Valuation Surveyors?

The decisions on valuation activity are subject to approval of the Municipal council which include appointment of a professional Valuer. The valuer is procured in line with the Public Procurement and Disposal of Public Assets (PPDA) Act.

2.4 What are the expected minimum qualifications for a Valuer

To be eligible a Valuer must be registered under the Surveyors Registration Act, hold a valid practicing license from the Surveyors Registration Board (SRB), have experience in rating or rental valuations and be a member of a professional body (e.g. Institution of Surveyors of Uganda (ISU))

2.5 How is the Gross Annual Rental Value determined?

Gross Annual Rental Value is the reasonably expected annual gross income from rented property. For example, for a property with an estimated monthly rent of UGX 200,000, the annual gross rental value is $UGX\ 200,000 \times 12\ months = UGX\ 2,400,000$.

2.6 How is the Rateable Value determined?

A deduction equivalent to 22% of gross annual rent is made as a provision for operations and maintenance. The rateable value is the gross rental value less 22% to provide for operations and maintenance for a year. Therefore, the Rateable Value is equivalent to 78% of the estimated gross annual rent. For example, for a property at a monthly rent of UGX 200,000, or annual rent of UGX 2,400,000 the computation will be as below;

Gross annual rental value UGX 2,400,000

Maintenance allowance $UGX\ 2,400,000 \times 22\% = 528,000$

Rateable value (taxable amount) will be;
 $UGX\ 2,400,000\ less\ 528,000 = 1,872,000$

The Rateable value is effectively 78% of the gross rentable value.

2.7 How is Property Tax determined?

The municipality sets a tax rate between 0% to 12%. The Council has an option to revise the rate every year or leave it unchanged for five years. For example, if the Municipal Council approves a 4% rate, the tax will be 4% of UGX 1,872,000, which is equivalent to UGX 74,880 per year. Payment may be made in at least two instalments of UGX 37,440 equivalent to UGX 208 daily.

2.7 How will I know how much has been assessed and due for payment?

Every assessed property owner will be issued with a demand notice of assessment indicating the amount payable, due dates and modality for payment.

2.8 How do I know the value of my property for tax purposes?

Your property will appear on the Valuation Roll, a public record prepared by the local government. You can inspect the roll at local council offices and raise an objection if you disagree.

APPEALS AND GRIEVANCE HANDLING

3.1 What if I think the valuation is too high?

File a written objection through the area Town Clerk within 30 days of the publication of the draft valuation list and upon receiving an assessment. Include documents like rental agreements, property use, or evidence of non-occupancy. Property owners have a right to proceed to the High Court if they are not satisfied with the LG Valuation Court.

3.2 How is the LG Valuation Court appointed?

The appointment process is initiated by Town Clerk by writing to the area Chief Magistrate requesting for a name of a person to chair the court. The Municipal Council then appoints other four (4) members based on merit and expertise. Appointments are gazetted or publicly announced before the valuation list is published.

3.3 What is the Composition of the Valuation Court?

The Chief Magistrate of the area as Chairperson then other 4 members are appointed from competent persons in the community. Members of the court should include persons with knowledge of the law, property valuation processes, local government and urban Management.

3.4 What are the powers of the Valuation Court?

Powers of the Valuation Court are to; hear and determine objections to valuation lists, confirm, amend, or cancel entries on the list, direct re-inspection or revaluation where necessary. The decisions of the Valuation Court are binding unless appealed to the High Court. After its work is complete (i.e. no pending appeals), the court automatically dissolves.

3.5 What are the rights and obligations of taxpayers?

Taxpayers have an obligation to facilitate and be present during assessment of Property tax, to pay all legally assessed taxes in time and without default. There is a right of appeal in case a taxpayer considers the assessment to be unfair or excessive. A taxpayer also has a right to ask for information on how the resources are utilized and to participate in Property Owners' Association meetings and activities.

EXEMPTIONS AND RELIEFS

4.1 Who is exempted from payment of Property Tax?

Exemptions in full are provided for under Section 4 and Second schedule of the Local Government (Rating) Act 2005. The LGRA exempts the following from paying property taxes;

International governments and/or organizations places exclusively used for public worship, not for profit or charitable educational institutions, Houses used exclusively for the purposes of any charitable or educational institution supported only by endowments or voluntary contributions Used exclusively for burial or burning grounds,

Residential buildings in an urban area where the owner resides in that residential building, or all owner-occupied residential property in an urban area

Official residences of religious leaders, and traditional or cultural leaders

all residential property outside an urban area,

4.2 Why are owner occupiers exempted from property tax, yet they use council services?

Property tax is linked to income earned from a property. Owner occupiers are exempt as they are not enjoying a monetary income from the property. All residents including owner occupants of residential houses already contribute towards the general costs of service delivery through Local Service Tax (LST).

4.3 Can an individual be exempted due to unemployment, old age or ailment?

No. Personal hardship is not a basis for exemption. The basis for assessment is on income derived from the property. There is no provision for meansbased hardship exemptions for Property Tax under the LGRA. Although other taxes like Local Service Tax (LST) may offer exemptions for being unemployed, living in poverty, widowed, disability, old age or infirmity, it does not apply to property rates.

PROPERTY TAX PAYMENT PROCESS

5.1 How do I know when and what to pay?

The Municipal Council issues Demand Notes, or notification by SMS through mobile phones to the property owner indicating the amounts payable for the given property.

5.2 How do I know whether the amount billed is correct?

The amount on the demand notice is stated in the valuation list which can be accessed at the municipal hall or Division office or confirmation by the Town Agent of the area.

5.3 How is property Tax payment made?

Payment can be made by way of Electronic Funds Transfer (EFT) or Mobile money when

the facility has been provided or pay directly to Banks or through a Bank Agent as will have been advised. Respective revenue officers must provide a Payment Reference Number (PRN) against which payment will be made. A message acknowledging payment will be issued through the payers phone number. A receipt will be auto generated and issued to the taxpayer.

5.4 Is payment in instalments allowed?

Property Rates may be paid in not more than two equal installments within the respective financial year as will be guided by the Revenue Officers. An interest of 2% per month may be charged on any Property Tax that remains unpaid after 30 days of notification for the payment.

5.5 Can a refund be made in case of overpayment??

Yes, the requirement is to file a refund claim with evidence. Local government may refund or offset against future tax or treat the amount as payment in advance. Cash refunds may be difficult

USE OF PROPERTY TAX REVENUE

6.1 Why should I pay property rates?

Property tax, like many other revenue sources, meets the cost of common services, such as;

Road construction and maintenance

Street lighting,

Anti-malaria drains

Collection and disposal of solid waste/ garbage collection

Physical planning, and such other services required by the taxpayers within their areas

6.2 How does property tax benefit me directly?

Property tax contributes to cleaner surroundings, safer streets, better markets, schools, and health facilities. It also increases the value of your property in a well-serviced neighborhood.

6.3 Do I get a receipt for the payment?

Yes. Always ask for an official receipt or digital confirmation after payment.

6.4 How can I be sure my money is used well?

All municipality divisions participate in budget formulation to provide allocations for priority services. The residents especially property owners association must take part in budget consultation meetings to proposed needed common benefit services. The Council will publish annual budgets and accountability reports. You may attend community meetings or check council noticeboards/websites for updates.

Furthermore, under the Local Government (Rating) Act 2005, provided that, Local government shall establish and administer a property tax fund which shall be separate from the other funds of the local government.

Subsection (2). All money collected from property tax shall be deposited on the account of the Fund and, subject to subsection (3), shall not be expended except for providing services such as road construction and maintenance, street lighting, anti-malaria drains, garbage collection, physical planning and such other services required by the taxpayers within their areas.

Subsection (3) The Minister shall prescribe a percentage from the property tax collected in a year that may be spent by local government on administrative matters, but in any case, the percentage left for taxpayer's service shall not be less than seventy-five percent.

Subsection (4) Property owners and occupants in any locality may form themselves into rate payers' associations to oversee the provision and delivery of service under subsection (2). As a property owner you need to form associations where you can agree on the priorities to push forward in jurisdiction or urban area for consideration during the budget processes and informing the utilization of 75% as provided by the Act.

6.5 Can a property owner offset cost of infrastructure work?

Yes. A property owner who intends to spend

on infrastructure work meant to be done by the municipality, may submit a proposal to request the Municipality to offset property tax payable against cost of critical pending infrastructure work. The Municipality will review whether the proposed infrastructure work serves the general good of the rate payers in the area, complies with the infrastructure, planning and budgetary provisions for infrastructural development of the Municipality. The Property tax to be offset shall not exceed 75% of the amount due and payable

ENFORCEMENT AND PENALTIES

7.1 What action is taken on delayed payments?

Interest and penalty will be charged on the outstanding amount at a rate ranging between 1% to 2% per month for the period the tax remains unpaid. In the event payment is still not made within the agreed time, the LG will seek redress from courts of law to obtain a summary warrant to recover the amount from the taxpayer, through a Recovery by Warrant issued by a competent Court.

7.2 What is Recovery by Warrant

Recovery by warrant is a formal process to compel payment of unpaid property rates (property tax) by a local government. The warrant is executed as though it were a court-issued writ: authorities can seize and sell property

7.3 What is step-by-step process under recovery by warrant

Demand notice: If property rates are unpaid by the due date, the local authority serves a demand notice to the property owner, requiring payment (plus interest) within two months.

Court application: If the owner fails to pay after two months, the authority can apply to a magistrate in the jurisdiction where the property is located for a summary warrant to recover the overdue amount.

Magistrate's review: The magistrate grants the warrant upon being satisfied that: The person named is responsible for the rates, the amount is due, a demand notice was properly served

Execution of the warrant: The warrant is executed as though it were a court-issued writ. Municipalities or Local governments can seize

and sell property (movable or fixed) to satisfy the debt.

7.4 Other recovery methods under the Act

Alongside recovery by warrant, the Act allows:

Recovery by action: Filing a court lawsuit without a prior demand notice; within six years of the rate becoming due.

Recovery from occupiers or tenants: A notice can be served on tenants or occupiers requiring them to remit rent directly to the authority until arrears are cleared

7.5 Can interest on arrears be waived?

Yes, councils may waive interest (penalty) upon application. The principal tax may not be waived, although the case could be reviewed by a valuation court and if successful, your bill may be reduced. Waiver of the principal tax may require additional approval by the Minister.

7.6 What action options does a rate payer have in light of a warrant?

If a rate payer is facing recovery by warrant—e.g. demand notices, outstanding interest, or seizure threats, consider: (1) Reviewing whether notices were properly served, (2) Checking if associated interest or arrears are accurate, (3) Seeking legal help to challenge erroneous liabilities or procedural defects.

7.7 Can my property be auctioned for non-payment?

Yes. A warrant of distress can be issued, leading to auctioning of property or rent recovery from tenants.

7.8 What happens when a property is sold or purchased?

The transfer of ownership of the property in arrears is prohibited unless a certificate that no arrears of rates are due in respect of that property has been issued by the Municipality of the area where the property is situated. The seller remains liable for the arrears of property tax even after the sale.

GETTING HELP

8.1 Where can I get more information?

Visit your Division/Municipal Council offices to seek guidance for the area Town Clerk of Revenue Officers. Ask your area councillor or call your council's taxpayer help desk. Look out for council announcements on radio, community meetings, or social media.

8.2 Who can help me if I have a complaint or matters to report on?

You may contact the respective area Town Clerk at the municipality of Division. Other avenues may include political leaders, Office of Inspectorate of Government, Resident District Commissioner or the Mayor. There is also an option of contacting or reporting to the Ministry of Local Government or the Police in case of suspected fraud.

8.3 Need more help?

More information may be obtained from LG website and offices.

Email and telephone enquiries maybe addressed to the area Town Clerk.

KEY REMINDERS

9.1 Payment of your Property Tax builds your community

Payment helps to give a voice to demand for services

A right to demand for services and infrastructure

Better roads, cleaner streets, better solid waste management

Effective health centres, effective school infrastructure

Better markets, street Lights, support local jobs, beautification of towns

Paying property tax is not a punishment. It is a contribution to better services for you, your family, and your community

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