



Tax Alert

April 2026

Key highlights from the Tax (Amendment) Bills, 2026

The Bill proposes to broaden the definition of property income to include income derived from disposal of a non- business asset

Key highlights of the Income Tax (Amendment) Bill, 2026

All tax amendments are expected to take effect from 1 July 2026 if passed into law.

1. Expansion of the definition of a Royalty

The Bill proposes to expand the definition of a royalty to include software. This is a substantive change, as payments for software will be categorised as a royalty and consequently subject to withholding tax.

2. Disposal of a non-business asset

The Bill proposes to broaden the definition of property income to include income derived from disposal of a non- business asset.

The proposed amendment intends to widen the tax base by taxing personal assets which are not business assets. Despite the intention, this proposal does not define a non- business asset. Without a definition, it may be interpreted to include personal assets such as household items, personal items for day-to-day use such as phones, cars, etc which would be absurd and administratively challenging to implement.

The Bill proposes to allow microfinance deposit taking institutions or tier 4 microfinance institutions to claim deductions for bad debts subject to meeting certain conditions

3. Income tax exemptions

- i. The Bill proposes to extend the exemption of income of Bujagali Hydro Power project up to 30 June 2032. This aligns with the previous proposed amendment in FY25/26 which is intended to continue making power supply cheaper.
- ii. The Bill proposes to exempt the income of a developer of a hotel or tourism facility subject to meeting certain conditions. This is intended to attract investment in the hospitality sector.
- iii. The Bill proposes to redefine an infrastructure bond to mean all bonds whether listed or not. This proposal will include additional bonds not listed such as corporate bonds, government bonds, etc. We expect that it will also support the government to issue its first foreign Sukuk bond for phase 1 of the Standard Gauge Railway.

4. Bad debts deduction

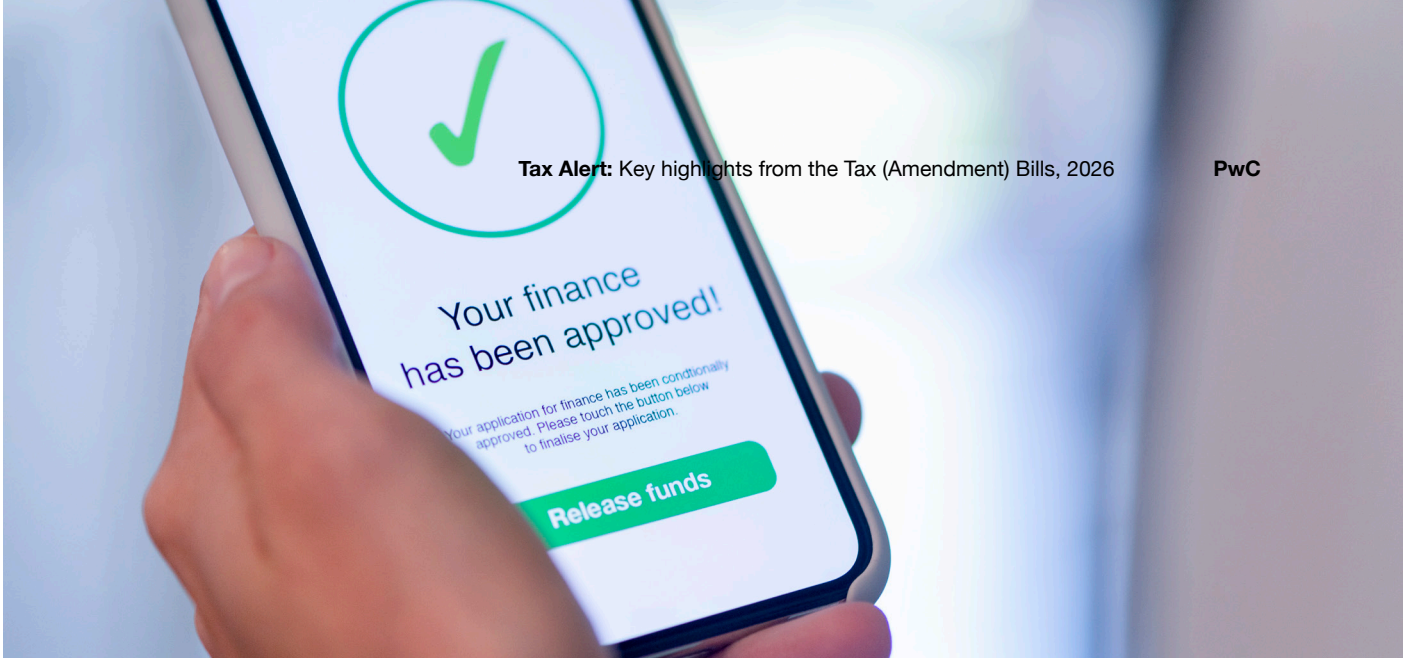
The Bill proposes to allow microfinance deposit taking institutions or tier 4 microfinance institutions to claim deductions for bad debts subject to meeting certain conditions. This aligns with other provisions of the ITA which treat microfinance deposit taking institutions or tier 4 microfinance institutions as financial institutions.

5. Interest deductibility for a member of a group

The Bill proposes the following :

- i. To redefine a “group” to mean persons other than individuals with at least 51% interest of common underlying ownership. This may be interpreted to mean that if a group holds less than 51% effective interest in a resident company, such company would not be considered as part of that group and therefore may not be subject to interest capping rules. However, there is need to redraft the proposed amendment to reflect the intent correctly.
- ii. To redefine a “group” to exclude dormant entities. This aligns with the recent TAT ruling in the case of Techno Three Uganda Limited vs Uganda Revenue Authority TAT No. 009 of 2025. This implies that the interest capping rules will not apply to entities that have no active business operations or accounting transactions in a year of income.
- iii. To exclude brought forward losses in the tax earnings before interest, tax, depreciation and amortisation (EBITDA) calculation in the determination of interest deductibility for income tax purposes.





The Bill seeks to introduce an option for individual rental landlords to file monthly provisional rental income tax returns

6. Imposition of tax on loss-making taxpayers

The Bill proposes to introduce a tax of 0.5% on the gross income of a taxpayer or 30% of chargeable income whichever is higher on taxpayers who carry forward tax losses after a period of seven years.

This proposal seeks to tax loss making persons in addition to the restriction on the carry forward tax losses under the same provision which is double 'penalty' despite the fact that such losses arise in the ordinary course of doing business.

Additionally, a new amendment is being introduced irrespective of the ambiguity in the existing provision as to whether the seven-year restriction applies to 7 consecutive loss-making years or individual years.

7. Introduction of withholding Tax on interest paid to non resident financial institution

The Bill seeks to introduce a 5% WHT on interest paid by a resident company to a non resident financial institution of a public character.

The proposed amendment is likely to discourage capital inflows which may impact foreign exchange stability, increase the cost of doing business for entities that rely on foreign debt and impact the financial services sector and related funded projects that significantly utilise foreign loans.

There is also a risk of this proposal becoming a cost to resident/local companies/financial institutions as a result of non resident financial institutions passing on the cost.

8. Exclusion of 5% digital service tax on royalty payments

The Bill proposes to exclude the application of 5% digital service tax on royalty payments. This implies that royalty payments will be subject to the normal 15% WHT when paid to non resident persons.

9. Compliance with the arm's length principle

The Bill proposes a requirement for persons engaged in controlled transactions to account for them in a manner that is consistent with the arm's length principle.

This amendment is redundant because the arms length principle is provided for with the Part XI of the Income Tax Act and the Income Tax (Transfer Pricing) Regulations.

10. Requirement to file monthly provisional rental income tax returns by individuals

The Bill seeks to introduce an option for individual rental landlords to file monthly provisional rental income tax returns. If indeed this will be implemented as an option rather than an obligation, this will be a welcome

The Bill proposes to introduce a 6% WHT obligation on a person who purchases a non business asset

amendment since it retains the option of filing a provisional return based on an annual forecast and takes care of individuals with a preference for monthly filing.

It is important that is implemented as an option to avoid the risk of imposing an additional administrative burden on a taxpayer and accumulation of unnecessary late filing penalties may arise.

11. Introduction of withholding tax on purchase of a non-business asset

The Bill proposes to introduce a 6% WHT obligation on a person who purchases a non business asset. Without clarity of what constitutes of a non business asset, any item could be subject to WHT.

This widens the scope of WHT agents to include individuals and as result monitoring evidence of the tax withheld may be difficult.

Further, the proposed mechanism for taxation through withholding tax poses a potential technical interpretation challenge taking into account the existing exemption of non-business assets from tax under Section 21 of the ITA. Additionally, the taxation of personal assets for a developing country such as Uganda discourages capital formation.

12. Imposition of withholding tax on winnings from betting and gaming

The Bill proposes to tax winnings from betting or gaming as opposed to the gross amount of the payment.

The Bill also defines winnings to mean the difference between the pay out and the staked amount on the game or bet. However, this provision will not apply to winnings paid by a person licensed to conduct a national lottery such as Ithuba Uganda.

This is a rational proposal since it seeks to tax the winnings as opposed to the actual payout.

13. Extension of withholding tax to all telecommunication retail services and mobile network services

The Bill proposes to broaden the 10% WHT on commissions paid by a telecommunications service provider to all telecommunication retail services and mobile network services. This broadens the tax bracket beyond airtime distribution and mobile money services.

14. Introduction of withholding tax on resident public entertainers

The Bill proposes to introduce a 6% WHT on gross payment made to a resident public entertainer.

15. Withholding as final tax on commissions paid

The Bill proposes to include tax withheld on commissions paid to an insurance agent and commissions for telecommunication retail services, mobile network services or mobile money services as a final tax. Such payments will not be subject to any additional income tax.

The Bill proposes that foreign source income derived by a resident individual shall be taxed at the same rate as income sourced in Uganda

16. Requirement to maintain the tax rate character of foreign source income for a resident individual

The Bill proposes that foreign source income derived by a resident individual shall be taxed at the same rate as income sourced in Uganda.

This is a rational proposal because resident individuals will no longer be subject to a blanket 40% income tax rate on their worldwide income but rather income will be taxed according to its nature/type.

17. Amendment of the income tax rates applicable to resident individuals

The Bill proposes to amend the resident individual income tax rates for PAYE purposes. Our illustration of the overall impact on the PAYE bands is as follows:

A. The current income tax rates to resident individuals

Monthly Gross Pay UGX	Rate	Monthly PAYE UGX
235,000	Nil	NIL
335,000	10%	10,000
410,000	20%	25,000
10,000,000	30%	2,902,000
15,000,000	40%	4,902,000

B. The proposed income tax rates to resident individuals:

Monthly Gross Pay UGX	Rate	Monthly PAYE UGX	Additional Monthly PAYE Saving UGX
335,000	Nil	Nil	10,000
410,000	20%	15,000	10,000
485,000	25%	33,750	13,750
10,000,000	30%	2,888,250	13,750
15,000,000	40%	4,888,250	13,750

The overall impact is as follows:

1. There is a net monthly saving between UGX 10,000 and UGX 13,750 depending on the resident individual's gross employment income.
2. A resident individual earning a monthly gross pay of not more than UGX 335,000 (UGX 4,020,000 per year) is exempt from PAYE.
3. The Bill proposes to eliminate the 10% individual rate and also introduce a 25% PAYE rate for individuals earning above UGX 410,000 up to UGX 485,000.
4. The 30% band will now be applicable to individuals earning a monthly gross pay above UGX 485,000 – UGX 10,000,000. Previously, the 30% band used to kick in at UGX 410,000.
5. The 40% band has been maintained to apply to monthly gross earnings above UGX 10,000,000.

The Bill proposes to amend section 32 of the principal act to give the Minister power to prescribe by regulation the terms and conditions for deferring payment of VAT on plant and machinery

Key highlights of the Value Added Tax (Amendment) Bill, 2026

1. VAT Withholding – E-Invoice/E-Receipt Exemption

The Bill proposes an exemption to VAT withholding on payments where the designated person pays for taxable supplies and receives an e-invoice or e-receipt under section 92 of the Tax Procedures Code Act.

This exemption will provide a cashflow relief to taxpayers whose VAT was being withheld yet they are compliant with Electronic Fiscal Receipting and Invoicing System (“EFRIS”) obligations.

2. Increase in the VAT registration threshold

The Bill proposes to increase the annual VAT registration threshold from UGX 150 million to UGX 250 million. Currently, taxpayers are required to register for VAT once taxable supplies exceed a quarter of UGX 150 million in any three-month window that is, UGX 37.5 million. The new threshold pushes that quarterly VAT registration trigger to UGX 62.5 million.

The above proposal if passed into law means that a number of smaller traders will drop out of the VAT neutrality bracket thus reducing the high VAT administrative costs that such taxpayers have been incurring.

3. Input tax credit for Hotel and Tourism facility developers

The Bill proposes to introduce a new input tax credit for developers of hotel or tourism facilities. The minimum investment threshold is USD 10 million for a foreigner and USD 5 million for a citizen.

The credit specifically covers VAT paid on civil works, feasibility studies, design and construction services, and locally produced construction materials, machinery, equipment, and furnishings.

However, the relevant supplies must have occurred within two years before the commissioning of the facility. The credit is ring-fenced to the specific projects, and it does not extend to other developments or businesses of the same taxable person. This measure is intended to incentivise investment in the hospitality sector.

4. Input tax credit on imported software

The Bill proposes to include input VAT relating to imported software on the list of items that are not creditable for VAT purposes. Locally developed software and its maintenance are already exempt under Schedule 3 of the VAT Act. This amendment is therefore targeted at closing a gap that existed specifically in respect of imported software.

5. Deferred Payment of VAT on Plant, Machinery and Mining Inputs

The Bill proposes to amend section 32 of the principal act to give the Minister power to prescribe by regulation the terms and conditions for deferring payment of VAT on plant and machinery. The Bill also proposes to extend the VAT deferral incentive to inputs for the mining sector.

Until now, the deferral framework under the VAT (Deferral of Tax on Plant and Machinery) Regulations, 2013 only covered plant and

Under section 38, a non-taxable person who collects e-receipts or e-invoices worth UGX 5 million within 30 consecutive days can claim a 5% refund of the VAT paid

machinery. The extension to mining inputs is a new addition and reflects the increasing significance of the mining sector in Uganda's economy.

6. Change in calculation of the VAT refund interest payable

The Bill proposes a revision to the threshold above which a taxpayer will not be entitled to interest on a delayed refund by the URA, where the refundable amount ultimately exceeds the amount originally applied for.

Currently, under Section 36(3) of VAT Act, the Commissioner is not required to pay interest on a delayed refund where, following an investigation, the refundable amount exceeds the original refund claim by more than UGX 50,000. The Bill proposes to amend this position by replacing the fixed monetary threshold with a proportional test, such that the threshold is set at 5% of the total refund amount claimed.

7. Reduction in the threshold for E-Receipt/E-Invoice refunds

Currently, under section 38, a non-taxable person who collects e-receipts or e-invoices worth UGX 5 million within 30 consecutive days can claim a 5% refund of the VAT paid. The Bill proposes to lower this threshold to UGX 2 million. The lower threshold broadens the category of consumers

eligible for the refund, which is expected to encourage greater demand for e-receipts at the point of sale.

8. Amendments to Schedule 2 – Public International Organisations

The Bill proposes to include the Arab Bank for Economic Development in Africa (BADEA) on the list of Public International Organisations in Schedule 2 of the VAT Act. It also proposes updating the listing of the Medical Research Council to reflect its full current name "Medical Research Council or Uganda Virus Research Institute and London School of Hygiene and Tropical Medicine (MRC/UVRI and LSHTM) Uganda Research Unit."

9. Amendment to Schedule 3 – Nuclear Energy Exemption

The Bill proposes to extend the existing VAT exemption for goods and services supplied to contractors and subcontractors of hydro-electric power, solar, geothermal, bio-gas, and wind energy projects to also cover nuclear energy projects. The current exemption under paragraph 1(z) of Schedule 3 did not include nuclear energy. This addition aligns the VAT treatment with Uganda's developing nuclear energy ambitions.



Key highlights of the Excise Duty (Amendment) Bill, 2026

The Bill proposes several rate adjustments across key product categories. Here is a comparison of the current and proposed rates:

	Excisable Good/Service	Duty Rates		
		Current rates 2025/2026	Proposed rates 2026/2027	Comments
	Spirits			
1.	Un-denatured spirits (imported, <80% ABV)	60% or UGX 1,700 per litre, whichever is higher	80% or UGX 3,500 per litre, whichever is higher	An increase in both the advalorem and fixed rates and keeping the excise duty for locally manufactured undenatured spirits at the same rates
	Cement			
2.	Cement, adhesives, grout, white cement or lime	UGX 500 per 50 kg	UGX 1,000 per 50 kg	A 100% increase in the applicable rate
	Fuel			
3.	Motor spirit (gasoline) - Petrol	UGX 1,550 per litre	UGX. 1,750 per litre	Increase of UGX 200 per litre
4.	Gas oil (automotive, light, amber for high-speed engines) - Diesel	UGX 1,230 per litre	UGX 1430 per litre	Increase of UGX 200 per litre
	Plastics			
5.	(a) Sacks and bags of polymers of ethylene and other plastics except vacuum packaging bags for food, juices, tea and coffee sacks, and bags for direct use in the manufacture of sanitary pads; (b) Disposable plastic cups, lids, plates, cutlery, bags, sachets, bottles, straws and stirrers, cling films and wraps, Jars and lids.	2.5% or USD 70 per tonne, whichever is higher	25% or USD 1,500 per tonne, whichever is higher	A substantial increase, the ad valorem rate rises from 2.5% to 25%, and the specific rate from USD 70 to USD 1,500 The scope also broadens to include disposable plastic cups, lids, plates, cutlery, bags, sachets, bottles, straws, stirrers, cling films, wraps, jars and lids
	Sugar			
6.	Cane or beet sugar and chemically pure sucrose in solid form	UGX 100 per kg	UGX 300 per kg	A threefold increase of the rate from UGX 100 to UGX 300 per kg
	Cooking oil and fat			
7.	Cooking oil	UGX 200 per litre	UGX 400 per litre	This represents double the current charge
8.	Cooking fat	NIL	UGX 500 per litre or kg	An introduction of duty on cooking fat
	Paints, varnishes and lacquers			
9.	(a) locally manufactured or produced paints, varnishes and lacquers;	NIL	3% or UGX 50 per litre or per kg, whichever is higher	Entirely new excise item and the rate on imports is significantly higher than that on locally manufactured products, intended to promote local production
10.	(b) imported paints, varnishes and lacquers.	NIL	10% or UGX 2000 per litre or per kg, whichever is higher"	
	Motorcycles; at first registration			
11.	Motorcycles; at first registration	UGX 200,000	UGX 500,000	An increase of Shs 300,000 — up by 150%



Key highlights of the Tax Procedures Code (Amendment) Bill, 2026

1. Reduction of penal tax relating to digital tax stamps

The Bill proposes to reduce the fixed penalty for possession of goods not affixed with a digital tax stamp from 2,500 currency points (UGX 50,000,000) to 100 currency points (UGX 2,000,000). Under the proposed amendment, the applicable penalty will be the higher of UGX 2,000,000 or the tax payable.

2. Introduction of a Waiver of tax outstanding as at 30 June 2016

The Bill seeks to waive any tax including penal tax and interest owed by a taxpayer as at 30 June 2016 and is outstanding as at 1 July 2026. This proposal is aimed at facilitating the process of cleaning up tax ledgers by waiving historical liabilities that have been sitting on the tax ledgers for over 10 years.

3. Increase of penal tax relating to Electronic receipting and invoicing

The Bill seeks to introduce a fixed penalty in relation to non use of electronic fiscal devices of ten currency points (UGX 2,000,000). The applicable penalty will now be the higher of double the tax due on the goods or services or UGX 2,000,000.

In addition, the Bill proposes to increase the penalty related to non issuance of an e-invoice or e-receipt for goods or services to the higher of double the tax due on goods or services or ten currency points (UGX 2,000,000).

Key highlights of the Lotteries and Gaming (Amendment) Bill, 2026

Harmonisation of the income tax rate of 30% for lotteries and gaming companies

The Bill proposes to harmonise the income tax rate for lotteries and gaming companies with other corporate companies, by increasing the rate from 20% for betting activities to 30%. The tax shall be applied on the total money staked less the payouts made during the period.

Key highlights of the Traffic and Road Safety (Amendment) Bill, 2026

1. Prohibition of the importation of motorcycles older than 13 years

The Bill seeks to prohibit the importation of motorcycles older than 13 years. This is an amendment from the current 15 years.

2. Revision of environment levy on imported motor vehicles

The Bill proposes to revise the environment levy applicable on imported motor vehicles depending on the year of manufacture.



The Bill proposes to increase stamp duty on the transfer of an asset from 1.5% to 3% of the total value of the asset

Key highlights of the Stamp duty (Amendment) Bill, 2026

1. Requirement for financial institutions to file monthly returns

The Bill introduces a requirement for financial institutions start filing monthly stamp duty returns of all sums received in respect of stamp duty paid on instruments. Non-compliance will attract a 2% simple interest for every month the return remains outstanding.

This aligns with compliance requirements for other tax heads.

2. Requirement to retain records for a period of at least five years

The Bill proposes to introduce a requirement for taxpayers to retain documents or records for a period of at least five years from the date that the document was generated.

The proposed amendment is meant to align with section 15(c) of the Tax Procedures Code Act (TPCA) which requires a taxpayer to retain a record for a period of only five years.

3. Increase of Stamp duty on transfer of an asset

The Bill proposes to increase stamp duty on the transfer of an asset from 1.5% to 3% of the total value of the asset. This proposal will significantly increase the cost of transferring/selling assets and should be re-considered to allow for affordable movement of assets.

4. Registration or transfer of automobiles

The Bill proposes to introduce stamp duty on the registration or transfer of automobiles as shown below:

Automobile	Stamp duty (UGX)
Motorcycle, tricycle or quadricycle	50,000
Any other motor vehicle	200,000





Key highlights of the External Trade (Amendment) Bill, 2026

A) Exemption of Certain Imports from the Import Declaration Fee and Infrastructure Levy

The Bill proposes to exempt imports of vaccines, medicines, medical supplies, pesticides, rodenticides, acaricides, and insecticides from both the 1% import declaration fee and the 1.5% infrastructure levy.

Currently, these levies apply broadly to goods imported for home use. Exemptions are limited to goods in the fifth Schedule of the East African Community Customs Management Act (“EACCMA”), plant and machinery under chapters 84 and 85, and goods under a special operating framework with Government. Adding healthcare and agricultural inputs to that list is a welcome move it should bring down the landed cost of these essential items.

B) Introduction of an Environmental Levy on Worn Clothing and Other Worn Articles

The Bill proposes to increase the environmental levy from 15% to 30% of the Cost, Insurance and Freight (“CIF”) value on worn clothing and other worn articles commonly known as “mivumba.”

The stated justification is environmental and promotion of local textile/garment industries. However, it will also make imported second-hand clothing noticeably more expensive, which could give local textile manufacturers an advantage.



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