ODI Global

Analytical policy paper

Principles of taxation for mining operations in Uganda

Pascal Oleng and Edmund Ariyo

November 2025

ODI Global
4 Millbank
London SW1P 3JA
United Kingdom
www.odi.org

How to cite: Oleng, P. and Ariyo, E. (2025) Principles of taxation for mining operations in Uganda. ODI Global Analytical policy paper. London: ODI Global (www.odi.org/en/publications/principles-of-taxation-for-mining-operations-in-uganda/)

Acknowledgements

About this publication

The authors would like to thank Hazel Granger, Romal Sanjeeda, Liam Carson, Solomon Rukundo and Stephen Macey for their inputs during the conception and drafting process and for their constructive review and feedback.

We would like to thank the UK Government Centre of Expertise for Public Finance – funded by UK International Development – for financial support, through the grant to the Centre for Tax Analysis in Developing Countries (TaxDev). TaxDev is a collaboration between ODI Global and the Institute for Fiscal Studies (IFS). It promotes effective tax policy-making in low- and middle-income countries through research, applied analysis and partnerships with policy-makers.

About the authors

Pascal Oleng is a tax policy and revenue administration advisor with nearly twenty years' experience supporting tax reforms and compliance across Africa. He has advised finance ministries and tax administrations in Liberia, Sierra Leone, Nigeria, Uganda, and Rwanda under the ODI Global Budget Strengthening Initiative and TaxDev programme.

He is currently Advisor to the Liberian Asst. Minister of Finance for Revenue and Tax Policy, supporting domestic revenue mobilisation strategies, tax expenditure reforms, mining and oil & gas fiscal regime negotiations, and international taxation. His previous roles include senior advisory and audit positions with the Liberia Revenue Authority, Sierra Leone's National Revenue Authority, China National Offshore Oil Corporation Uganda (in joint venture with Total E&P and Tullow Oil), and Ernst & Young Uganda and Rwanda.

He holds a Master of Science in Taxation from the University of Oxford and a BA in Economics from Makerere University. He is an International Tax Affiliate of the Chartered Institute of Taxation (UK), a Fellow of ACCA,a Member of ICPAU, and a trained TADAT Assessor.

Emund Ariyo is a Senior Economist with over a decade of professional experience in fiscal policy formulation, fiscal modelling, budgeting, taxation, and public finance management. He serves at the Ministry of Finance, Planning and Economic Development (MoFPED), Uganda, where he supports revenue analysis & forecasting, economic planning, evidence-based policy development, and public financial management reforms aimed at enhancing domestic resource mobilization.

Previously, he worked with Total E&P Uganda as a Commercial Officer, where he was involved in petroleum economics, business development, contract evaluation and management, and fiscal regime analysis within the oil and gas sector.

He holds a Master of Science in Economics from Purdue University (USA) and a Master of Science in Oil and Gas Enterprise Management from the University of Aberdeen (UK). He has received specialized training from the International Monetary Fund (IMF), Duke University, and the United Nations Economic Commission for Africa (UNECA).

Contents

Abbreviations and acronyms

APA	Advance Pricing Agreements
CGT	Capital Gains Tax
EC	Exploration Costs
EIRA	Extractive Industry Revenue Act, 2018
EL	Exploration Licence
IMF	International Monetary Fund
ITA	Income Tax Act, 2024
ML	Mining Lease
MMA	Mines and Minerals Act, 2022
MoFPED	Ministry of Finance, Planning and Economic Development
PC	Prospecting Costs
PL	Prospecting Licence
RC	Retention Costs
RL	Retention Licence
SMO	Separate Mining Operation
UCEMUganda	Chamber of Energy and Minerals
UNMCUganda	National Mining Company
URA	Uganda Revenue Authority

Executive summary

This review of Uganda's mining taxation framework reveals several legal and administrative gaps that potentially undermine revenue mobilisation, equity and predictability.

Ambiguity in ring-fencing rules: The current ring-fencing provisions are ambiguous as they refer to a 'contract area', a concept relevant to petroleum operations but not to mining. This lack of clarity affects the determination of chargeable income, payable tax and carry-forward losses. Without clear, project-based ring-fencing rules and financial reporting, the government risks delayed tax revenue realisation, weakened compliance and enforcement challenges throughout the life of mining projects.

Weak transfer pricing provisions: Arm's-length transfer pricing rules do not adequately address transactions among separate mining operations or other intra-entity dealings. This allows room for tax base erosion through transfer mispricing. Furthermore, the complexity of valuing mineral commodities and limited administrative capacity make it difficult to assess royalties and income taxes accurately, leading to potential revenue losses, protracted disputes and taxpayer uncertainty.

Inadequate rules on asset disposals: Current tax provisions do not cover the intra-entity transfer of taxable assets between separate mining operations. This inconsistency with the principle of treating each operation as an independent business limits the Uganda Revenue Authority's (URA) ability to capture Capital Gains Tax (CGT) and undermines fairness in the tax system.

Unclear treatment of joint holders of mineral rights: The Income Tax Act, 2024 does not specify how joint holders of mineral rights should be taxed or how transfer pricing rules should apply to them. This omission creates a risk of tax base erosion through the consolidation of revenues and costs across different rights holders, potentially enabling avoidance and reducing government revenues.

Inconsistency between tax and sector legislation: Current ring-fencing rules do not adequately reflect the provisions under the Mines and Minerals Act, 2022 (MMA), creating inconsistencies between tax and sector legislation. This misalignment contributes to legal uncertainty, erodes investor confidence, delays revenue collection and complicates tax administration and enforcement.

The paper is co-authored by ODI/TaxDev and the Ministry of Finance, Planning and Economic Development (MoFPED) as part of Uganda's ongoing efforts to reform and strengthen the mining sector fiscal regime, alongside similar ongoing reforms in the petroleum sector. The paper is being published to provide a comparative analytical foundation for policy, legal, and administrative reforms to the income tax regime, including its alignment with sector legislation. It identifies specific gaps in Uganda's mining taxation framework such as ring-fencing ambiguities, intra-entity transfer pricing, asset disposal rules, and joint holders of mineral rights. It offers practical recommendations based on regional best practice, and prior research and work in extractive sector taxation by experts and multilateral, ensuring that Uganda's reform options are consistent with international evidence and emerging good practice.

The primary audience is Uganda's policymakers and revenue administrators, particularly those in the Ministry of Finance, Planning and Economic Development; the Uganda Revenue Authority (URA); the Ministry of Energy and Mineral Development (MEMD); Uganda National Mining Company; and Members of Parliament involved in fiscal policy and extractives oversight.

Secondary audiences include development partners, such as the IMF, World Bank, and OECD, engaged in extractives tax reform; Tax professionals, legal practitioners, and academics working on natural resource taxation; and regional tax authorities in Sub-Saharan Africa that may draw lessons from Uganda's experience in reforming mining tax regimes.

The analysis is deliberately Uganda-specific because it supports the ongoing domestic fiscal policy reform process, including potential legislative amendments to the tax laws and regulations. However, the paper also draws on comparative examples from Sierra Leone, Liberia, Mozambique, and Zambia, allowing regional policymakers and researchers to extract broader lessons from Uganda's reform experience.

1 Introduction

This paper provides a regulatory gap analysis with recommendations for incremental legal and administrative reforms aimed at improving and strengthening the existing tax rules and policies governing Uganda's mining sector. It proposes options consistent with existing sector legislation, with a record of success in the sub-Saharan African region, and thus more manageable and efficient for both government and taxpayers in terms of protecting present tax revenues from mining operations, creating fairness by avoiding favouring existing firms relative to new entrants, easing administrability and encouraging compliance.

Uganda's mining sector has potential to expand, but this must be underpinned by an effective fiscal regime to ensure appropriate management of the proceeds of extractive activity, while also providing a supportive environment for investment. Currently, revenues are lower than would be expected from the estimated scale of mining activities. Evidence and comparison with international benchmarks suggest there are compliance gaps, which may stem in part from weaknesses in tax legislation, including treatment of revenues, costs and losses, asset transfers, transfer pricing, consistency with mining sector legislation and tax complexities. Technical Assistance Reports on Uganda by the International Monetary Fund (IMF) (Daniel et al., 2025), studies on Uganda's mining fiscal regime (Scurfield, 2018) and assessments of the mining policy framework (Crawford, Disney and Harris, 2015) have prompted MoFPED to look into the issues affecting the taxation of mineral operations in Uganda.

The issues analysed in this report provide a basis for proposed measures to address identified weaknesses and set the foundation for the design, application and enforcement of other fundamental tax rules (and policies) to strengthen the mining tax regime in Uganda overall.

This paper addresses the following key questions:

Whether 'ring-fencing' rules are adequately designed and written in a consistent and clear manner to infer the same meaning to that which is intended, Altogether, this minimises the risk of the policy objectives not being fully realised, more complexity in interpretation and compliance, and aggressive tax planning in the mining sector.

Baunsgard (2001: 7) notes that the common distinction between a mineral tax regime and standard income tax lies in the identification of the taxable entity. Unlike standard corporate income tax, which typically applies to the consolidated operations of a firm, a mineral tax regime usually considers the operations of individual projects as the subject of taxation. In practice, this means that an entity exploring or developing a new project while operating an existing mining project cannot reduce its taxable income from the mining project with costs/losses from the new exploration/development project. This protects present tax revenues which could otherwise be postponed or wiped out through continuous deductions[1]

Whether existing transfer pricing rules are effective in ensuring that transactions between 'separate mining operations', including 'other separate mineral operations', are in accordance with the arm's-length standard.

There is no standard definition of a 'separate mineral operation', as this depends on the 'ring- fencing' rules of a country's mining tax regime, which is normally consistent with its sector legislation. Baunsgard (2001) notes that, although ring-fencing can be introduced in different ways, the most common approach is where the boundary of the ring-fence follows the licence area of the mineral deposit, which normally coincides with the physical boundaries of the project. Some countries broaden the ring-fence to include midstream/downstream activities. This introduces too much discretion, exposes revenue to high risk and distorts efficiency; moreover, the determination of boundaries should be as rule-bound as possible. For income tax purposes, S.91(5) of Uganda's Income Tax Act, 2024 (ITA) considers a typical mining ring-fence or separate mineral operation to consist of a mining lease area that is wholly within the area covered by a 'mining exploration right' granted under the Mines and Minerals Act, 2022 (MMA).

Under S.89(1) of the ITA, a 'mining exploration right' means a prospecting, exploration or retention licence granted under the Mining Act. Therefore, a typical separate mineral operation constitutes linear, sequential and step by step mineral operations from prospecting to exploration, retention (where necessary) and finally mining. If this typical lifecycle is broken whereby the same firm applies for, and obtains, a subsequent prospecting or exploration licence area, then a new (second) separate mineral operation is created from which a second mining lease area is created depending on whether commercially viable and technically feasibly reserves are discovered in the second exploration licence area. 'Other separate mineral operations' include downstream activities like mineral processing, smelting and refining as provided under Part VI of the MMA [Value Addition and Beneficiation of Minerals].

1 Thomas Baunsgard (September 2001), A Primer on Mineral Taxation, IMF Working Paper WP/01/139, Fiscal Affairs Department.

Whether the general and specific rules on the treatment of gains and losses arising from the disposal of a taxable asset are applicable or relevant to the mining sector.

Whether the existing provisions on the taxation of joint holders of a mineral right are effective in ensuring that each joint holder calculates their chargeable income separately from other joint holders including from separate mineral operations, and in a manner consistent with the arm's-length standard.

Whether the special provisions for taxation of mining operations are consistent with sector legislation (Mines and Minerals Act, 2022) specifically with respect to the treatment of mining operations that fall outside of the typical mining lifecycle 'ring-fence'. A case in point is where an entity is granted a new exploration licence, out of the area subject to the original mining exploration right, subsequent to obtaining the first mining lease.[2] Another instance is where contiguous exploration licences are amalgamated into a single exploration licence as permitted by sector legislation.[3]

1.1 Context: underlying principles relating to the taxation of mining operations in Uganda

The key features of the current mining fiscal regime in Uganda are set out in the Income Tax Act, 2024 (ITA). To assess and benchmark how taxation applies to the mining sector, it is essential to understand how these key provisions of the income tax system – particularly those relating to taxable persons, the tax base and applicable rate – interact and operate in practice.

Income Tax Liability. As a general rule, section 90(1) of the ITA confirms that the ITA governs the taxation of a licensee in respect to mining operations.

Taxable persons. S.4(1) of the ITA imposes income tax on every 'person' who has chargeable income for the year of income.[4] S.90(3) modifies the imposition under s.4(1) to a licensee in respect of mining operations.[5] This establishes a similarity between the definition of a 'person' under s.2 of the ITA and 'mining operations' under s.89(1). The ITA defines a 'licensee' as a person who has been granted a

2 S. 45 [Exploration area] sub section (1) of the MMA.

3 Section 45 [Exploration area] sub-sections (4) and (5) of the MMA.

4 S.2 of the ITA defines the term 'person' to include an individual, a partnership, a trust, a company, a retirement fund, a government, a political subdivision of a government and a listed institution. This definition does not include a (separate) 'mineral operation', which is crucial to the taxation of mining operations.

5 S.90 [Taxation of mining licensee] sub-section (3) provides that the rate of income tax applicable to a licensee in respect of mining operations is the rate specified under paragraph 1 of Part VII of Schedule 4.

mining right. This creates consistency with sector legislation, i.e. the Mining and Minerals Act, 2022 (MMA).

Tax base. S.89(1) of the ITA defines 'mining exploration operations' as authorised operations under a mining exploration right. 'Mining exploration right' means a prospecting, exploration or retention licence granted under the MMA. This definition is consistent with the typical lifecycle of mining operations prior to being granted a mining lease, altogether falling within the same 'ring-fence'. 'Mining right' means a mining exploration right, or a mining lease. 'Mining operations' means authorised operations under a mining right. This is consistent with s.14 of the MMA, which specifies the types of mineral rights. They include 'prospecting licence', 'exploration licence', 'retention licence', 'large scale mining licence', 'medium scale mining licence', 'small scale mining licence' and 'artisanal mining licence'.

Tax rate. S.90(3) of the ITA specifies a 30% rate of income tax applicable to a licensee in respect of mineral operations. Chargeable income is defined in s.15 as the gross income of a person for the year less total deductions allowed for the year. This general charging section is modified by s.91(1).[6]

6 S.91(1) of the ITA specifies that, subject to subsection (5), an amount that a licensee may deduct under this Act in relation to mining operations undertaken by the licensee in a licence area in a year of income shall be allowed as a deduction only against the gross income derived by the licensee from the operations in the licence area for that year.

2 Analysis

2.1 Ring fencing challenges

The ring-fencing principle under Uganda's mining tax regime is intended to prevent mining companies from offsetting costs, revenues or tax losses between different licence areas or mineral operations, thereby ensuring that each project is treated as a distinct and independently taxable entity. However, a review of the current legal framework reveals ambiguities in the interpretation and application of these ring-fencing provisions. If not addressed, these ambiguities may lead to delayed tax collection, potential permanent revenue losses and increased risks of non-compliance within the mining sector (IISD, IGF and OECD, 2025).

Current rule: S.91(1) provides for ring-fencing of mineral operations, meaning that costs incurred from mining operations in a licence area may be deducted only against gross income derived by the licensee from operations in that licence area, provided the licence area for the mining lease is wholly within the area covered by the mining exploration right (prospecting, exploration and retention).[7] It is at this point that the ring-fence rule on deductions is established, consistent with the typical mining lifecycle.

S.105(1)(3)(a) applies the ring-fencing rule by specifying that a 'prescribed licensee' shall, for purposes of taxation, maintain accounts for a contract area in Uganda shillings and in US dollars.

Identified problem or gap: It is not clear whether s.105(1)(3)(a) applies to the ring-fencing of mining operations for the determination of chargeable income, income tax payable and/or tax losses carry forward since it refers to 'contract area' and not 'licence area'.

Whereas the tax accounting principles under s.105 fall under '*common rules applicable to mining and petroleum operations*'; whereas s.89(1) defines a 'prescribed licensee' to also mean a person who has been granted a mining right; and whereas s.105(1)(3)(a) refers to a 'licensee', the definition of 'contract area' under s.89(1) of the ITA is only relevant to petroleum operations and not mining operations. Conversely, 'licence area' under s.89(1) of the ITA means an area that is subject to a mining right.[8] Additionally, the

7 S91(5) of the ITA.

8 S.89(1) of the ITA defines 'contract area' to mean the area described and shown in a petroleum agreement on the effective date of the agreement; and where any part of the area is relinquished under the petroleum agreement, the whole or any part of such area which at any particular time remains subject to the petroleum agreement.

MMA consistently uses the term ‘licence area’ and does not use the term ‘contract area’, which relates to petroleum operations.

Proposed recommendation: Amend s.105(1)(3)(a) of the ITA to include the words ‘licence area’ so that the obligation to maintain accounts extends to mining operations for a ‘licence area’.

In Sierra Leone, the tax law on extractive industries provides that, for purposes of calculating a person’s chargeable income from mineral operations, each separate mineral operation shall be treated as an independent business and the person shall prepare accounts for that business separate from any other activity of the person.[9] Similarly, the Liberia Revenue Code provides that, regardless of the legal form of organisation adopted by one or more persons having an interest in a mining project, a producer’s taxable income shall be determined separately for each mining production project, and a person with an interest in more than one mining production project shall not be permitted to consolidate income or loss of one mining production project with that of any other. It also provides that the books and records of a mining project may be kept in Liberian or US dollars, but a mining project’s tax and taxable income shall be determined in US dollars.[10]

Requiring a licensee to maintain accounts for a ‘licence area’ will strengthen compliance with, and administrability of, the ring-fencing rule under s.91(1) of the ITA. Without imposing such obligation, licensees would ordinarily prepare consolidated financial statements at a corporate level and file a ring-fenced tax return simply to comply with S.91(1) of the ITA. However, this creates a number of compliance and administrative problems. Project-by-project financial reporting should precede return filing of separate mineral operations. It is an enabler for complying with and administering the ring-fencing rule. Maintaining accounts for a licence area is (normally) based on International Financial Reporting Standards and provides a true and fair view of the costs and revenues of each project (separate mineral operation). This helps to restrict manipulation of results between the consolidated corporate accounts and the ring-fenced returns. Additionally, it avoids the need to make complicated tax adjustments such as depreciation allowances from multiple project assets and stripping costs. It also reduces creative tax accounting and tax avoidance that erodes taxable income through offsetting costs from other separate mining operations or projects against revenues from mining operations. This not only reduces audit risks but also protects tax revenues and guarantees early timing of revenue collections over the long project life of the mine.

On the other hand, it is argued that the requirement for each mining project to maintain separate accounts and obtain a single tax identification number means that one mining company may have

9 S.4(3) of the Extractive Industries Revenue Act, 2018 of Sierra Leone (EIRA).

10 S.701(c)(f) of Sub-Chapter A [Mining] of the Liberia Revenue Code, 2020.

multiple tax identification numbers. This introduces additional administrative complexities that need to be addressed (IISD, IGF and OECD, 2025: 6).

2.2 Intra-entity transaction and transfer prices

2.2.1 Intra-entity dealings of separate mineral operations

Although under Uganda's mining fiscal framework mining companies are required to ring-fence their mining operations with a legislative intent to maintain separate accounts for each licence area, there are limited safeguards to ensure that intra-entity transactions between mining projects comply with the arm's-length standard. This increases the risk of tax base erosion through transfer mispricing and undermines the equitable and consistent application of tax law across different mining operations.

Current rule: S.89I(2) of the ITA provides as follows: '*Except as may be otherwise agreed in writing between the Government and a licensee, all transactions shall be accounted for at arm's-length prices, and a licensee shall disclose all non-arm's-length transactions in a return for a specified period if required to do so by the Commissioner'.*

Identified problem or gap: While this provision clarifies the operation of the arm's-length standard to 'all transactions' of a licensee, its effect is limited only to those transactions between the licensee and its associates. This is because the transfer pricing rules under s.116 of the ITA relate to transactions between associates;[11] and the definition of 'associate' is not relevant to transactions between separate mineral operations.[12]

Additionally, the transfer pricing regulations, 2011 apply to a controlled transaction where one party is located in and subject to tax in Uganda and the other party is located in or outside Uganda. So, technically, transactions among separate mining operations, and other activities of a licensee, are outside the scope of, and not subject to, the arm's- length standard.

Proposed recommendation: Strengthen the rule in s.105(2) of the ITA by extending the application of the arm's-length standard under s.116 of the ITA to transactions between a separate 'mining operation' and other activities of the licensee conducting the mining operation (including other separate mining operations or processing

11 S.116 of the ITA [Transactions between associates], sub- section (1) provides that in any transaction between associates or persons who are in an employment relationship, the Commissioner may distribute, apportion or allocate income, deductions or credits between the associates or persons who are in an employment relationship, as the case may be, as is necessary to reflect the chargeable income realised by the taxpayer in an arm's-length transaction.

12 S.3 of the ITA [Associate], sub-section (1) generally treats both persons as 'associates' of each other where any person, not being an employee, acts in accordance with the directions, requests, suggestions or wishes of another person … Sub-section (2) specifies situations in which relatives, partners, partnerships, trustees/beneficiaries of a trust, or a company are treated as associates of a person. A 'separate mineral operation' is not one of them.

or smelting or refining operations of the licensee); [13] and treating such transactions as though they were conducted between associated persons.

Other mineral resource-rich countries in the region have adopted a similar approach. For example, in Sierra Leone the EIRA, 2018 clarifies the operation of the arm's-length standard under s.95 of its Income Tax Act to intra-entity dealings of a separate mineral operation. It goes on to treat arrangements between a separate mineral operation and other activities of the licence holder as if they were conducted between 'associated persons'.[14]

Reinforcing the application of the arm's-length standard to *intra-entity* dealings of a separate mining operation minimises the risk of tax base erosion arising from transfer mispricing.

2.2.2 The use of Advance Pricing Agreements and safe harbours

To reduce long-running disputes about the value of mineral sales between related parties, especially where there is no clear market price, the government of Uganda can enter into an Advance Pricing Agreement (APA) with the mining company. This agreement would outline how the sales value of the mineral commodity will be determined over a set period. APAs are used in many countries and have been effective in preventing transfer-pricing disputes in situations where products are sold to affiliated companies and no international reference prices exist (Daniel et al., 2025: para. 84). The use of APAs is not uncommon in the mining sector, particularly in the Sub-Saharan Africa region where mineral valuation can be complex, the technical capacity to value specific minerals is inadequate and involves significantly high capex and opex costs, or where mineral price comparison databases do not exist or subscriptions are too expensive. Governments in the region typically lack adequate capacity and resources to independently verify arm's-length prices of mineral commodities, for example through ISO certified labs where mineral sample analyses can be conducted.[15] Independent third-party verification is often costly and not a sustainable way of addressing the capacity challenges associated with transfer pricing.

As a simplification measure, safe harbors can take many forms. They can be legislative, where the statutory test is waived, or practical in nature, where the legal test still applies but the taxpayer is regarded as low risk and de minimis thresholds for low levels of related party dealings apply. They provide greater certainty for taxpayers and ease compliance and administrability, especially where credible data is limited. The downside is that they are not necessarily consistent with

13 Part VI of the MMA [Value Addition and Beneficiation of Minerals] provides for value addition and beneficiation of minerals under a licence(s). This also applies to integrated projects to process, smelt, refine, cut, blast, polish and trade minerals. Section 121.

14 S.4(4), S.4(4)(b) and 4(6) of the Sierra Leone EIRA, 2018.

15https://www.oecd.org/content/dam/oecd/en/about/programmes/beps-in-mining/monitoring-the-value-of-mineral-exports-policy-options-for-governments.pdf. Pg. 18

the arm's-length standard and are susceptible to abuse. This can be mitigated through stringent disclosure and review requirements (Guj et al., 2017: 176).

Current rule: In s.105(2) of the ITA, the wording '*except as may be otherwise agreed in writing between the Government and a licensee*' implies that the government of Uganda and a licensee may agree to a transfer pricing methodology in an APA;[16] or for a licence holder to apply a 'safe harbor rule' under the transfer pricing regulations with approval from the Commissioner General.[17]

Identified problem or gap: The ITA lacks specific provisions establishing alternative mineral price valuation mechanisms – such as APAs and safe harbor rules – beyond the traditional Arm's Length Principle (ALP) transfer pricing methods. Given the conceptual and practical limitations of the ALP, coupled with the particular technical challenges of valuing minerals, this legislative gap exposes Uganda to potential revenue losses from mineral under-valuation and increases tax uncertainty for both investors and government revenue planning within the mining sector.

Proposed recommendation: Introduce an administrative procedure under the relevant section of the Tax Procedures Code Act by providing for the determination of market values of certain hard-to-value minerals through an APA between the licensee and the government. This has to be preceded by a substantive rule in the ITA providing for APA. This will minimise transfer pricing disputes.

It is important, however, to understand the long-term implications for government of entering into an APA. While they are less adversarial than other forms of dispute resolution, they could possibly lock the government into a fixed price arrangement; this might have revenue implications in the medium and long term. This risk can be minimised by introducing a sunset clause.

Liberia and Sierra Leone have both adopted APAs in their mining sector tax regimes and mining concession agreements. In Liberia, the Revenue Code provides for the government and a mineral producer to agree to a transfer pricing methodology in an advance pricing agreement in accordance with the provision prescribing APAs. This is particularly important for mineral valuation and transactions between related persons.[18] In Sierra Leone the EIRA, 2018 specifies that the method for determining the market value of the bulk minerals supplied in a manner consistent with the arm's-length standard may be agreed with the Commissioner General, in consultation with the

16 Guj et al. (2017: 178) cites the OECD Guidelines definition of APAs as an arrangement that determines, in advance of controlled transactions, an appropriate set of criteria (e.g., method, comparables and appropriate adjustments thereto, critical assumptions as to future events) for the determination of the transfer pricing for those transactions over a fixed period of time.

17 Guj et al. (2017: 176) cites the OECD definition of safe harbor as a provision that applies to a defined category of taxpayers or transactions and that relieves eligible taxpayers from certain obligations otherwise imposed by a country's general transfer pricing rules.

18 S.713 [Transactions Between Related Persons] and s.703 [Valuation] subsection (d) [Advance Pricing Agreement] of the Liberia Revenue Code, 2020.

Minister responsible for finance and the National Minerals Agency, by way of an advance pricing agreement.[19]

2.3 Asset disposal rules

Strengthening asset disposal rules improves fairness in the tax system and minimises avoidance of Capital Gains Tax (CGT) through aggressive tax structuring and planning of asset transfers. In line with the ring-fencing principle and the legislative intent that mining companies maintain separate accounts for each licence area for tax purposes, the gain arising from the disposition of a taxable asset between mining projects should be subjected to CGT. This will maximise revenues from intra-entity transfers of taxable assets into or out of the separate mining operation by treating the person conducting the operations (the mineral rights holder) as having acquired and disposed of the taxable asset.

Current rule: S.93(6) of the ITA provides for the disposal of an interest in a mining right by a licence holder. S.101 provides for 'farm-outs', whereas s.102 provides for indirect transfers of interest in a licence holder.

Identified problem or gap: These special provisions do not provide for taxation of an intra-entity transfer of a 'taxable asset' from one 'separate mining operation' to another, bearing in mind that the spirit of the law is for each separate mining operation to be treated as though it is an independent business and expected to maintain accounts separately as required under s.105(1)(3)(a) of the ITA.[20] Additionally, the general provision under s.49 of the ITA *[Disposals]* does not provide for the disposal of a taxable asset from one separate mining operation to another separate mining operation under the same mineral rights holder.

Proposed recommendation: Introduce a provision modifying the general rules under Part VI of the ITA *[Gains and losses on disposal of assets]* by treating the intra-entity transfer of a taxable asset to or from one separate mining operation to another as an acquisition and disposal of the asset.

Alternatively, a specific provision could be introduced under the '*Common Rules applicable to Mining and Petroleum Operations*' of the ITA specifying the treatment of the transfer of a 'taxable asset' to or from a separate mining operation in the same way 'farm-outs' and 'indirect transfers of interest' are prescribed under sections 101 and 102 of the ITA respectively.

19 The First Schedule [mineral value of minerals] of the EIRA, 2018, sub-paragraph (5) of paragraph (2).

20 S. 49(7) of the ITA [Disposals] defines a 'taxable asset' to mean an asset the disposal of which would give rise to a gain included in the gross income of, or a loss allowed as a deduction to, a resident or non-resident taxpayer. The specific and general rules in the ITA on the treatment of gains and losses on disposal of assets are silent on the disposal of a taxable asset from, or between, 'separate mining operations'; and it is not clear whether these rules consider a 'separate mining operation' as a 'taxpayer'.

Sierra Leone and Liberia have adopted a similar rule(s). In Sierra Leone, the EIRA, 2018 treats the intra-entity transfer of an asset into or out of a separate mineral operation as an acquisition and disposal of the asset by the licence holder; such transfer is required to be at an arm's-length price. As such, the resulting gain or loss automatically falls into the calculation of the person's chargeable income for that separate mineral operation or other activities for the year of transfer.[21]

In Liberia, the Revenue Code provides for the treatment of property transfers from a 'mining project' which is akin to a separate mining operation. Chapter 7(A) of the Code that deals with mining sector taxation treats a mining project's gain or loss on the transfer of depreciable property used by the project in accordance with the general provisions of income tax, effectively modifying the general provisions on depreciable property *[s.204]*. This is similar to the first recommendation we make above. The gain or loss on the transfer of non-depreciable property used in the project or investment property held by the project is determined under the general provision *[s.207. Property Transfers]* and included in taxable income of the project.[22]

2.4 Joint holders of mineral rights

The spirit of income tax rules on joint ownership of property is to ensure that the income and deductions relating to jointly owned property are rightly allocated among the owners in proportion to their respective interests in the property. The absence or weakness of such a rule in Uganda's mining tax regime creates loopholes for joint owners of a mineral right to enter into arrangements as to the (inappropriate) sharing of income and losses in relation to the mineral right, resulting in tax revenue loss from aggressive tax planning and/or avoidance. Currently, Uganda's ITA does not adequately provide for the treatment of income of joint owners in the mining sector.

Current rule: S.53 [Income of joint owners] is a general provision in the ITA under the miscellaneous rules for determining chargeable income. It provides that income or deductions relating to jointly owned property are apportioned among the joint owners in proportion to their respective interests in the property. Where the interest of the joint owners in jointly owned property cannot be ascertained, the interest of such joint owners in the property shall be deemed to be equal.

S.89(3) of the ITA is a specific provision dealing with joint holders in a petroleum agreement. It provides that if more than one person has signed a petroleum agreement, each person is treated as a 'licensee'. Accordingly, this provision creates an obligation for joint

21 S.4(5) of the EIRA, 2018 and Explanatory Memorandum

22 S.711 [Treatment of Property Transfers] of sub-Chapter A [Mining] of Chapter 7 [Income Taxation of Natural Resources]. S.700(b)(4) of the code defines the term 'mining project' to mean mineral exploration, mineral development or mining carried out by a mining project producer within a mineral exploration licence area or a mining licence area.

licensees of a petroleum contract area to calculate and report their chargeable income separately.

Identified problem or gap: The ITA is silent on a similar treatment for joint holders of a mineral right. In principle, joint holders conducting mineral (or petroleum) operations jointly must nevertheless calculate their chargeable income separately from other joint holders including from separate mineral operations.

Proposed recommendation:

1 Strengthen the rule under s.89(3) by including joint holders of a mineral right (in addition to joint holders of a petroleum agreement). This creates a statutory requirement for joint mineral rights holders to calculate and report their chargeable income separately, in addition to each separate mining operation reporting separately. This will ensure that the taxable income of one mineral right joint holder is not diluted by costs of the other joint holder of the same mineral right including costs of a separate mining operation of which the licensee(s) is a joint holder.

   Sierra Leone and Liberia apply a similar rule. For Sierra Leone, the EIRA, 2018 requires joint holders of a separate mineral operation to calculate and report their chargeable income separately. It is important to note that this rule applies in addition to the project-by-project reporting requirement under s.4(3) of the EIRA, 2018.[23]

   The Liberia Revenue Code provides that, if a mining project producer is organised as a partnership or similar form of unincorporated joint venture, the mining project's income, expenses, loss, credits and character of income or loss shall be attributed to the partners in accordance with their interests, for the purpose of determining taxable income, loss, credits and tax liability separately for each partner. Suffice to note that the requirement to determine and report the income or loss of each mining project separately under s.701(c) of the Liberia Revenue Code still applies.[24]

2 Introduce an additional rule treating joint owners of a separate mining operation as 'associated persons'. This will further reinforce the application of the arm's-length standard under s.116 of the ITA to transactions between joint holders/owners; thus, protecting the tax base from erosion and ensuring compliance among joint holders of mineral rights and separate mining operations.[25]

23 S.4(6) of the EIRA, 2018.

24 S.714 [Partnerships and Joint Ventures] of the Liberia Revenue Code.

25 It is important to note that s.116 of the ITA relates to transactions between associates; and the definition of 'associate' is not relevant to transactions between (independent) joint owners of separate mineral operations. The nature of oil and gas operations in Uganda highlights

Sierra Leone applies a similar rule by treating joint holders of a mineral right as 'associated persons'.[26]

2.5 Treatment of non-typical mineral operations

A mining company that holds both exploration and mining licences may offset the expenses incurred from an unsuccessful exploration venture against profits from an active mining operation. While losses from a successful exploration project are typically temporary, since they can be recovered once production begins, unsuccessful projects can lead to a permanent revenue loss for the government. This occurs because such costs are generally unrecoverable in the absence of effective ring-fencing provisions.27

The current ITA ring-fencing rules do not adequately reflect the possibility of non-typical mining operations including those provided for under the Mines and Minerals Act, 2022 (MMA), creating inconsistencies between tax and sector legislation. This misalignment contributes to legal uncertainty, erodes investor confidence, delays revenue collection and complicates tax administration and enforcement.

Current rule: S.91(5) reinforces the ring-fencing rule by specifying that the mining licence area includes the area of a mining exploration right provided that the mining licence area is wholly within the area covered by the mining exploration right (a prospecting, exploration or retention licence) granted under the MMA.

Identified problem or gap: While this rule is consistent with the typical lifecycle of a mining operation and licensing under the MMA, it does not provide for the treatment of other possible scenarios under sector legislation in which prospecting or exploration operations break or modify the typical ring-fence,28 as explained below.

2.5.1 Exploration outside the ring-fence

Whereas the MMA does not explicitly designate the area of land outside a retention or mining licence area as being open for new exploration rights, it implies that such area of land is available for new exploration licences, provided it does not fall within the exclusions specified under s.46 of the MMA [Restrictions on grant of exploration licence].[29] Also, exploration areas are normally larger than mining

---

the critical importance of strengthening the specific and general rules under s.89(3) and s.53 of the ITA respectively. This is because oil and gas operations in Uganda are conducted through Joint Ventures (between Total, CNOOC and formerly Tullow Oil) involving back charging of costs among the contract area operators and the joint venture partners, and cost recovery from the government.

26 S.4(7) of the EIRA, 2018

27 IISD, IGF and OECD, 2025Pg. 15

28 A typical ring-fence is preserved under s.61 of the MMA, which specifies that a large-scale mining licence shall not be granted over an area of land in, or which is, a mining area, an exploration area or a retention licence area unless the applicant is a holder of an exploration, retention or artisanal or medium-scale mining licence in respect of that area.

29 S.46. [Restrictions on grant of exploration licence] sub-section (1) of the MMA provides as follows: An exploration licence shall not be granted over an area of land which is the subject of a large-scale mining licence, medium scale mining licence, retention licence, artisanal or small- scale mining licence; or in a fragile or sensitive ecosystem or protected area without the consent in writing of the responsible Government ministry, department or agency.

areas, therefore multiple retention licence areas or mining lease areas can be granted from within the original exploration area of 250 square kilometres.[30]

It is important to note here that:

- S.43(5) of the MMA allows a person to hold either directly or indirectly through beneficial ownership up to five (5) exploration licences at any given time.
- S.45(2) requires that an exploration licence area be reduced over time:

  (a) After the initial term- at least 50% must be relinquished, unless the licensee proves the mineral target extends beyond 50%.

  (b) After every renewal period- 50% of the remaining area must again be relinquished (or a lower percentage if the Minister allows).

  (c) Any part that has already become a retention licence or mining licence must be removed from the exploration area.
- S.45(3) grants powers to the Minister to designate the area(s) to be eliminated from the exploration area only when the holder of an exploration licence fails to do so. Implicitly, the Minister's role in designating the area to be eliminated makes sense only if their designation has legal effect for the next licensing cycle.

It is typical for mining legislation design to provide rules for mandatory relinquishment. The purpose is to preventing hoarding of large mineral areas, and to ensure unused areas return to the cadastre for licensing to new applications. Therefore, the normal implication in mineral licensing regimes, and the structure of s. 45 strongly suggests that the MMA allows for relinquished areas (areas to be eliminated) to become open for new exploration licensing.

Proposed recommendations:

1 Provide for the tax treatment of mining exploration operations conducted with respect to an exploration or retention licence from the date of grant of a mining lease as a new separate mining operation. So, effectively, mining exploration operations after the date the mining lease is granted are allocated to the next mining lease ring-fence and so on (Appendix 1.1).

  Ring-fencing each separate mining operation ensures that the tax base is not eroded through costs that pertain to other separate mining operations, value addition/beneficiation activities of the mineral right holder(s), or other projects of the licence holder(s). Therefore, present tax revenues are protected (Baunsgard, 2001).

30 S. 45 [Exploration area] sub section (1) of the MMA.

Similarly, the mining tax regime of Sierra Leone, consistent with its sector legislation, provides for the treatment of new separate mineral operations with respect to subsequent exploration operations.[31] In the same vein, the Liberia Revenue Code provides that, in the case of a mining project, expenditures incurred prior to the existence of any mining production project within a mineral exploration licence area are attributable to the first mining production project established within the first mining licence area within a mineral exploration licence area.

Subsequent expenditures in the mineral exploration licence area after the date of the first Class A mining licence, but outside the first mining licence area, are attributed to subsequent mining production projects under subsequent Class A mining licences issued for the mineral exploration licence area. Exploration, development and capital goods expenditures not attributable to a mining production project are not deductible in determining taxable income.[32]

2 Introduce a further rule specifying the tax treatment where a licensee relinquishes or abandons the residual area under a subsequent mining exploration licence (Appendix 1.1). There are two possible policy options that the government could choose regarding the treatment of costs incurred from a relinquished or abandoned (subsequent) exploration area:

   a The first option is normally to deny deduction of these costs against the revenues arising from the first granted mining lease area. This is because, in principle, expenditures and losses incurred by a person (or separate mining operation) can only be allowed as a deduction for the purposes of ascertaining the chargeable income of that person (or separate mining operation) to the extent to which such expenditures or losses were incurred in the production of income included in gross income of the person (or separate mining operation).[33] For the case of a relinquished or abandoned mining exploration licence area, no income would be derived by the licence holder, and therefore they become stranded.

   While this option protects the tax base and secures early tax revenues to the government, such benefit must be weighed against the potential impact such a policy has on future revenue if a too tight ring-fence discourages exploration and investment activities by existing firms (Baunsgard, 2001: Box 2).

   b The second option is to attribute such costs to the separate mining area constituted by the last granted mining lease area. In other words, these costs become deductible against income

31 S.5(2) of the EIRA, 2018

32 S.700(h)(1) of the Liberia Revenue Code, 2020.

33 S.91(1) of the ITA.

from the last approved ring-fenced mining lease area. This option improves economic efficiency in the sense that licence holders would normally give up exploration rights earlier if they do not intend to conduct further exploration, instead of holding on to them until expiration of the licence period.

Sierra Leone has adopted a policy similar to this second option by providing for the treatment (deduction) of subsequent exploration costs against income from the first ring-fenced mining licence area where the subsequent exploration licence area is relinquished. [34]

In the event that the exploration area is not relinquished (perhaps due to the possibility of discovering commercially viable and technically feasible mineral deposits), the costs remain ring-fenced outside the last approved mining lease area and form their own ring-fence in a subsequent mining lease area.

3 To ensure ease of administrability and compliance with the proposed rules in (a), (b)(i) and (b)(ii) above, simple and clear ring-fencing procedures for the administration and identification of taxable persons (separate mineral operations) should be developed and prescribed, either under the relevant provision of the Tax Procedures Code Act, or through the issuance of a practice note by the Commissioner.

4 In all cases where a subsequent mining exploration licence is jointly held under a new separate mining operation, the proposed amendment to the rule under s.89A(3) of the ITA [Joint holders of a mineral right] must apply in order to minimise the risk of tax avoidance.

2.5.2 Prospecting outside the ring-fence

Under the current ITA, mining operations conducted with respect to a prospecting licence up to the date of grant of an exploration licence are treated as part of the same ring-fence under the exploration licence; and the related costs of prospecting become deductible against revenues from the mining lease area formed within the prospecting and exploration licence area.[35]

Identified problem or gap: The ITA does not provide for the *(unlikely but possible)* event that further prospecting operations may be conducted after the date of grant of an exploration licence, provided that the one (1) year prospecting licence period is still valid under s.37 of the MMA (Appendix 1.1).

34 S.5(3) of the EIRA, 2018.

35 Section 91(5) of the ITA.

Proposed recommendation: Provide for the treatment of prospecting operations conducted with respect to a prospecting licence from the date of grant of an exploration licence as a new separate mining operation. So, effectively, prospecting operations conducted after the date the exploration licence is granted are allocated to the next exploration licence ring-fence and so on. Ring-fencing each separate mining operation ensures that the tax base is not eroded through costs that pertain to other separate mining operations, value addition/beneficiation activities of the licence holder(s), or other projects of licensees.

Sierra Leone provides for the treatment of subsequent reconnaissance operations after the date of grant of an exploration licence as a new separate mineral operation (a separate ring fence). It is important to note that these rules are consistent with its sector legislation.[36] Similarly, Mozambique applies ring-fencing per mineral right and for each prospecting and exploration licence (IISD, IGF and OECD, 2025. Pg.54).

2.5.3 Contiguous exploration licences covering the same period and the same mineral(s)

IISD, IGF and OECD (2025) notes that, in certain situations, it may be appropriate to allow exceptions to ring-fencing requirements. A typical case involves adjoining mining sites producing the same resource, where strict ring-fencing could discourage investors from pursuing further exploration or development since treating nearby deposits as separate ventures might not be economically viable. Because neighbouring mines often share resources such as ore bodies, infrastructure, equipment and personnel, applying ring-fencing rules can be impractical. Zambia, Kenya and Sierra Leone apply this exception (IISD, IGF and OECD, 2025. Pg.44).

Current rule (under sector legislation): The MMA specifies that, where a person holds two or more contiguous exploration licences covering the same period and the same mineral(s), the Minister shall permit the areas covered thereby to be deemed to be one area, under one amalgamated exploration licence (Appendix 1.2). Where two licences do not cover the same period, the amalgamated licence shall take effect on the anniversary of the grant of the earlier of the two licences.37

Identified problem or gap: Whereas the special provisions of the ITA on the taxation of mining operations contemplate a typical mining ring- fence, the same rules are silent on the tax treatment of mining operations conducted under contiguous exploration licence areas. In other words, the tax rules are not consistent with sector legislation and therefore not effective enough when it comes to determining the

36 S.5(4) of the EIRA, 2018.

37 Section 45 [Exploration area] sub-sections (4) and (5) of the MMA.

chargeable income from contiguous exploration licence area operations.

Proposed recommendation: Introduce an additional rule(s) in the ITA providing for the treatment of mining exploration operations conducted with respect to ‘contiguous exploration licence areas’.

To ensure consistency with sector legislation, the new income tax rule should treat two or more contiguous exploration licences covering the same period and the same mineral(s) as one separate mineral operation, and any subsequent retention licence and mining lease granted within the amalgamated licence area as part of the same ring- fence.

For subsequent mining exploration operations conducted under a separate exploration licence after the date of approval of the first approved mining lease, the proposed rules and recommendations in parts 5A (a) and (b) above apply (Appendix 1.1).

3 Recommendations

It is suggested that the following measures are considered by the government and parliament.

Clarify tax accounting principles: Amend the tax accounting provisions of the ITA to explicitly include ‘licence area’ for mining operations and to ensure consistency with the Mines and Minerals Act.

Strengthen transfer pricing coverage: Extend the arm’s-length transfer pricing rules in the ITA to include intra-licensee transactions among separate mining operations to reduce opportunities for transfer mispricing and tax base erosion.

Introduce APAs: Establish APA mechanisms under the Tax Procedures Code Act to proactively manage complex mineral valuation issues and reduce disputes.

Reform asset disposal rules: Modify existing provisions of the ITA to cover intra-entity transfers of taxable assets between separate mining operations, ensuring fair and comprehensive taxation of gains.

Clarify tax treatment of joint holders: Specify the tax treatment for joint holders of mineral rights under the ITA (as is the case with joint holders of petroleum agreements) and extend the arm’s-length principle to cover transactions among joint mineral right holders.

Address exploration activities beyond ring-fenced operations: Provide clear tax treatment for exploration or prospecting activities conducted outside typical ring-fence lifecycles to enhance predictability and compliance and encourage investment in the sector.

Ensure alignment with sector legislation: Harmonise the ITA and other fiscal rules with the MMA, particularly regarding amalgamated contiguous exploration licences, to promote legal clarity and investor confidence, and to enhance the practicability of ring-fencing rules.

References

Baunsgard, T. (2001) A Primer on Mineral Taxation. IMF Working Paper WP/01/139. Fiscal Affairs Department.

Crawford, A., Disney, K. and Harris, M. (2015) Supporting Implementation of the Mining Policy Framework in Member States of the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development. Uganda: Assessment of implementation readiness.

Daniel, P. et al. (2025) IMF (FAD): Uganda Technical Assistance Report, Implementing Fiscal Regimes for Extractive Industries: Technical Notes.

Guj, P. et al. (2017) Transfer Pricing in Mining with a Focus on Africa. A Reference Guide for Practitioners. Section 8.2 Advance Pricing Agreements.

IGF-OECD Program to Address BEPS in Mining, Monitoring the Value of Mineral Exports: Policy Options for Governments, Consultation Draft.

IISD, IGF and OECD (2025) Ring-Fencing Mining Income: A toolkit for tax administrators and policymakers.

Scurfield, T. (2018) The Fiscal Regime for Mining Sector: A Need for Reform?

The Extractive Industries Revenue Act, 2018 of Sierra Leone

The Income Tax Act, 2024 of Uganda

The Liberia Revenue Code (as amended)

The Mines and Minerals Act, 2022 of Uganda

Appendix 1 Illustration of a separate mining operation where the typical mining lifecycle ring-fence is preserved and where that ring-fence is broken

The illustrations below are developed in accordance with the existing legal framework governing taxation of the mining sector in Uganda, in particular the Income Tax Act (ITA), 2024 and the Mines and Minerals Act, 2022, and our proposed amendments to the ITA discussed in this paper. They demonstrate how mining operations are typically conducted and how ring-fencing rules normally apply: both in the real world and in conformity with sector legislation in calculating a person's chargeable income from separate mineral operations.

1.1 Prospecting and/or exploration outside the ring-fence

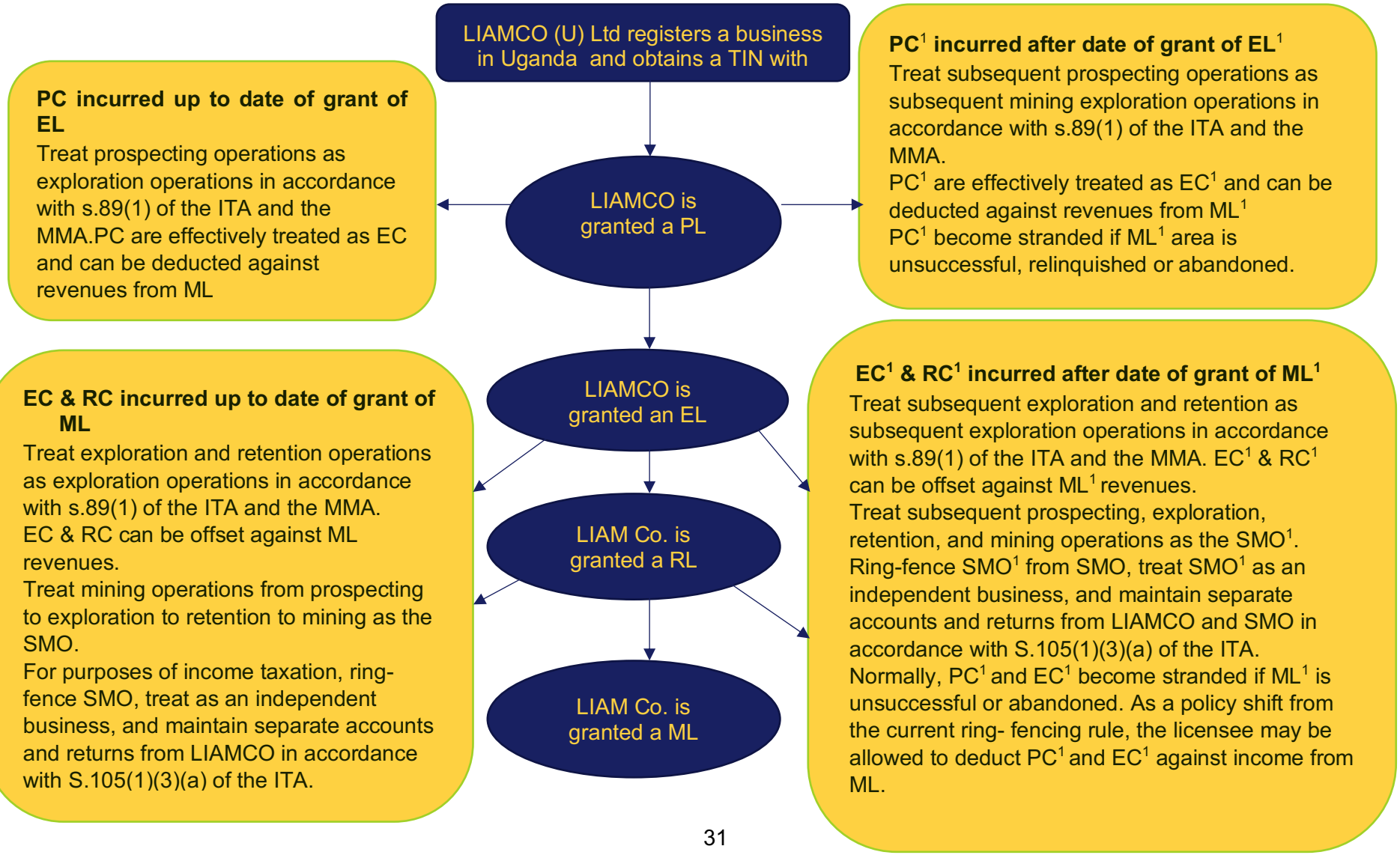
a) Consistent with sector legislation (MMA), a typical mining lifecycle occurs when a company, LIAMCO (U) Ltd., applies for and is granted a prospecting licence (PL), and later an exploration licence (EL), a retention licence (RL) and subsequently a mining lease (ML).[38] *(Blue highlight)*

   Under the current ITA in Uganda, the tax treatment of prospecting costs (PC), exploration costs (EC), retention costs (RC) and mining lease (ML) revenues where a typical mining lifecycle occurs is explained on the left-hand side of the diagram.

b) The typical ring-fence is broken where any of the following possible scenarios occur:
   i. LIAMCO applies for a second prospecting licence (PL^1) after the date of grant of the first exploration licence (EL).
   ii. LIAMCO applies for a second exploration licence (EL^1) after the date of grant of the first mining lease (ML).

[38] S.89(1) defines a 'mining exploration right' to mean a prospecting, exploration or retention licence granted under the Mining Act. Section 45 [Exploration area] sub-sections (4) and (5) of the MMA.

Under the current ITA, the tax treatment of subsequent prospecting costs (PC[1]), exploration costs (EC[1]) and retention costs (RC[1]), and subsequent mining lease (ML[1]) revenues where the typical mining lifecycle is broken, is explained on the right-hand side of the diagram.

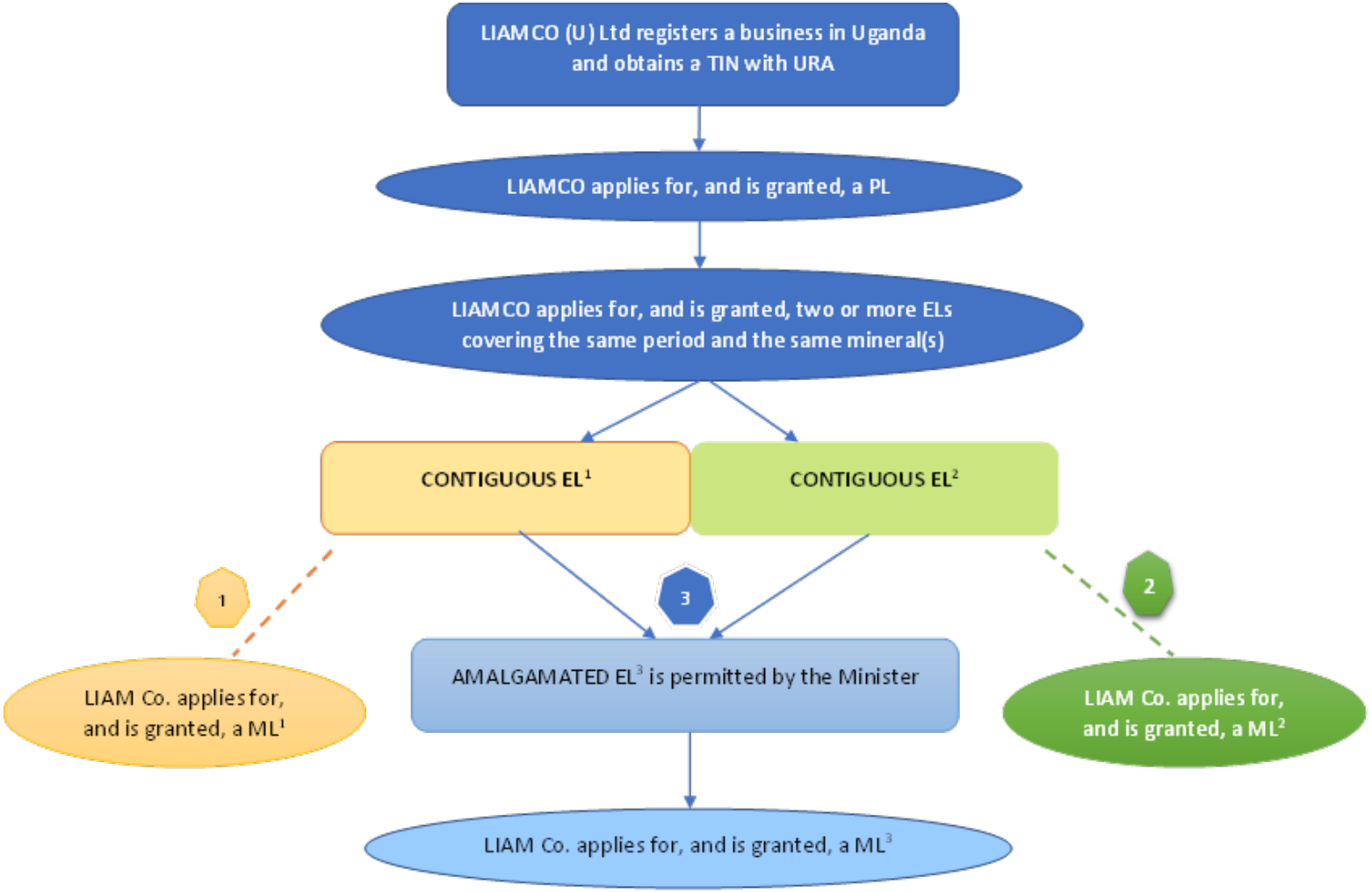


1.2 Contiguous exploration licences covering the same period and the same mineral(s)

Consistent with the MMA, LIAMCO (U) Ltd. applies for, and is granted, two or more contiguous exploration licences covering the same period and the same mineral(s). The Minister shall deem such exploration areas to be one area under one amalgamated exploration licence (EL[3]).[39]

The current ITA is silent on the treatment of such mining operations conducted under contiguous exploration licence areas and the resultant mining lease area (ML).

[39] Section 45 [Exploration area] sub-sections (4) and (5) of the MMA.



1&2 represents a typical mining lifecycle ring-fence had there been no amalgamation of contiguous exploration licences EL[1] and EL.[2]

3 represents a special scenario under s.45 [Exploration area] sub-sections (4) and (5) of the MMA in which the ring-fence is broken.

Appendix 2 Key provisions of the Income Tax Act, 2024 and the Mines and Minerals Act, 2022

Relevant provisions	Key issues	Recommendations
Section 105(1)(3)(a) of the ITA	**Ambiguity in ring-fencing rules:** The current ring-fencing provisions are ambiguous as they refer to a 'contract area', a concept relevant to petroleum operations but not mining. This lack of clarity affects the determination of chargeable income, payable tax and carry-forward losses. Without clear, project-based ring-fencing rules and financial reporting, the government risks delayed tax revenue realisation, weakened compliance and enforcement challenges throughout the life of mining projects.	**Clarify tax accounting principles:** Amend the tax accounting provisions of the ITA to explicitly include 'licence area' for mining operations to ensure consistency with the Mines and Minerals Act.
Section 105(2) of the ITA	**Weak transfer pricing provisions:** The arm's-length transfer pricing rules do not adequately address transactions among separate mining operations or other	**Strengthen transfer pricing coverage:** Extend the arm's-length standard to include intra-licensee transactions among separate mining

	intra-entity dealings. This gap allows room for tax base erosion through transfer mispricing. Furthermore, the complexity of valuing mineral commodities and limited administrative capacity make it difficult to assess royalties and income taxes accurately, leading to potential revenue losses, protracted disputes and taxpayer uncertainty.	operations to reduce opportunities for transfer mispricing and tax base erosion. **Introduce Advance Pricing Agreements (APAs):** Establish APA mechanisms under the Tax Procedures Code Act to proactively manage complex mineral valuation issues and reduce disputes.
Section 49 of Part VI of the ITA and Section 93(6) of the ITA	**Inadequate rules on asset disposals:** Current tax provisions do not cover the intra-entity transfer of taxable assets between separate mining operations. This inconsistency with the principle of treating each operation as an independent business limits the Uganda Revenue Authority's (URA) ability to capture Capital Gains Tax (CGT) and undermines fairness in the tax system.	**Reform asset disposal rules:** Modify existing provisions to cover intra-entity transfers of taxable assets between separate mining operations, ensuring fair and comprehensive taxation of gains.
Sections S.53, 89(3) and 105(2) of the ITA	**Unclear treatment of joint holders of mineral rights:** The Income Tax Act does not specify how joint holders of mineral rights should be taxed or how transfer pricing rules should apply to them. This omission creates a risk of tax base erosion through the consolidation of revenues and costs across different rights holders, potentially enabling	**Clarify tax treatment of joint holders:** Specify the tax treatment for joint holders of mineral rights (as is the case with joint holders of petroleum agreements) and extend the arm's-length principle to cover transactions among joint mineral rights holders.

	avoidance and reducing government revenues.	
Part X of the ITA [Special Provisions for the Taxation of Petroleum Operations] For instance, Section 91 of the ITA [Limitations on deductions relating to mining operations] S.43(5) of the MMA relating to grant of up to five (5) exploration licences. Section 45 [Exploration area] sub-sections (4) and (5) of the MMA relating to contiguous exploration licences and amalgamation.	**Inconsistency between tax and sector legislation:** The current ring-fencing rules do not adequately reflect the provisions under the Mines and Minerals Act, 2022 (MMA), creating inconsistencies between tax and sector legislation. This misalignment contributes to legal uncertainty, erodes investor confidence, delays revenue collection and complicates tax administration and enforcement.	**Address exploration activities beyond ring-fenced operations:** Provide clear tax treatment for exploration or prospecting activities conducted outside typical ring-fence lifecycles to enhance predictability and compliance. **Ensure alignment with sector legislation:** Harmonise the Income Tax Act and other fiscal rules with the MMA, particularly regarding amalgamated contiguous exploration licences, to promote legal clarity and investor confidence.