



LegalAlert

THE 2025 TAX LAW AMENDMENTS: A STAKEHOLDER'S BRIEFING

April, 2025

BACKGROUND

On the 25th of March 2025, the amendment bills to the Income Tax Act Cap 338, Value Added Tax Act Cap 344, Stamp Duty Act Cap 339, Excise Duty Act Cap 336, and Tax Procedures Code Act Cap 343 were tabled before Parliament by Honourable Matia Kasaija, Minister of Finance, Planning and Economic Development.

The tabled bills are due for discussion by Parliament and are subject to change. But if passed into law, the proposed bills will take effect on the 1st day of July 2025.

This alert therefore explores the draft bills, highlights the proposed changes sought to be introduced should they be passed into law, and provides insight on what this could mean for you or your business or organisation in relation to tax compliance and incentives.

EXECUTIVE SUMMARY

Proposed changes to the Income Tax Act

The notable changes to be introduced by the Income Tax (Amendment) Bill 2025 include a proposal to provide for the exemption of startup businesses established by a citizen for a period of three years from income tax, provided that the investment capital of the company does not exceed five hundred million shillings, that the citizen or their associate has not previously benefited from the exemption, and that the business undertakes to file returns in the format prescribed. A citizen is any natural person who is a citizen of a partner state of the East African Community or a company incorporated in a partner state having at least 51% of its control held by a citizen of a partner state.

Proposed changes to the Value Added Tax Act

The major object of the Value Added Tax (Amendment) Bill 2025 is to amend the Value Added Tax Act, Cap. 344. It is intended to provide for the anti-fragmentation rule for imported goods, where an importer imports goods under separate consignments, in order not to qualify to be registered for VAT among other proposed amendments.

Proposed changes to the Stamp Duty Act

The Stamp Duty (Amendment) Bill 2025 seeks to amend Schedule 2 to the Stamp Duty Act, Cap. 339, to provide for nil stamp duty for agreements or memorandum of an agreement and, other mortgage-related deeds.

Proposed changes to the Excise Duty Act

The major change proposed by the Excise Duty (Amendment) Bill 2025 is to provide for the refund of excise duty paid on damaged, expired or obsolete goods upon application to the Commissioner General with supporting documentation, as well as a revision on the excise duty payable under Schedule 2 to the Act.

Proposed changes to the Tax Procedures Code Act

The highlight contained in the Tax Procedures Code (Amendment) Bill 2025 is to amend the principal Act to provide for the use of the national identification number, the registration number, or a tax identification number issued by a foreign tax authority as tax identification numbers. The Bill proposes to provide for a gaming and betting centralised payment gateway system and to waive any interest and penalty outstanding as of 30th June 2024, where the taxpayer pays the principal tax by 30th June 2026. The Bill also introduces new penalties for failure to use or failure to issue an e-invoice or e-receipt and failure to comply with requirements for tax exemption.

Please find below a table comparison of the effect of the proposed amendment bills on the current tax legislation and the significance of the amendment if passed by Parliament and assented to by the President;



INCOME TAX (AMENDMENT) BILL 2025

PARTICULARS

Section 2(a) of the Income Tax Amendment Bill. The Income Tax Act, in this Act referred to as the principal Act, is amended in section 21 by substituting for subsection (1) (ab) the following;

CURRENT SECTION

(ab) the income of Bujagali Hydro Power Project up to 30th June, 2024.

PROPOSED AMENDMENT

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

SIGNIFICANCE

This amendment is intended to further extend the tax holiday of the Bujagali hydropower project. This is in a bid to ensure that the cost per kilowatt-hour generated by the project is as low as possible.

The amendment is intended to keep power tariffs in Uganda as low as possible after the exit of UMEME and the return of power distribution in Uganda to the Uganda Electricity Distribution Company.

PARTICULARS

Section 2(a) of the Income Tax Amendment Bill. The Income Tax Act, in this Act, referred to as the principal Act, is amended in section 21 by inserting immediately after paragraph “z” the following.

PROPOSED AMENDMENT

(za) the income derived from a business established by a citizen after 1st July 2025, for a period of three years where the—

- i. business is registered with an investment capital not exceeding five hundred million shillings;
- ii. citizen or their associate has not previously benefited from the exemption; and
- iii. citizen files a tax return including business information return referred to in section 147 of this Act in the format prescribed by the Commissioner General.

SIGNIFICANCE

If this amendment is passed, any natural person who is a citizen of a partner state of the East African Community or a company incorporated in a partner state having at least 51% of its control held by a citizen of a partner state who establishes a business in Uganda after 1st July 2025 shall be exempt from income tax for the first three years of operation if they have not

previously benefited from the exemption, have invested less than UGX 500,000,000 as capital, and undertakes to make declaration of their business profits in a tax return.

This is meant to benefit small and medium enterprises.

This is intended to give East African startup businesses established after 1st July 2025 tax relief in order to encourage investment by removing the tax burden from young businesses.

PARTICULARS

Section 2(a) of the Income Tax Amendment Bill. The Income Tax Act, in this Act, referred to as the principal Act, is amended in section 21 in paragraph (ae) (vii), by inserting immediately after the words “agricultural use” the word “or”;

CURRENT SECTION

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

PROPOSED AMENDMENT

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

SIGNIFICANCE

Previously, the provision was interpreted as needing a taxpayer to be a manufacturer of chemicals for both agriculture and industrial use.

By inserting the word “or”, the amendment has provided clarity that in order for a taxpayer to benefit from the exemption, the taxpayer need either be a manufacturer of chemicals for agriculture or industrial use, and not both.

PARTICULARS

Section 3 of the Income Tax Amendment Bill. Section 76 of the principal Act is amended in subsection (4), by substituting for paragraph (a) the following.

CURRENT SECTION

(a) a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed.

PROPOSED AMENDMENT

(a) a transaction in which a person transfers their assets to another person, other than an individual controlled by the transferor or the shareholders following which the stock of the transferee is distributed;

SIGNIFICANCE

Roll-over relief is a mechanism that recognises that the overall control of an asset has not changed when transferred between entities under the same underlying ownership. This is to prevent unfair capital gains tax arising from such a transfer.

A person is defined to include an individual or a registered entity, which may include a partnership, or trust among others.

Rollover relief has been extended to transfers between individuals and companies they control, not just between a company and another company under its control, as the previous version of the section was constructed.

PARTICULARS

Section 4 of the Income Tax Amendment Bill. Section 86 of the principal Act is amended by inserting immediately after subsection (4), the following—

PROPOSED AMENDMENT

“(5) This section shall not apply where a non-resident person is deriving income from providing digital services in Uganda to an associate in Uganda.

(6) Notwithstanding subsection (5), section 82 or 84 of this Act shall apply to the income of a non-resident person derived from providing digital services in Uganda to an associate in Uganda.”

SIGNIFICANCE

Section 86 of the Income Tax provides for the taxation of non-residents providing Digital Services in Uganda.

This amendment requires that where a non-resident person is providing digital services to an associate (related party), their associate will have to withhold on the gross amount paid for the services under Section 82 on taxation on international payments at 15%, or Section 84 on taxation on payments to Non-Resident Contractors or Professionals at 15%.

PARTICULARS

Section 5 of the Income Tax Amendment Bill. Schedule 2 to Principal Act Schedule 2 to the Principal Act is amended by inserting immediately after “Independent Regulatory Board of the East African Power Pool” the following.

PROPOSED AMENDMENT

“International Atomic Energy Agency (IAEA)”

SIGNIFICANCE

The International Atomic Energy Agency has been added as a listed institution under Schedule 2, meaning that its income derived from Uganda is exempt under Section 21 of the Act.

PARTICULARS

Section 2(a) of the Income Tax Amendment Bill. The Income Tax Act, in this Act referred to as the principal Act, is amended in section 21 by substituting for subsection (1) (ab) the following;

CURRENT SECTION

(ab) the income of Bujagali Hydro Power Project up to 30th June, 2024.

PROPOSED AMENDMENT

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

SIGNIFICANCE

This amendment is intended to further extend the tax holiday of the Bujagali hydropower project. This is in a bid to ensure that the cost per kilowatt-hour generated by the project is as low as possible.

The amendment is intended to keep power tariffs in Uganda as low as possible after the exit of UMEME and the return of power distribution in Uganda to the Uganda Electricity Distribution Company.

PARTICULARS

Section 2(a) of the Income Tax Amendment Bill. The Income Tax Act, in this Act, referred to as the principal Act, is amended in section 21 by inserting immediately after paragraph “z” the following.

PROPOSED AMENDMENT

(za) the income derived from a business established by a citizen after 1st July 2025, for a period of three years where the—

- i. business is registered with an investment capital not exceeding five hundred million shillings;
- ii. citizen or their associate has not previously benefited from the exemption; and
- iii. citizen files a tax return including business information return referred to in section 147 of this Act in the format prescribed by the Commissioner General.

SIGNIFICANCE

If this amendment is passed, any natural person who is a citizen of a partner state of the East African Community or a company incorporated in a partner state having at least 51% of its control held by a citizen of a partner state who establishes a business in Uganda after 1st July 2025 shall be exempt from income tax for the first three years of operation if they have not

THE VALUE ADDED TAX (AMENDMENT) BILL 2025

PARTICULARS

Section 2 of the Value Added Tax Amendment Bill. The Value Added Tax Act, in this Act, referred to as the principal Act, is amended in section 47, by inserting immediately after subsection (1) (a), the following—

PROPOSED AMENDMENT

“(ab) an importer imports goods under separate consignments, which if aggregated would qualify the importer to be registered under this Act;”

SIGNIFICANCE

This provision is intended to prevent importers from dividing what would normally have been a single consignment into more than one consignment in order to avoid paying VAT upon the importation of the same, for the sole purpose of avoiding VAT on importation.

However, the amendment makes reference to the requirement to register for VAT under the Act which is a product of the taxable supplies made by a person rather than the imports they make of whatever nature.

This amendment may need further clarification in order to be operable, given it implies that all imports are made for commercial purposes, which may not be the case.

PARTICULARS

Section 3 of the Value Added Tax Amendment Bill. Amendment of Schedule 2; (a) by inserting immediately after “United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)” the following—

PROPOSED AMENDMENT

United Nations related Agencies and specialised Agencies

SIGNIFICANCE

The purpose of this proposed amendment is to care for every other United Nations Agency not specifically mentioned such as the United Nations Institute for Disarmament Research, and the United Nations Industrial Development Organisation among others, and to provide for those that will be formed in the future.

PARTICULARS

Section 3 of the Value Added Tax Amendment Bill. Amendment of Schedule 2; (b) by substituting for the words “International Atomic Agency (IAA)”

PROPOSED AMENDMENT

International Atomic Energy Agency (IAEA)

SIGNIFICANCE

This is intended to capture the change of name of the International Atomic Energy Agency.

PARTICULARS

Section 4 of the Value Added Tax Amendment Bill. Amendment of Schedule 3 Paragraph 1; (a) by substituting for subparagraph (v) the following

CURRENT SECTION

(v) the supply of deep cycle batteries, composite lanterns, and raw materials for the manufacture of deep cycle batteries and composite lanterns;

PROPOSED AMENDMENT

“(v) the supply of deep cycle batteries, solar lanterns and raw materials for the manufacture of deep cycle batteries and solar lanterns;

SIGNIFICANCE

Composite lanterns have been removed from the list of exempt supplies and replaced with solar lanterns to promote access to clean and sustainable energy in Uganda.

This amendment intends to restrict the exemption to suppliers of solar lanterns since composite lanterns are not necessarily solar-powered.

PARTICULARS

Section 4 of the Value Added Tax Amendment Bill. Amendment of Schedule 3 Paragraph 1; (b) by substituting for subparagraph (ai), the following—

CURRENT SECTION

(ai) the supply of wet processing operations and garmenting, cotton lint, artificial fibres for blending; polyester staple fibre, viscose rayon fibre yam other than cotton yam, textile dyes and chemicals garment accessories, textile machinery spare parts, industrial consumables for textile production, textile manufacturing machinery and equipment.

PROPOSED AMENDMENT

(ai) the supply of wet processing operations and garmenting, cotton lint, artificial fibres for blending, polyester staple fibre, viscose rayon fibre, yarn, other than cotton yarn, textile dyes and chemicals, garment accessories, textile machinery spare parts, industrial consumables for textile production, textile manufacturing machinery and equipment.

SIGNIFICANCE

The amendment seeks to correct the spelling of “yarn” and remove the semi-colon after the word “blending” to provide for clarity.

PARTICULARS

Section 4 of the Value Added Tax Amendment Bill. Amendment of Schedule 3 Paragraph 1; (c) by repealing subparagraph (ak);

CURRENT SECTION

(ak) the supply of billets for further value addition in Uganda

PROPOSED AMENDMENT

Repealed

SIGNIFICANCE

The supply of billets for further value addition in Uganda is no longer an exempt supply for VAT purposes.

PARTICULARS

Section 4 of the Value Added Tax Amendment Bill. Amendment of Schedule 3 Paragraph 1; (d) by inserting immediately after subparagraph (az), the following

PROPOSED AMENDMENT

“(ba) the supply of biomass pellets”

SIGNIFICANCE

The supply of biomass pellets has been added to the list of exempt supplies for VAT purposes. This amendment intends to promote environmentally sustainable energy.

PARTICULARS

Section 4 of the Value Added Tax Amendment Bill. Amendment of Schedule 4 Paragraph 1; by inserting immediately after subparagraph (i), the following—

PROPOSED AMENDMENT

“(j) the supply of aircraft;

SIGNIFICANCE

The supply of aircraft has been added to the list of exempt supplies for VAT purposes. This is intended to promote air travel in the country.

THE STAMP DUTY (AMENDMENT) BILL, 2025

PARTICULARS

Section 2 of the Stamp Duty Amendment Bill. Amendment of Schedule 2; (a) by substituting for item 5 the following

CURRENT SECTION

5. AGREEMENT OR MEMORANDUM of an agreement except a sale-based financing agreement between the vendor or borrower and a person licensed to carry on Islamic financial business;
- UGX 15,000/-

PROPOSED AMENDMENT

“5. Agreement or memorandum of an agreement; - Nil

SIGNIFICANCE

The Stamp Duty Act is proposed to be amended to provide for Nil (zero) Stamp Duty on agreements or memorandum of agreement, following public concern over stamp duty being due on every contract signed by a person in Uganda, including employment contracts and tenancy agreements.

This is intended to facilitate ease of transactions in the economy.

PARTICULARS

Section 2 of the Stamp Duty Amendment Bill. Amendment of Schedule 2; (b) by substituting for item 42 the following

CURRENT SECTION

42. (a) MORTGAGE DEED - of the total value. A mortgagor who gives a power of attorney to collect rents or a lease of the property mortgaged is deemed to give possession within the meaning of this item. – 0.5%

(b) Where a collateral or auxiliary or additional or substituted security is given by way of further assurance where the principal or primary security is duly stamped. – UGX 15,000/-

PROPOSED AMENDMENT

“42. (a) Mortgage deed— of the total value. A mortgagor who gives a power of attorney to collect rent or a lease of the property mortgaged is deemed to give possession within the meaning of this item. – Nil

(b) where a collateral or auxiliary or additional or substituted security is given by way of further assurance where the principal or primary security is duly stamped. - Nil

SIGNIFICANCE

In order to make finance more accessible and cheaper for persons in Uganda, the Stamp Duty Act is to be amended to provide for Nil duty on mortgage deeds.

PARTICULARS

Section 2 of the Stamp Duty Amendment Bill. Amendment of Schedule 2; (c) by substituting for item 43 the following

CURRENT SECTION

43. MORTGAGE OF A CROP - including any instrument endorsement, note, attestation, certificate or entry not being PROTEST OF A BILL OF NOTE, made or signed by a notary public in the execution of the duties of his office or by other person lawfully acting as notary public. – UGX 15,000/-

PROPOSED AMENDMENT

43. Mortgage of a crop—including any instrument endorsement, note, attestation, certificate or entry not being protest of a bill of note, made or signed by a notary public in the execution of the duties of his or her office or by any other person lawfully acting as a notary public. – Nil

SIGNIFICANCE

In order to make finance more accessible and cheaper for persons involved in farming, the Stamp Duty Act is to be amended to provide for Nil duty on a mortgage of a crop deed.

THE EXCISE DUTY (AMENDMENT) BILL, 2025

PARTICULARS

Section 2 of the Excise Duty Amendment Bill. Amended by inserting immediately after section 13 the following

PROPOSED AMENDMENT

“13A. Remission of duty paid on ex-factory goods.

(1) A person liable to pay excise duty may apply to the Commissioner for the remission of any excise duty paid on damaged, expired or obsolete goods.

(2) The application referred to in subsection (1), shall be accompanied by—

(a) proof that the duty was paid on damaged, expired or obsolete goods, where applicable;

(b) the goods delivery documentation;

(c) a report indicating the extent and the cause of the damage issued by a competent authority, in the case of damaged goods; and

(d) any other document as the Minister may determine by regulations.

(3) Where the Commissioner is satisfied that excise duty was paid on damaged, expired or obsolete goods, the Commissioner shall—

(a) apply the excise duty paid in reduction of any other duty due from the person liable to pay excise duty; or

(b) at the written option of the person liable to pay excise duty, apply the excise duty paid on damaged, expired or obsolete goods in reduction of any outstanding liability of the person liable to pay excise duty with regard to other taxes not in dispute.”

SIGNIFICANCE

Through this amendment, a taxpayer who has paid excise duty to the URA may apply to the Commissioner General for the remission of that excise duty, if they can provide sufficient proof that the goods, on which excise duty was paid, have since been damaged, expired or obsolete.

Once the application is approved upon presentation of supporting documentation, the taxpayer will receive a tax credit for the excise duty paid.

This is due to the fact that excise duty is an indirect tax intended to be borne by the final consumer, in the event that an excisable good cannot be consumed, any excise duty paid on such a good should be refunded.

PARTICULARS

Section 3 of the Excise Duty Amendment Bill. Schedule 2 is amended; (a) by substituting for items 1 (a) and (b) the following.

CURRENT SECTION

- 1. Cigarettes
 - a) Soft cup
 - (i) Locally manufactured – Ugx 55,000 per 1,000 sticks
 - (ii) Imported – Ugx 75,000 per 1,000 sticks
 - b) Hinge Lid
 - (i) Locally manufactured – Ugx 80,000 per 1,000 sticks
 - (ii) Imported – Ugx 100,000 per 1,000 sticks

PROPOSED AMENDMENT

- 1. Cigarettes
 - a) Soft cup
 - (i) Locally manufactured – Ugx 65,000 per 1,000 sticks
 - (ii) Imported - Ugx150,000 per 1,000 sticks
 - b) Hinge Lid
 - (i) Locally manufactured – Ugx 90,000 per 1,000 sticks
 - (ii) Imported – Ugx 200,000 per 1,000 sticks

SIGNIFICANCE

This amendment proposes to increase excise duty due on cigarettes which will lead to a price increase.

This is part of the effort to discourage the consumption of cigarettes by increasing their price.

PARTICULARS

Section 3 of the Excise Duty Amendment Bill. Schedule 2 is amended; (b) by substituting for item 2 (b) the following.

CURRENT SECTION

- (b) Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent - 30% or Ugx 650 per litre, whichever is higher.

PROPOSED AMENDMENT

(b) Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent - 30% or Ugx 900 per litre, whichever is higher”

SIGNIFICANCE

This amendment seeks to increase the excise duty due on beer containing locally sourced raw materials which will lead to a price increase.

This is part of the effort to discourage the consumption of beer due to its harmful effects.

PARTICULARS

Section 3 of the Excise Duty Amendment Bill. Schedule 2 is amended; (c) in item 2, by repealing paragraph (c)

CURRENT SECTION

(c) Beer produced from barley grown and malted in Uganda.

PROPOSED AMENDMENT

Repealed

SIGNIFICANCE

Excise duty on beer produced from barley grown and malted in Uganda has been removed since it is catered for under Paragraph (c) above.

PARTICULARS

Section 3 of the Excise Duty Amendment Bill. Schedule 2 is amended; (d) by substituting for item 5 (b) the following—

CURRENT SECTION

(b) Fruit juice and vegetable juice, except juice made from at least 30% of pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown - 10% or Ugx 250 per litre, whichever is higher.

PROPOSED AMENDMENT

(b) Fruit juice and vegetable juice, except juice made from at least 50% of pulp from fruit and vegetables locally grown in Partner State – 10% or Ugx 250 per litre, whichever is higher;

SIGNIFICANCE

A partner state is defined as a member country within the East African Community.

The amendment increases the percentage of pulp from fruit and vegetables locally grown within a partner state, required to be present in fruit and vegetable juice for it to be considered as exempt from excise duty under this provision.

The amendment maintains the excise duty due on fruit and vegetable juice that contains less than 50% of pulp from fruit and vegetables locally grown in a Partner State.

PARTICULARS

Section 3 of the Excise Duty Amendment Bill. Schedule 2 is amended; (e) by substituting for items 8 (a) and (b) the following—

CURRENT SECTION

(a) Motor spirit (gasoline) - Ugx 1550 per litre

(b) Gas oil (automotive, light, amber for high speed engines) - Ugx 1280 per litre”

PROPOSED AMENDMENT

(a) Motor spirit (gasoline) – Ugx 1650 per litre

(b) Gas oil (automotive, light, amber for high speed engines) - Ugx 1380 per litre”

SIGNIFICANCE

Increases the excise duty due on petrol and diesel by UGX 100/-.

PARTICULARS

Section 3 of the Excise Duty Amendment Bill. Schedule 2 is amended; (f) by substituting for item 11 the following

CURRENT SECTION

Plastics

Plastic product and plastic granules - 2.5% or USD 70 per ton, whichever is higher;

PROPOSED AMENDMENT

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, juices, 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;”

SIGNIFICANCE

This amendment expands the list of plastic products on which excise duty is due to include plastics such as plastic bags (kavera) and is intended to exclude from excise duty plastics used in the manufacture of essential commodities like food, juice, coffee and sanitary pads among others.

THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2025

PARTICULARS

Section 2 of the Tax Procedures Code Amendment Bill. Section 4 of the Act is amended by substituting for section 4 the following—

CURRENT SECTION

4. Tax Identification Number

- (1) Upon registration, the Commissioner General shall issue to every person registered a TIN.
- (2) The Commissioner General shall issue one TIN to each person registered.
- (3) The TIN issued by the Commissioner General shall be used for tax purposes under all tax laws.
- (4) A person shall state that person's TIN on any return, notice, communication, or other document furnished, lodged, or used for the purposes of a tax law.
- (5) Subject to subsection (6), a TIN is personal to the person to whom it has been issued and shall not be used by another person.
- (6) The TIN of a registered taxpayer may be used by a registered tax agent if –
 - (a) the registered taxpayer has given written permission to the registered tax agent to use the TIN on their behalf; and
 - (b) the registered tax agent uses the TIN only in respect of the tax affairs of the taxpayer.
- (7) The Commissioner General shall by notice in writing, cancel a TIN if satisfied that –
 - (a) the person is deregistered for the purposes of all tax laws;
 - (b) a TIN has been issued to the person under an identity that is not that person's true identity; or
 - (c) the person has been previously issued with a TIN that is still in force.
- (8) The Commissioner General may, at any time, by notice in writing, cancel the TIN issued to a person and issue the person with a new TIN.
- (9) A local authority, Government institution or regulatory body shall not issue a licence or any form of authorisation necessary for purposes of conducting any business in Uganda to any person who does not have a TIN including a tax identification number issued by foreign tax authorities with whom Uganda has a tax treaty or agreement for the exchange of information.
- (10) A local authority, Government institution or regulatory body shall not register an instrument that is required to pay stamp duty under the Stamp Duty Act unless the person lodging the instrument for registration has a TIN.

PROPOSED AMENDMENT

4. Tax identification number

- (1) For tax purposes, the following shall be used as tax identification numbers-

- (a) a national identification number issued by the National Identification Registration Authority under the Registration of Persons Act, in the case of an individual;
 - (b) a registration number issued by the Uganda Registration Services Bureau, in the case of a person who is a non-individual; and
 - (c) a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.
- (2) The Uganda Registration Services Bureau shall establish and maintain a centralised register of all non-individuals registered, incorporated or carrying on business in Uganda.
- (3) A person shall state his or her national identification number in the case of an individual, or registration number in the case of a non-individual, or tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information, on any return, notice, communication or other document furnished, lodged or used for the purposes of a tax law.
- (4) A local authority, Government institution or regulatory body shall not issue a licence or any form of authorisation necessary for purposes of conducting any business in Uganda to any person who does not have a national identification number, in the case of an individual, or a registration number in the case of a non-individual, or a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.
- (5) A local authority, Government institution or regulatory body shall not register an instrument required to pay stamp duty under the Stamp Duty Act, unless the person lodging the instrument for registration has a national identification number, in the case of an individual or a registration number in the case of a non-individual or a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.
- (6) The Minister shall, by regulations, prescribe the procedure and requirements for registering and issuing registration numbers to non-individuals.

SIGNIFICANCE

This amendment is a step towards ensuring ease in tax compliance and tax administration for persons or individuals whether residents or non-residents by making a NIN or a BRN or foreign TIN a Tax Identification in Uganda for tax purposes.

One of the pillars of tax administration is to have a full and complete tax register. This means that the tax register should be able to capture every individual or entity, that by virtue of its activities qualifies to be a taxpayer.

This amendment seeks to by-pass procedural bottlenecks and additional measures that hinder the recreation of a full and complete tax register. The use of BRNs and NINs would enable the URA to effectively identify taxpayers and ensure their compliance more efficiently.

The Minister will be required to issue regulations to prescribe the procedure and requirements for registering and issuing registration numbers to non-individuals such as companies, partnerships, trusts, among others by Uganda Registration Services Bureau, in an attempt to incorporate and harmonise the current requirements for obtaining a TIN.

PARTICULARS

Section 3 of the Tax Procedures Code Amendment Bill. Principal Act is amended by inserting immediately after section 47A the following

PROPOSED AMENDMENT

47B. Waiver of interest and penalty on payment of principal tax

- (1) Any interest and penalty outstanding as at 30th June, 2024, shall be waived where the taxpayer pays the principal tax by 30th June, 2026.
- (2) Where the taxpayer pays part of the principal tax outstanding as at 30th June, 2024 by 30th June, 2026, the payment of interest and penalty shall be waived on a pro-rata basis.”

SIGNIFICANCE

Provides for waiver of interest and penalty outstanding as of 30th June 2024, for the taxpayers who pay their outstanding principal taxes by 30th June 2026.

This falls under a tax amnesty program that has been subjected to changes and renewal over the years. The aim of this program is to expedite tax collection and to incentivise taxpayers to clear their outstanding tax liabilities with the award of a waiver of penalties and interests as an incentive.

Taxpayers will be required to reconcile their ledgers with URA to determine any outstanding principal tax, and pay the same before 30th June 2026 should they wish to benefit from the proposed waiver of interest and penalties.

PARTICULARS

Section 4 of the Tax Procedures Code Amendment Bill. Section 93 of the Principal Act is amended; (a) in subsection (1), by substituting for the words “tax due on the goods or services, or four hundred currency points, whichever is higher.”, the words “double the tax due on the goods or services.

CURRENT SECTION

- (1) A taxpayer specified under section 80(2) who does not use an electronic fiscal device is liable to pay a penal tax equivalent to the tax due on the goods or services, or four hundred currency points, whichever is higher.

PROPOSED AMENDMENT

- (1) A taxpayer specified under section 80(2) who does not use an electronic fiscal device is liable to pay a penal tax equivalent to the double the tax due on the goods or services.

SIGNIFICANCE

This amendment changes the penalty for failure to use an electronic receipting machine to record the sale of goods or services to double the tax due on the goods or services.

The tax due on the goods or services would, in the case of VAT, be 18% of the gross value of the goods or services multiplied by two.

There is a need for this amendment to be changed to refer to the correct section of the Tax Procedures Code Act Cap 343, as it refers to an inexistent Section 80(2).

PARTICULARS

Section 4 of the Tax Procedures Code Amendment Bill. Section 93 of the Principal Act is amended; (b) in subsection (2), by substituting for the words “tax due on the goods or services or three hundred currency points, whichever is higher.” the words “double the tax due on the goods or services.

CURRENT SECTION

(2) A taxpayer specified under section 80(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 the tax due on the goods or services or three hundred currency points, whichever is higher.

PROPOSED AMENDMENT

(2) A taxpayer specified under section 80(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 the double the tax due on the goods or services.

SIGNIFICANCE

This amendment changes the penalty for failure to issue an e-invoice or e-receipt for a sale of goods or services to double the tax due on the goods.

The tax due on the goods or services would, in this case of VAT, be 18% of the gross value of the goods or services multiplied by two.

There is a need for this amendment to be changed to refer to the correct section of the Tax Procedures Code Act Cap 343, as it refers to an inexistent Section 80(2).

PARTICULARS

Section 5 of the Tax Procedures Code Amendment Bill. The Principal Act is amended by inserting immediately after Section 93 the following Section 93A

PROPOSED AMENDMENT

“93A. Gaming and betting centralised payments gateway system

(1) An operator of a casino, gaming or betting activity shall only receive a wager or money staked and only make payouts through the gaming and betting centralised payments gateway system licensed by the Bank of Uganda under the National Payment Systems Act.

(2) The gaming and betting centralised payments gateway system shall be linked to the Uganda Revenue Authority electronic notice system.

SIGNIFICANCE

This provision proposes the establishment of a centralised gaming or betting payments gateway system through which all gaming or betting winnings are paid.

This proposal poses various risks and compliance obligations on the system operator, Bank of Uganda and gaming or betting companies operating in Uganda.

The cyber security strengths of such a system remain to be seen in Uganda, in light of the Bank of Uganda’s centralised system being the victim of various cyber security attacks and suffering severe losses.

However, by streamlining gaming and betting payouts through a centralised gateway, the amendment will minimise the risk of tax evasion and illicit financial inflows in the country.

This new measure, while it may attempt to minimise illicit cash flows, may not adequately address the proliferation of internet betting and gaming over the internet and does not adequately cover informal betting and gaming activities.

PARTICULARS

Section 5 of the Tax Procedures Code Amendment Bill. The Principal Act is amended by inserting immediately after Section 93 the following Section 93B

PROPOSED AMENDMENT

93B. Penal tax relating to gaming and betting centralised payments gateway system.

An operator of a casino, gaming or betting activity who does not use or is not integrated with the gaming and betting centralised payments gateway system is liable to pay a penal tax equivalent to double the gaming or withholding tax due or five thousand five hundred currency points, whichever is higher.

SIGNIFICANCE

This amendment, in line with the above insertion, seeks to impose penalties on gaming or betting operators that do not pay out winnings through the centralised payments gateway system established above.

The penalty would be double the gaming or withholding tax due from the payout (15% of the winnings for WHT) or UGX 110,000,000/-, whichever is higher.

For example, failure to use the system to payout a winning of UGX 1,000/- would, with this amendment, attract a penalty of UGX 110,000,000/-.

The extent of application, monitoring, enforcement, and collection of the penal tax proposed under this provision remains to be seen. While the formal operators can be seen as easy targets for this amendment, other informal operators and those that operate online and have no physical presence in Uganda may be harder targets.

PARTICULARS

Section 5 of the Tax Procedures Code Amendment Bill. The Principal Act is amended by inserting immediately after Section 93 the following Section 93C

PROPOSED AMENDMENT

93C. Failure to comply with requirements for tax exemption

- (1) A taxpayer exempted from tax under a tax law shall at all times maintain the requirements required for the taxpayer to be granted an exemption under the tax law.
- (2) A taxpayer that fails to comply with subsection (1) shall be liable to pay the tax due for the period for which the taxpayer fails to maintain the requirements required for the taxpayer to be granted an exemption under the tax law.
- (3) For the purposes of subsection (2), the tax due shall be paid personally by the taxpayer who failed to maintain the exemption requirements.”

SIGNIFICANCE

Previously, taxpayers that have a tax exemption confirmed by URA have been forgiven should they fail to comply with a requirement of the exemption, and asked to reconcile their obligations accordingly.

Moving forward, should this amendment be passed, the URA has a provision within the law to revoke and punish a taxpayer for non-compliance with a requirement for an exemption.

Examples of these exemptions include; an income tax exemption, and a withholding tax exemption, among others.

This will cut across taxpayers exempted under various provisions of the tax laws.

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About TASLAF Advocates

TASLAF Advocates provides blended legal and tax services to the most impactful entities operating in Uganda & East Africa. We are driven by a desire to create social impact and harness the interconnectedness of the African eco-system in our provision of blended legal & tax services. Our clients include leading private equity/impact funds, construction and oil & gas companies, tech companies, leading NGOs and social enterprises looking to set up or expand in Uganda and East Africa.

Our team combines a breadth of experience, education, and training in the best institutions in the world. We are always on the lookout for the most talented and ambitious professionals to join the team. With a mix of lawyers and accountants across the board, our service offerings are unequalled in both tax & legal assignments.

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