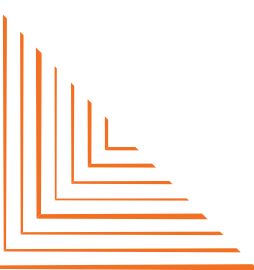




**THE 2026/2027 TAX LAW
AMENDMENTS ACTS:
A STAKEHOLDER'S BRIEFING**



BACKGROUND

The Tax Amendment Acts for the 2026/2027 financial year, recently passed by Parliament have partially been assented to by the President of Uganda. The VAT Act, Tax Procedure Codes Act, Stamp Duty Act, Lotteries and Gaming Act and The External Trade Act were assented to on the 18th day of May 2026 and taking effect on 01st July 2026. On the other hand, The Income Tax Act and Excise Duty Act were passed by Parliament but pending Presidential assent.

These Acts introduce significant changes aimed at broadening the tax base, enhancing revenue mobilisation, and strengthening compliance across key sectors of the economy. The reforms notably target areas such as digital services, gaming, and high-income earners, while also revising certain tax incentives and administrative provisions. This alert highlights the key amendments under the new tax laws and examines their implications for taxpayers, businesses, and organisations operating in Uganda.



EXECUTIVE SUMMARY

✓ Amendments to the Income Tax Act Cap 338

Key amendments include the introduction of withholding tax obligations on interest paid by resident companies to foreign financial institutions, commissions earned from telecommunication and mobile money services, winnings from gaming and betting activities, and payments made to public entertainers. The Amendment Act also provides targeted tax incentives, including exemptions for qualifying hotel or tourism facility developments. Most notably, the Amendment Act revises the rates of income tax for individuals.

✓ Amendments to the Value Added Tax Act Cap 344

Amendments to the VAT Act exempt certain designated persons from VAT withholding where payment for taxable supplies is supported by an electronic invoice or electronic receipt (EFRIS). The Act also increases the VAT registration threshold from UGX 150 million to UGX 300 million in annual taxable turnover. In addition, the amendments introduce VAT exemptions on goods and services supplied to contractors and subcontractors engaged in nuclear energy projects.

✓ Amendments to the Excise Duty Act Cap 336

The Excise Duty (Amendment) Act, 2026, introduces revisions to the excise duty regime through adjustments to the rates applicable to selected excisable goods under Schedule 2 to the Act, such as gasoline, cement, spirits, plastics, and most notably, motorcycles on first registration, among others.

✓ Amendments to the Stamp Duty Act Cap 339

The 2026 amendments to the Stamp Duty Act require persons engaged in financial services to file monthly stamp duty returns and mandate taxpayers to retain documents subject to stamp duty for a minimum period of five years. In addition, the Act revises the stamp duty payable on motor vehicle registration.

✓ Amendments to the Tax Procedures Code Act Cap 343

Notable amendments introduced to the TPCA include revisions to penalties relating to penal tax in respect of tax stamps, electronic receipting, and electronic invoicing. The Amendment Act also introduces a new tax amnesty framework, providing for the waiver of interest and penalties on outstanding principal tax as at 30 June 2026 upon payment of the principal amount, as well as the waiver of tax liabilities outstanding as at 30 June 2016, thereby offering taxpayers an opportunity to regularise their tax affairs.

✓ Amendments to the Lotteries and Gaming Act Cap 334

The Lotteries and Gaming (Amendment) Act, 2026, introduces a harmonised taxation framework for betting and gaming activities by setting the gaming tax rate at 30% of the total amount staked, net of payouts.

✓ Amendments to the External Trade Act

The amendment introduces a dual track strategy featuring tax exemptions for essential health and agricultural supplies to lower costs. Simultaneously, it also imposes a 30% environmental levy on second hand clothing.

Below is a table comparison of the effect and significance of the passed amendment Acts on the current tax legislation.



INCOME TAX (AMENDMENT) ACT, 2026 – PENDING PRESIDENTIAL ASSENT

Particulars

The Income Tax Act (ITA) is amended in section 2 in the definition of the word “royalty” in paragraph (a)(i),

Current Section

Section 2 Interpretation

In this Act, unless the context otherwise requires –

“royalty” means –

- (a) any payment, including a premium or like amount, made as consideration for –
 - (i) the use of, or the right to use, any patent, design, trademark, or copyright, or any model, pattern, plan, formula, or process, or any property or right of a similar nature;

Amendment

The Income Tax Act, in this Act referred to as the principal Act, is amended in section 2 in the definition of the word “royalty” in paragraph (a) (i), by inserting the word “*software*,” immediately after the word “model.”

Significance

Therefore, payments for software usage, transfer of ownership or disposal of software within Uganda by residents, non-residents with local branches or Permanent Establishments, or payments to non-residents for such a use will be classified as income sourced in Uganda and are taxable.

Particulars

Section 21 of the ITA is amended –

In subsection (1) –

by substituting for paragraph (ab) the following –

Current Section

Section 21: Exempt Income

(ab) the income of the Bujagali Hydro Power Project up to 30th June 2026.

Amendment

(ab) the income of the Bujagali hydropower project, up to the 30th June 2032.

Significance

The amendment extends the tax holiday of the Bujagali hydropower project until 30th June 2032, to ensure that the cost per kilowatt-hour generated by the project is as low as possible. The initiative seeks to prevent significant tariff hikes, facilitate industrialisation and ensure stability during the transition of power distribution.

Particulars

Section 21 of the ITA is amended –

In subsection (1) –

Current Section**Section 21: Exempt income**

(1) The following amounts are exempt from tax –

Amendment

(ii) by deleting the word “for” appearing between the words “and” and “diapers” in paragraph (ae) (vii);

(vii) manufactures chemicals for agricultural use or industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and diapers;

Significance

The amendment clarifies that the exemption applies to income derived from the manufacture of diapers rather than merely the manufacture of chemicals used in diapers.

Particulars

Section 21 of the ITA is amended –

In subsection (1) –

by inserting immediately after paragraph (ag) the following –

Current Section**Section 21: Exempt income**

(1) The following amounts are exempt from tax –

Amendment

(ah) income of a developer of a hotel or tourism facility whose investment capital is at least 10 million USD, in the case of foreigner or 5 million USD in the case of a citizen who, subject to availability, uses at least 70% of locally sourced raw materials and employs at least 70% of its employees who are citizens earning an aggregate wage of at least 70% of the total wage bill.

Significance

While the other existing strategic exemptions have a timeline limitation lasting up to a 10 years' period, this new amendment seems to be open ended with no timeline limitations.

Particulars

Section 21 of the ITA is amended in subsection (7) by substituting the definition of “infrastructure bond” with the following -

Current Section

Section 21: Exempt income

7) In this Section,

“infrastructure bond” means all listed bonds, notes or other similar securities used to raise funds for public infrastructure and other social services, if those bonds have a maturity period of at least ten years.

Amendment

“infrastructure bond” means all bonds, notes or other similar securities used to raise funds for public infrastructure and other social services, if those bonds have a maturity period of at least ten years.

Significance

This amendment extends the exemption of tax on the interest paid on infrastructure bonds maturing in at least 10 years to include not only those that are listed/traded on capital markets like the Uganda Securities Exchange, but also those that are involved in Over-the-Counter (OTC) Transactions that often happen directly between two parties (e.g. through a broker-dealer network).

Particulars

Section 24 of the ITA is amended -

Current Section

Section 24: Bad debts

(2) A deduction for a bad debt is only allowed –

(b) if the amount of the debt claim was in respect of money lent in the ordinary course of a business carried on by a financial institution in the production of income included in gross income; or

(c) if the amount of the debt claim was in respect of a loan granted to any person by a financial institution for the purpose of farming, forestry, fish farming, bee keeping, animal and poultry husbandry or similar operations.

(3) In this Section, bad debt means –

(b) in relation to a financial institution, a debt in respect of which a loss reserve held against presently identified losses or potential losses, and which is therefore not available to meet losses which subsequently materialise, has been made; and

“debt claim” means a right to receive a repayment of money from another person, including deposits with financial institutions, accounts receivable, promissory notes, bills of exchange and bonds.

Amendment

in subsection (2)(b), by inserting immediately after the words “financial institution” the words “microfinance deposit taking institution or tier 4 microfinance institution”,

(b) if the amount of the debt claim was in respect of money lent in the ordinary course of a business carried on by a financial institution, microfinance deposit taking institution, or tier 4 microfinance institution in the production of income included in gross income; or

in subsection (2)(c), by inserting immediately after the words “financial institution” the words, “microfinance deposit taking institution or tier 4 microfinance institution;” and

(c) if the amount of the debt claim was in respect of a loan granted to any person by a financial institution, microfinance deposit taking institution, or tier 4 microfinance institution for the purpose of farming, forestry, fish farming, bee keeping, animal and poultry husbandry or similar operations.

in subsection (3)(b), by inserting immediately after the words “financial institution” the words, “microfinance deposit taking institution or tier 4 microfinance institution”;

(b) in relation to a financial institution, microfinance deposit taking institution, or tier 4 microfinance institution, a debt in respect of which a loss reserve held against presently identified losses or potential losses, and which is therefore not available to meet losses which subsequently materialise, has been made; and

in subsection (3) in the definition of the phrase “debt claim”, by inserting immediately after the words “financial institution” the words “or microfinance deposit taking institution”;

“debt claim” means a right to receive a repayment of money from another person, including deposits with financial institutions, or microfinance deposit taking institution, accounts receivable, promissory notes, bills of exchange and bonds.

Significance

The amendment allows microfinance deposit taking institution and tier 4 microfinance institution a deduction of specific loan loss provision in respect to money lent in the ordinary course of business, a deduction previously restricted to only financial institutions as provided by the existing definition in the Act.

Particulars

Section 25 of the Principal Act is amended by substituting for subsection (5) the following –

Current Section

Section 25: Interest

(5) In this section –

“group” means persons other than individuals, with common underlying ownership.

“tax earnings before interest, tax, depreciation and amortisation” means the sum of –

- (a) gross income less allowable deductions, except a deduction under subsection (1);
- (b) depreciation; and
- (c) amortisation.

Amendment

(5) *In this section –*

“dormant” means a person other than an individual that is not doing business and does not have an accounting transaction in a year of income.

“group” means persons other than individuals –

(a) with at least 51% interest of the common underlying ownership; and

(b) excluding any member of the group that is dormant.

“tax earnings before interest, tax, depreciation and amortisation” means the sum of –

(a) gross income less allowable deductions other than brought forward losses and does not include a deduction under subsection (1);

(b) depreciation; and

(c) amortisation.

Significance

The amendment affects related entities conducting business in Uganda by establishing rules governing the deduction of interest expenses from taxable income when computing their tax liabilities.

It replaces the ambiguous “common underlying ownership” with a clearer 51% common underlying ownership threshold, when defining a “group” for interest limitation purposes.

By expressly excluding dormant members within a group, i.e. those not carrying on business and having no accounting transactions, the amendment prevents the abuse of using inactive shell companies to manipulate interest deductions.

It also redefines “Tax EBITDA” (the base for the 30% interest restriction) to exclude brought forward losses. By focusing on current-year performance, it will likely result in a higher EBITDA base, allowing for larger allowable interest deductions. This will help prevent penalising companies in recovery phases, such as those with past accumulated losses.

Overall, the changes to the definition of a “group” and the calculation of EBITDA provide a more realistic and favourable environment for financing genuine business operations in Uganda.

Particulars

Section 34 of the principal Act is amended in subsection (1) by substituting the words.

Current Section

Section 34: Farming

(1) Expenditure incurred by a person in acquiring farm works is included in the person’s pool for class 4 assets under section 27 in the year of income in which the expenditure is incurred and is depreciated accordingly.

Amendment

“class 4” with the words “class 3”.

(1) Expenditure incurred by a person in acquiring farm works is included in the person’s pool for class 3 assets under section 27 in the year of income in which the expenditure is incurred and is depreciated accordingly.

Significance

This amendment corrects an earlier error that placed “farm works” under Class 4 of Schedule 7 for depreciation rates. Farm works are now classified under Class 3, which covers assets not listed elsewhere, with a depreciation rate set at 20%. While Class 4 was eliminated as a category in an earlier amendment to the Schedule.

This will represent a significant shift in the tax treatment of agricultural investments, aimed at simplifying tax compliance, correcting technical errors from the current legislation and setting a uniform, moderate depreciation rate for farm capital expenditures.

Particulars

Section 82 of the principal Act is amended by substituting for subsection (5) the following –

Current Section**Section 82: Taxation on international payments.**

(5) Interest paid by a resident company in respect of debentures is exempt from tax under this Act where the following conditions are satisfied –

- (a) the debentures were issued by the company outside Uganda for the purpose of raising a loan outside Uganda;
- (b) the debentures were widely issued for the purpose of raising funds for use by the company in a business carried on in Uganda or the interest is paid to a bank or a financial institution of a public character; and
- (c) the interest is paid outside Uganda.

Amendment

(5) A resident company which pays interest in respect of debentures shall withhold tax on the gross amount of the interest paid at the rate prescribed in Part V of Schedule 4 to this Act, where the following conditions are satisfied –

- (a) the debentures were issued by the company outside Uganda for the purpose of raising a loan outside Uganda;*
- (b) the debentures were widely issued for the purposes of raising funds for use by the company in the business carried on in Uganda or the interest is paid to a bank or financial institution of a public character; and*
- (c) the interest is paid outside Uganda.*

Significance

The amendment reverses the WHT exemption on interest paid to foreign financial institutions of a public character, thereby representing a significant shift from encouraging foreign capital flow to broadening the domestic tax base by imposing a 5% WHT on interest paid.

This amendment marks a transition to higher financing costs and increased compliance and cash flow pressures for Ugandan entities engaging in cross-border debt transactions.

Particulars

Section 86 of the principal Act is amended by inserting immediately after subsection (6) the following –

Current Section**Section 86: Taxation of non-residents providing Digital Services****Amendment**

(7) This section shall not apply to income attributable to royalties.

Significance

The amendment excludes royalties earned by non-residents from the 5% digital services tax regime.

This removes ambiguity by differentiating between digital services and royalties, ensuring the correct tax treatment is applied to the appropriate type of income. By excluding royalties from Section 86, the amendment ensures that these payments fall squarely under sections 82 or 83 ITA, which impose a higher WHT rate on royalties paid to non-residents of 15%.

Particulars

The principal Act is amended by inserting immediately after “PART XI-ANTI-AVOIDANCE” the following –

Current Section**PART XI – ANTI AVOIDANCE****Amendment**

Section 115A. Compliance with arm’s length principle

(1) Where a person has entered into a controlled transaction or a series of controlled transactions, the person shall account for the transaction or account for the series of transactions in a manner that is consistent with the arm’s length principle.

(2) For the purposes of subsection (1), “controlled transaction” means a transaction between associates.

Significance

The amendment introduces Section 115A to the ITA to codify the requirement for taxpayers to account for controlled transactions in compliance with the arm's length principle.

It provides for firmer legal grounds to audit, adjust and penalise related parties that fail to demonstrate that their transactions mirror open-market conditions, enhancing tax revenue collection from multinational and large domestic groups. The taxpayers entering controlled transactions will be required to show observance of the arm's length principle in the transactions.

Particulars

Section 124 of the principal Act is amended by inserting immediately after subsection (1) the following –

Current Section**Section 124: Rental Tax****Amendment**

(1a) Notwithstanding subsection (1), an individual required to pay rental tax under section 5 may furnish a provisional return of rental income on a monthly basis.

Significance

The amendment introduces an optional monthly provisional return to align the rental tax payments with income realisation. By synchronising tax obligations with monthly rental cycles, this will improve cash flow management for landlords, reduce tax evasion and streamline compliance while requiring reconciliation with annual returns.

Particulars

The principal Act is amended by substituting for section 131 the following –

Current Section**Section 131: Withholding of tax on payments for winnings of betting**

A person who makes payment for winnings of betting shall withhold tax on the gross amount of the payment at the rate prescribed in Part XI of Schedule 4 to this Act.

Amendment

Section 131: Withholding of tax on payments for winnings of betting or gaming

1. *A person who makes payment for winnings of betting or gaming shall withhold tax on the winnings at the rate prescribed in Part XI of Schedule 4 to this Act.*
2. *For purposes of subsection (1) “winnings” means the difference between the pay-out and the staked amount.*
3. *This section does not apply to winnings paid by a person licenced to conduct a national lottery under section 23 of the Lotteries and Gaming Act.*
4. *This section does not apply to winnings derived from land-based casinos licensed under the Lotteries and Gaming Act.*

Significance

The amendment to Section 131 of the Income Tax Act expands the scope of withholding tax on gambling-related winnings to cover both betting and gaming activities, while shifting the tax base from the gross payout to net winnings, defined as the difference between the payout and the amount staked, at 15%. It also introduces targeted exemptions, excluding winnings paid by a licensed national lottery operator and those derived from licensed land-based casinos from the withholding tax requirement.

Particulars

The principal Act is amended by substituting for section 133 the following –

Current Section**Section 133: Withholding tax on commission paid by telecommunications service providers on airtime distribution and mobile money**

A telecommunications service provider who makes a payment of a commission for airtime distribution or provision of mobile money services shall withhold tax on the gross amount of the payment at the rate prescribed in Part XIII of Schedule to this Act.

Amendment

Section 133: Withholding tax on commission paid by telecommunications service providers

(1) A telecommunications service provider who makes a payment of a commission for telecommunication retail services, mobile network services or provision of mobile money services shall withhold tax on the gross amount of the payment at the rate prescribed in Part XIII of Schedule 4 to this Act.

(2) For the purposes of subsection (1), a telecommunication service provider means a person licensed to offer telecommunication service under the Uganda Communications Act.

Significance

The amendment will enhance tax compliance and expand the tax base by formally requiring telecommunications providers licensed under the Uganda Commissions Act to withhold tax at 10% of the gross amount on commissions paid to agents for retail, mobile network and mobile money services, as compared to the current provision that only centred around commission for airtime distribution and mobile money services.

Particulars

The principal Act is amended by inserting immediately after section 135A the following –

Current Section**Section 135B: Withholding tax on public entertainer****Amendment**

Section 135B. Withholding tax on public entertainer

(1) A person who pays a public entertainer shall withhold tax on the gross payment at the rate prescribed in Part XVI of Schedule 4.

(2) For the purposes of this section, “public entertainer”

means a person who performs in public, or in front of a camera or microphone for entertainment, artistic, or similar purposes, including a person who performs in, participates in, or provides entertainment at any event or activity open to the public, and includes stage, radio, television, and digital performers.

Significance

It introduces a mandatory withholding tax on gross payments made to public entertainers (local and foreign). This measure requires event organisers, promoters and venue owners to deduct tax at source at the prescribed rate of 6%.

The amendment also provides a broad definition of “public entertainer” to mean a person who performs in public, or in front of a camera or microphone for entertainment, or artistic purposes, including a person who performs, participates, or provides entertainment at any event open to the public, including stage, radio, television, and digital performers.

Particulars

Section 139 of the Principal Act is amended –

Current Section

Section 139: Withholding as final tax

(b) tax has been withheld under section 133 on a payment of commission for airtime distribution or provision of mobile money services to a resident individual;

Amendment

(a) by inserting immediately after paragraph (a) the following –

(aa) tax has been withheld under section 134 on a payment of commission paid to an insurance agent;

(b) by substituting for paragraph (b) the following –

(b) tax has been withheld under section 133 on payment of a commission for telecommunication retail services, mobile network services or provision of mobile money services to resident individual.

Significance

The amendment makes withholding taxes “final” for commission-based sectors like insurance agents and telecom retailers, and expands WHT as a final tax for agents providing telecommunication retail services, mobile network services or provision of mobile money services.

By designating WHT as final, the administrative burden of filing annual tax returns by small commission earners will be reduced. However, low-earning agents may face higher tax rates because the tax is final; they cannot claim deductions for high operating expenses or request refunds if their earnings fall below the taxable threshold.

Particulars

The Principal Act is amended in Schedule 2 -

Current Section**Schedule 2 Listed Institutions****Amendment**

a) by inserting immediately after “Aga Khan Foundation” the following–

Arab Bank for Economic Development in Africa (BADEA);

b) by inserting immediately after “Swedish International Development Agency (SIDA)” the following–

Uganda Red Cross Society.

Significance

The amendment to Schedule 2 of the Income Tax Act introduces the Arab Bank for Economic Development in Africa (BADEA) and the Uganda Red Cross Society as “listed institutions.” The income of any listed institution is entirely exempt from income tax.

Including BADEA in schedule 2 formally recognises the institution as a Public International organisation, granting it official tax-exempt status aligned with its treaty obligations. By removing the tax burdens on BADEA, it will offer more concessional (soft loans) in Uganda and bridge the investment funding gap.

Formally exempting the income of Uganda Red Cross Society solidifies its mandate to act as a crucial partner to the government in managing disasters and refugee crises, ensuring that they have financial strength to deliver services where public authorities might be overwhelmed.

Particulars

The principal Act is amended in Schedule 4

(a) by substituting for Part 1 the following – rates of income tax for individuals.

Current Section**Income tax rates applicable to resident individuals are –**

Monthly income

Bracket	Rate
0 – 235,000	0%
235,000 – 335,000	10%
335,000 – 410,000	20%
410,000 – 10,000,000	30%
Over 10,000,000	40%

Amendment

Income tax rates applicable to resident individuals are –

Monthly income

Bracket	Rate
0 – 335,000	0%
335,000 – 410,000	20%
410,000 – 485,000	25%
485,000 – 10,000,000	30%
Over 10,000,000	40%

Significance

The amendment raises the PAYE threshold to increase the tax-free threshold and serve a strategic redistribution of the tax burden rather than a broad tax reduction. While designed to protect the lowest earners, the restructuring creates a higher net tax burden on lower-middle-income earners to compensate for the lost revenue.

THE VALUE ADDED TAX (AMENDMENT) ACT, 2026

Particulars

The principal Act (VATA) is amended in section 5, by inserting immediately after subsection (6) the following –

Current Section

Section 5: Person liable to pay tax

Amendment

(7) Subsection (3) shall not apply to a designated person under subsection (2) where the designated person pays for taxable supplies and is issued with an e-invoice or e-receipt in accordance with section 92 of the Tax Procedures Code Act.

Significance

This amendment is designed to significantly enhance tax compliance and digitalise tax administration by exempting designated persons (VAT withholding tax agents) from being liable to withhold VAT when they are issued with an EFRIS receipt.

This amendment incentivises the use of EFRIS.

Particulars

Section 7 of the VATA is amended in subsection (2),

Current Section

Section 7: Persons required or permitted to register

(2) The annual registration threshold is one hundred fifty million shillings.

Amendment

by substituting for the words “one hundred fifty” the words “two hundred fifty”.

(2) The annual registration threshold is two hundred fifty million shillings.

Significance

The amendment increases the annual VAT registration threshold from UGX 150,000,000 to UGX 300,000,000.

While it was earlier proposed to increase this annual threshold to UGX250,000, at the Parliamentary Committee, it was further increased to UGX 300,000,000.

The significance of this amendment includes: reduction of compliance and administrative costs for small businesses and URA, and encouraging the growth of small enterprises.

Particulars

Section 28 of the principal Act is amended by inserting immediately after subsection (3) the following –

(b) in subsection (4), by inserting immediately after paragraph (c), the following—

Current Section

Section 28: Credit for input tax

Amendment

(3a) A credit is allowed to a taxable person who develops a hotel or tourism facility and invests at least ten million United States Dollars for a foreigner and five million United States Dollars for a citizen, provided that the supply of services or goods referred to in subsection (3b), occurred not more than two years, prior to the date of commissioning of the hotel or tourism facility.

(3b) Subsection (3a) shall apply to a taxable person for the tax payable in respect of –

(a) Civil works;

(b) services to conduct a feasibility study, design, construction services; or

(c) locally produced materials for the construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market.

(3c) For purposes of subsection (3a) and (3b), developing a hotel or tourism facility applies only to that specific hotel or tourism facility and does not apply to other developments or businesses of the taxable person.

(d) under subsection (3a), arises on the date of commissioning the hotel or tourism facility.

Significance

The amendments to Section 28 of the Value Added Tax Act introduces a dual-track strategy: a significant investment incentive for the tourism sector. The new provisions are designed to catalyse large-scale hospitality development by allowing investors to claim input tax credits for expenses incurred up to two years prior to a project's commissioning, reducing the massive upfront capital costs associated with hotel construction.

The entitlement to the VAT credit arises upon commissioning of the hotel or tourism facility, provided the relevant supplies were made within two years before commissioning.

Particulars

Section 32 of the principal Act is amended by substituting for subsection (7) the following –

Current Section

Section 32: Due date for payment of tax

(7) Notwithstanding subsection (1), the Minister may, by Regulations, prescribe the terms and conditions of payment of tax on plant and machinery.

Amendment

(7) Notwithstanding subsection (1), the Minister may, by regulations, prescribe the terms and conditions of payment of tax on-

- (a) plant and machinery; and*
- (b) the inputs for the mining sector.*

Significance

This amendment expands the Minister’s discretionary authority to grant cash flow relief for plant and machinery to a wider range of inputs for the mining sector.

The amendment establishes fiscal parity by extending “deemed” VAT treatment to the mining sector by Minister instrument, alleviating critical liquidity strain by deferring 18% tax on pre-revenue operational expenses and with the reduced upfront capital costs during early-stage development, the measure aims to improve cash flow and encourage investment in the mining industry, although its practical impact is currently limited by regulatory uncertainty.

Before this amendment, deemed VAT treatment only applied to plant and machinery.

Particulars

Section 36 of the Principal Act is amended in subsection (3),

Current Section

Section 36: Interest on overpayments and late refunds

(3) Where the Commissioner General finds, after conducting an investigation of any amount shown as an excess in terms of Section 34(1), that the excess amount of input tax credit is greater than the true amount due in excess of not less than fifty thousand shillings, no interest shall be payable under subsection (2) where there has been a delay in making the refund.

Amendment

by substituting for the words

“fifty thousand shillings” the words “five percent of the total amount of the tax refund claimed”

(3) Where the Commissioner General finds, after conducting an investigation of any amount shown as an excess in terms of Section 34(1), that the excess amount of input tax credit is greater than the true amount due in excess of not less than five percent of the total amount of the tax refund claimed, no interest shall be payable under subsection (2) where there has been a delay in making a refund.

Significance

This replaces the fixed “shilling-based” threshold for denying interest on late refunds with a “percentage-based” threshold.

This change introduces proportionality into the audit process, ensuring that minor, non-material accounting discrepancies do not lead to the total forfeiture of interest entitlements on legitimate refund claims, by replacing the fixed threshold with a 5% percentage based margin of the total refund amount.

The impact will be most significant for high-value taxpayers, such as exporters and manufacturers, who often face complex VAT accounting. Under the current “all-or-nothing” rule, a minor error of UGX 50,000/- could result in the loss of millions in interest; the new threshold provides a fairer “safe harbour” for clerical or interpretative variances.

By aligning the law with the principle of materiality, the amendment protects the time-value-of-money for large-scale investors while supporting a deterrent against substantial frivolous over-claiming.

Particulars

Amendment of section 38 of the principal Act

Current Section

Section 38: Refund of tax for use of electronic receipt or invoice

A person other than a taxable person who purchases goods or services from a taxable person and is issued with an electronic receipt or invoice or several electronic receipts or invoices worth five million shillings within a period of thirty consecutive days, shall be entitled to a refund of five percent of the tax paid.

Amendment

Section 38 of the principal Act is amended by substituting for the words “five million” the words “two million”.

A person other than a taxable person who purchases goods or services from a taxable person and is issued with an electronic receipt or invoice or several electronic receipts or invoices worth two million shillings within a period of thirty consecutive days, shall be entitled to a refund of five percent of the tax paid.

Significance

The amendment reduces the threshold of purchase amounts supported by EFRIS invoices that entitle the buyer who is a non-taxable person to a refund on VAT incurred from five million to two million within a consecutive thirty-day period.

This amendment will drive a strategic shift toward formalising Uganda’s retail sector by leveraging consumer demand for VAT refunds to force digital, transparent transaction recording. This will reduce undeclared sales and boost tax compliance, where the previous 5% reward cost is outweighed by significantly higher overall VAT collection.

Particulars

The principal Act is amended in Schedule 2 -

Current Section**Schedule 2: Public International Organisations****Amendment**

(a) by inserting immediately before “Austrian Development Agency (ADA)”, the following—
Arab Bank for Economic Development in Africa (BADEA)

(b) by substituting for the words “Medical Research Council”, the words

Medical Research Council or Uganda Virus Research Institute and London School of Hygiene and Tropical Medicine (MRC/UVRI and LSHTM) Uganda Research Unit.

Significance

The Arab Bank for Economic Development in Africa

(BADEA) and the Medical Research Council or Uganda Virus Research Institute and London School of Hygiene and Tropical Medicine (MRC/UVRI and LSHTM) Uganda Research Unit, are added as a public international organisation under the VATA, entitling them to a refund of VAT under Section 37 of the Act.

Particulars

The principal Act is amended in Schedule 3 in paragraph 1(z).

Current Section**Exempt Supplies**

1. The following supplies are specified as exempt supplies for the purposes of Section 19 –

Amendment

by inserting immediately after the words “bio-gas” the words “nuclear energy.”

(z) the supply of any goods and services to the contractors and subcontractors of hydro-electric power, solar power, geo thermal power or bio-gas, nuclear energy, and wind energy projects and does not include goods and services used for personal and domestic use;

Significance

The amendment to Schedule 3 expands VAT exemptions by including nuclear energy projects, exempting goods and services supplied to contractors and subcontractors of nuclear energy from 18% VAT. This amendment will align nuclear power with other renewable energy sources, supporting investment strategies for energy diversification.

This could improve project cash flow, lower long-term electricity prices and provide a stable baseload for industrialisation. The exemption could mark a concrete shift from planning to execution in Uganda’s nuclear energy map.

THE STAMP DUTY (AMENDMENT) ACT, 2026

Particulars

The Stamp Duty Act is amended by inserting immediately after section 7 the following –

Amendment

Section 7A: Persons carrying on business of financial services to file returns

- (1) A person carrying on the business of financial services shall file monthly returns with the Commissioner General, of all sums received in respect of stamp duty paid on the instruments.*
- (2) On the basis of the monthly returns filed under subsection (1), the Commissioner General shall ascertain that the person has paid the stamp duty.*
- (3) Where the person who carries on the business of financial services fails to file the returns under this section, the person shall pay simple interest of two percent of the duty payable for every month during which the failure continues.*
- (4) For the purposes of this section, “financial services” means –*
 - (a) granting, negotiating and dealing with loans, credit, credit guarantees and any security for money, including management of loans, credit or credit guarantees by the grantor;*
 - (b) transactions concerning deposit and current accounts, payments, transfers, debts, cheques and negotiable instruments, other than debt collection and factoring;*
 - (c) transactions relating to shares, stocks, bonds and other securities, other than custody services;*
 - (d) management of investment funds, but does not include provision of credit facilities under a hire purchase or finance lease agreement; and*
 - (e) transactions of money lenders under the Tier 4 Microfinance Institutions and Money Lenders Act.*

Significance

The insertion of Section 7A into the Stamp Duty Act introduces monthly reporting obligations for the financial services sector, mirroring existing requirements for the insurance industry. This shifts the oversight model from an instrument-by-instrument basis to a systematic, consolidated monthly compliance framework.

The intention is to close oversight gaps and standardise tax administration across all financial intermediaries, such as banks and microfinance institutions. By mandating monthly returns, the Uganda Revenue Authority will have a clear audit trail of all taxable instruments like loans and mortgages, while introducing a 2% monthly interest penalty for filing failures. This ensures that the data reaches the tax authority as predictably as the revenue itself.

The impact is an increased administrative burden on financial institutions, which must now synchronise their transaction systems with tax reporting workflows. While this increases compliance costs for the private sector, it significantly reduces revenue leakage for the government. By turning financial service providers into formal reporters, the state gains a powerful tool to verify that the correct duty is paid on every financial instrument processed in the economy.

Particulars

Section 62 of the principal Act is amended –

Current Section

Section 62: Books to be open to inspection

Amendment

by renumbering section 62 as subsection (1); by inserting immediately after subsection (1) the following –

(2) A person required to maintain a document or record referred to under subsection (1), shall retain the document or record for a period of at least 5 years from the date the document or record was generated.

Significance

The amendment introduces a mandatory record-keeping duration, requiring individuals and entities to retain documents for at least five years. While the existing provision focused on the authority of the Commissioner to inspect books, the introduction of subsection (2) places an explicit responsibility on the taxpayer to preserve them.

This will align the Stamp Duty Act with the Tax Procedures Code Act, establishing a uniform five-year retention requirement for documents. This will create a more formal, disciplined and rigorous compliance burden for businesses and legal practitioners.

Particulars

The principal Act is amended in Schedule 2 -

Current Section

Schedule 2: Stamp Duty on Instruments

Amendment

by inserting immediately after item 66 the following –

“67. Registration or transfer of –

- (a) Motorcycle, tricycle or quadricycle – UGX 30,000*
- (b) any other motor vehicle – UGX 200,000.*

Significance

The amendment introduces a fixed fee stamp duty payable on the first-time registration or transfer of ownership of a motorcycle, tricycle, quadricycle, or motor vehicle.

THE EXCISE DUTY (AMENDMENT) ACT, 2026 – PENDING PRESIDENTIAL ASSENT

Particulars

The Excise Duty Act, is amended in Schedule 2 –

Current Section

3. Spirits

(c) (ii) that are imported, of alcoholic strength by volume of less than 80%
60% or shs.1,700 per litre, whichever is higher.

Amendment

by substituting for item 3 (c)(ii) the following –

*(c) (ii) that are imported, of alcoholic strength by volume of less than 80%
80% or shs.3,500 per litre, whichever is higher.*

Significance

This introduces a significant tax hike on imported spirits. The intention is to drive import substitution and protect local distilleries under the “Buy Uganda Build Uganda” (BUBU) policy, shifting demand toward domestic products using local raw materials while boosting tax revenue.

The amendment will drive up the costs of the products. While designed to favour local producers, it could fuel smuggling and reduce government revenue.

Particulars

by substituting for item 7 the following –

Current Section

7. Cement, adhesive, grout, white cement or lime

Shs.500 per 50kgs

Amendment

*7. Cement, adhesives, grout, white cement or lime
shs.1,000 per 50kgs.*

Significance

The amendment introduces a significant tax increase on essential building materials by nearly doubling the current levies.

By standardising the tax across both basic cement and specialised finishing materials, the government aims to close current loopholes due to classification overlaps and simplify revenue collection for the Uganda Revenue Authority.

The resulting impact will be rising construction costs, resulting in high project expenses across both public and private sectors.

Particulars

by substituting for items 8(a) and (b) the following –

Current Section**8. Fuel**

(a) Motor spirit (gasoline)

Shs.1,550 per litre

(b) Gas oil (automotive, light, amber for high-speed engines)

Shs.1,230 per litre

Amendment

(a) *Motor spirit (gasoline)*

shs.1,750 per litre

(b) *Gas oil (automotive, light, amber for high-speed engines)*

shs.1,430 per litre

Significance

The increase in excise duty on petrol and diesel are a primary revenue boosting measure for the national budget. However, it does not take into account current surges in the global fuel price.

By targeting fuel, a commodity with high consumption and inelastic demand, the government seeks to cling to a predictable revenue stream for national priorities. Because consumers cannot easily reduce usage despite price increases, this approach provides reliable, steady streams of funds, and because fuel is a critical input for logistics, the increase is expected to trigger a rise in public transport fares and the retail prices of essential goods.

Particulars

by substituting for item 9 the following –

Current Section**9. Cane or beet sugar and chemically pure sucrose in solid form**

Shs. 100 per kg

Amendment

9. Cane or beet sugar and chemically pure sucrose in solid form

shs. 300 per kg

Significance

This amendment triples the excise duty on sugar.

The increase in tax on sugar will raise retail prices and production costs for sectors like bakeries and beverages, directly impacting household budgets. While intended for revenue generation, this amendment will be regressive, placing a disproportional financial burden on low-income consumers who spend a high percentage of their income on basic staples.

Particulars

by substituting for item 11 the following – Plastics

Current Section**11. Plastics**

Sacks and bags of polymers of

ethylene and other plastics under HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juice, tea and coffee sacks, and bags for direct use in the manufacture of sanitary pads.

2.5% or USD 70 per tonne, whichever is higher

Amendment*11. Plastics*

(a) Plastic granules, plastic products, sacks and bags of polymers of ethylene and other plastics except

–

(i) vacuum packaging bags for food, juices, tea and coffee;

(ii) sacks, and bags for direct use in the manufacture of sanitary pads;

(iii) multiple use plastics and plastic granules used in the manufacture of multiple use plastics; and

(iv) plastic products used for packaging pharmaceutical products;

(b) Disposable plastic cups, lids, plates, cutlery, bags, sachets, bottles, straws and stirrers, cling films and wraps, jars and lids

25% or USD 1,500 per tonne, whichever is higher.

Significance

The amendment imposes a high tax on various single-use plastics and polymer bags, while exempting specific items like vacuum food packaging and sanitary pad materials.

This initiative will act as both an environmental mandate and revenue-generating measure, aiming to reduce plastic waste and transition the manufacturing sector toward sustainable, recyclable packaging. By penalising heavy reliance on plastic, it seeks to force the adoption of greener alternatives, encourages local recycling and builds a localised circular economy.

Because plastic is dominant in the food, beverage and pharmaceutical sectors, increased manufacturing costs from this tax could be passed on directly to consumers.

Particulars

by substituting for item 18 the following –

Current Section**18. Cooking oil**

Shs.200 per litre

Amendment

18. Cooking oil

shs.400 per litre.

Significance

This doubled the excise duty on cooking oil. Soaring cooking oil prices could immediately strain households and inflate operational costs for the food sector, including vendors and restaurants.

Particulars

by substituting for item 19 the following –

Current Section**19. Motorcycles; at first registration**

Shs.200,000

Amendment

19. Motorcycles; at first registration

shs.500,000

Significance

This increases the first-time registration fee for motorcycles by 150%. The increased cost of motorcycles from this tax could hinder empowerment and self-employment in the “boda boda” sector.

Particulars

by inserting immediately after item 27 the following –

Amendment

28. Paints, varnishes and lacquers

(a) locally manufactured or produced paints, varnishes and lacquers;

3% or shs. 50 per litre or per kg, whichever is higher

(b) imported paints, varnishes and lacquers.

10% or shs. 2.000 per litre or per kg, whichever is higher.

29. Cooking fat

Shs.500 per litre or kg

Significance

The amendment introduces excise duty on paints, varnishes, and lacquers, presenting a tiered tax structure for distinguishing sharply between local production and imports.

This will increase construction costs, especially for finishing works. The introduction of a high minimum tax on imported paints, alongside taxes on local products, will encourage a market shift toward locally manufactured alternatives. This will provide a competitive advantage to the domestic manufacturing sector, favouring industrial growth in Uganda.

This introduces a new excise duty of UGX 500 per litre or kilogram on cooking fat and fatty acids, with the primary intention of expanding the tax base and harmonising the levy across the edible oils sector. The impact will be an immediate rise in retail prices for a key household and commercial staple.

THE TAX PROCEDURES CODE (AMENDMENT) ACT, 2026

Particulars

The Tax Procedures Code Act (TPCA) is amended in Section 21(3) by substituting

Current Section

Section 21: Penal Tax relating to tax stamps

(3) Any person found in possession of goods prescribed under section 20(3), on which a tax stamp is not affixed, is liable to pay a penal tax equivalent to double the tax due on the goods or two thousand five hundred currency points, whichever is higher.

Amendment

for the words “two thousand five hundred” the words “one hundred.”

(3) Any person found in possession of goods prescribed under section 20(3), on which a tax stamp is not affixed, is liable to pay a penal tax equivalent to double the tax due on the goods or one hundred currency points, whichever is higher.

Significance

The amendment represents a strategic recalibration of Uganda’s enforcement regime for Digital Tax Stamps (DTS). Specifically, it reduces the minimum penal tax for being found in possession of unstamped goods.

This aims to create fairness and compliance by lowering the maximum fixed penalty for possession of unstamped goods from Ushs. 50M to Ushs. 2M. This will provide a significant relief to SMEs and retailers, protecting them from insolvency caused by minor, unintentional compliance errors.

Particulars

The principal Act is amended by inserting immediately after Section 47B, the following –

Amendment

47C. Waiver of tax outstanding as at 30th June 2016.

Any tax including penal tax and interest owed by a taxpayer as at 30th June 2016 and is outstanding as at the commencement of this Act, is waived.

47D. Waiver of interest and penalty on payment of principal

Tax

Any interest and penalty outstanding as at 30th June, 2025, shall be waived where the taxpayer pays the principal tax by 30th June, 2027.

Significance

The amendments introduce a tax amnesty framework aimed at clearing long-standing tax arrears and encouraging voluntary compliance.

Section 47C provides a full waiver of all outstanding tax, including principal, penalties, and interest, relating to liabilities as at 30 June 2016, effectively writing off aged and potentially uncollectible debts.

Section 47D, on the other hand, offers a conditional relief whereby interest and penalties outstanding as at 30 June 2025 are waived if taxpayers pay the principal tax by 30 June 2027.

These provisions are designed to clean up historic tax records, improve revenue collection, and incentivise taxpayers to settle outstanding tax liabilities.

By removing these long overdue “dead weight” amounts often stemming from defunct businesses or lost records, this could streamline the taxpayer URA ledgers through cleaning them, and ensure a reflection of only realistic collectable revenue.

Particulars

Section 93 of the principal Act is amended, by substituting for subsection (1) and (2) the following

–

Current Section

Section 93: Penal Tax relating to electronic receipting and invoicing

- (1) A taxpayer specified under section 92(2) who does not use an electronic fiscal device is liable to pay a penal tax equivalent to double the tax due on the goods or services.
- (2) A taxpayer specified under section 92(2) who does not issue an e-invoice or e-receipt for goods or services, or who tampers with an electronic fiscal device, is liable to pay a penal tax equivalent to double the tax due on the goods or services.

Amendment

- (1) A taxpayer specified under section 92(2) who does not use an electronic fiscal device is liable to pay a penal tax equivalent to double the tax due on the goods or services, or ten currency points whichever is higher.
- (2) A taxpayer specified under section 92(2) who does not issue an e-invoice or e-receipt for goods or services, or who tampers with an electronic fiscal device, is liable to pay a penal tax equivalent to double the tax due on the goods or services, or ten currency points whichever is higher.

Significance

The amendment makes EFRIS compliance penalties more proportional to the offence, such as a reduced fixed minimum penalty, increased variable penalty and a penalty structure of double the tax or Ushs. 200,000 whichever is higher.

By reducing penalties for non-compliance on EFRIS, this could lower the punitive costs of doing business. This will also focus on taxing actual value rather than arbitrary, high minimums that may cause bankruptcy, and also protecting small businesses while still targeting tax evasion.

This will encourage informal businesses to join the formal economy by making compliance easier and penalties more reflective of economic realities.

LOTTERIES AND GAMING (AMENDMENT) ACT, 2026

Particulars

Amended by substituting for Schedule 4, the following –

Current Section

Rate of tax

- 1. Twenty percent of the total amount of money staked less the pay outs (winnings) for the period of filing returns for a betting activity.**
2. Thirty percent of the total amount of money staked less the payouts (winnings) for the period of filing returns for the gaming activity.

Amendment

Rate of Tax

- 1. Thirty percent of the total amount of money staked less the payouts for the period of filing returns for a betting or gaming activity.*
- 2. In this Schedule, “payouts” means the total gross amount of money, or the fair market value of non-monetary prize paid by a gaming or betting operator to a player as a result of a winning bet or successful gaming outcome, including the amount staked, wagered, or contributed by the player to participate in the game or bet.*

Significance

The amendment harmonises the tax rate for both betting and gaming activities at 30% of the total amount staked, less payouts, replacing the previous differentiated rates of 20% for betting and 30% for gaming.

It also broadens and clarifies the definition of “payouts” to include both cash and non-cash winnings, as well as amounts staked or wagered by players. The changes are aimed at standardising taxation across the gaming sector, strengthening the tax base, and improving clarity and enforceability in tax computation.

THE EXTERNAL TRADE (AMENDMENT) ACT, 2026

Particulars

Section 3A is amended by inserting immediately after subsection 3(c) the following –

Section 3B is amended by inserting immediately after subsection (3) (c), the following –

The principal Act is amended by inserting immediately after section 3B, the following –

Amendment

“(d) imports of vaccines, medicines, medical supplies, pesticides, rodenticides, acaricides and insecticides.”

“(d) imports of vaccines, medicines, medical supplies, pesticides, rodenticides, acaricides and insecticides.”

3C. Environmental levy on worn clothing and other worn articles.

There shall be charged an environmental levy on worn clothing and other worn articles at the rate of 30% of the CIF value.

Significance

The amendments introduce a dual-track strategy: providing fiscal relief for essential healthcare and agricultural inputs while implementing a new protectionist levy on second-hand textiles.

The government intends to prioritise public health and food security by exempting vaccines, medicines, medical supplies, and agricultural chemicals (pesticides, rodenticides, acaricides, and insecticides) from both the 1.5% Infrastructure Levy and the 1% Import Declaration Fee.

The primary goal is to lower the landed cost of these items, making life-saving treatments and productivity-enhancing farming inputs more affordable while mitigating the impact of global supply chain inflation.

On the 30% of the CIF value on worn clothing and articles, the impact will be a sharp increase in the cost of clothing for the millions of Ugandans who rely on the second-hand market for affordable apparel. While this creates a major opportunity for local manufacturers to capture market share, it places a substantial financial burden on low-income households. Additionally, doubling the clothing import surcharge from 15% to 30% risks increasing smuggling through porous borders.

DROPPED PROPOSED AMENDMENTS

While the enacted Amendment Acts introduce a range of significant reforms across the tax laws, it is equally important to note that not all proposals initially tabled in the Bills ultimately became law. Several provisions that appeared in the draft and tabled legislative proposals were withdrawn during the legislative process before the President's final assent. Below are highlights of some of the notable proposed amendments that were not carried through into the final Amendment Acts, offering context on the areas where policy positions were reconsidered or refined.

Income Tax Act: The following proposed amendments to the Income Tax Act were dropped: To Section 20 seeking to introduce WHT on income derived from the disposal of a non-business asset; To Section 36 seeking to charge tax at a rate of 0.5% on the gross income of the taxpayer or the tax charged under section 4(1), whichever is higher, where a taxpayer has carried over losses for a period of more than 7 years; as well as a Section to tax a resident individual earning income from a foreign source at the same rate that applies to the same type of income if sourced in Uganda.

VAT Act: A proposed amendment to Section 28(6) was dropped that sought to remove the input tax credits for imported software.

Stamp Duty Act: A proposed amendment to increase the stamp duty due on the transfer of land from 1.5% to 3% was also dropped for the final amendment Acts.



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