



**Tax Watch**

# **Highlights of the Tax Amendment Acts/Bills, 2026**



The Tax (Amendment) Bills, 2026 (“Bills”) were tabled before parliament for discussion. At the time of drafting this publication, five of the eight Bills had been assented to by the President. The changes set out in the various Acts/ Bills are set to come into force on 1 July 2026 and are aimed at clarifying certain aspects of the tax law and boosting tax revenues collected by the Government of Uganda.

Following our earlier bulletin published in April 2026, which highlighted the key proposals contained in the Bills, in this bulletin, we provide an analysis of the amendments introduced by the various Acts/ Bills, including:

- The Income Tax (Amendment) Bill, 2026
- The VAT (Amendment) Act, 2026
- The Excise Duty (Amendment) Bill, 2026
- The Tax Procedure Code (Amendment) Act, 2026
- The Stamp Duty (Amendment) Act, 2026
- The External Trade (Amendment) Act, 2026
- The Traffic and Road Safety (Amendment) Bill, 2026; and
- Lotteries and Gaming (Amendment) Act, 2026.



# Table of contents

<b>01</b>	The Income Tax (Amendment) Bill,2026	04
<b>02</b>	The Value Added tax (Amendment), Act, 2026	18
<b>03</b>	Proposed amendments that did not make it into the VAT (Amen ment) Act, 2026	25
<b>04</b>	The Excise Duty (Amendment) Bill, 2026	26
<b>05</b>	The Tax Procedures Code (Amendment) Act, 26	30
<b>06</b>	The Stamp Duty (Amendment) Act, 2026	32
<b>07</b>	The External Trade (Amendment) Act, 2026	36
<b>08</b>	The Lotteries and Gaming (Amendment) Act, 2026	38
<b>09</b>	The Traffic and Road Safety (Amendment) Bill, 2026	40

# The Income Tax (Amendment) Bill, 2026

The Income Tax (Amendment) Bill, 2026, proposes the following amendments to the Income Tax Act Cap. 338 ("ITA"). The Bill had not been assented to by the President at the time of this publication.

## 1. Expansion of the definition of a royalty

The Bill proposes to expand the definition of "royalty" under Section 2 paragraph (a)(i) of the ITA to include "software".

This means that payments made by residents for the use or right to use software will constitute royalties and will attract a withholding tax. A 15% WHT applies where payments are made to a non-resident (subject to application of a Double Taxation Agreement) while a 6% WHT applies on payments made to resident persons not exempted from WHT.

The proposed amendment provides clarity on the application of tax on all payments made for the use or right of use of software, irrespective of how the software is delivered.

Parliament recommended that this proposed amendment be adopted on the basis that the proposed amendment seeks to clarify on the application of tax to include both imported software either embedded in a physical device or accessed digitally.

# 6%

WHT applies on payments made to resident persons not exempted from WHT

## 2. Classification of income derived from disposals of non-business assets and application of WHT thereon

The Bill proposes to expand property income to include income derived from the disposal of a non-business asset. Section 130 of the Bill further proposes to introduce a 6% WHT obligation on a person who purchases a non-business asset.

However, a non-business asset is not defined under the Bill and without clarity of what constitutes of a non-business asset, any item including personal use items such as phones, motor-vehicles etc, could be subject to WHT. It is not clear whether that was the intent of the amendment. The amendment further extends the obligation to withhold tax to every individual who purchases a personal item which would be absurd and administratively challenging to implement.

It should be noted that the section 21(1)(j) of the ITA exempts from income tax any capital gain not included in business income, other than capital gains on the sale of shares in a private limited liability company or on the sale of commercial building. The above provision applies to capital gains and not gross income derived from disposals. This means that even though the above provision provides for an exemption of capital gains not included in business income (other than gains derived from the sale of shares in a private limited liability company or on the sale of commercial building) - which would typically cover gains from disposal of non-business assets, the gross payment made for purchase of such assets will still be subject to WHT under the proposed amendment.

Considering the above exemption, the WHT deducted on purchase of the non-business assets would inevitably become a final tax since it cannot be utilised to offset one's income tax liability as there will be no corresponding income tax liability on the capital gain. The proposed tax therefore appears to also be contradiction to the spirit of the law which exempted the capital gain.

Our view is that the proposed amendment should not be passed into law given the above limitations. In the event it must be passed, it should clearly define what qualifies as a non-business asset. Additionally, there should be alignment between this proposal and the current exemption under section 21(1)(j) of the ITA.

It is worth noting that Parliament recommended that this proposed amendment be deleted citing difficulties in tax administration and the absence of a clear definition specifying the assets targeted by the amendment.

### **3. Extension of the exemption of income of Bujagali hydro power project**

The Bill proposes to extend the exemption of income of Bujagali Hydro Power Project to 30 June 2032 from 30 June 2026.

The extension of the exemption to 30 June 2032 is intended to enable the Government to deliver on its commitment to lowering electricity tariffs. The extension will prevent the pass-through of income tax costs imposed on Bujagali Hydro Power Project from being incorporated into the electricity tariffs charged to final consumers.

Parliament recommended that this proposed amendment be adopted.



## **4. Exemption of income earned by developers of hotels or tourism facilities**

The Bill proposes to exempt income of a developer of a hotel or tourism facility where the following conditions are met:

- a. Must have investment capital of at least ten million United States Dollars for foreigners or five million United States Dollars for citizens,
- b. Must use at least seventy percent of locally sourced raw materials, subject to availability
- c. Must have at least seventy percent of its employees being citizens earning an aggregate wage of at least seventy percent of the total wage Bill

The proposal seeks to stimulate substantial capital investment in Uganda's tourism sector in line with the Government's National Development Plan (NDP) IV and Vision 2040 agenda.

Whereas the proposed amendment is a welcome provision that seeks to grow the tourism sector, its application may not be as straightforward based on our experience with Uganda Revenue Authority's (URA) administrative and bureaucratic hurdles in granting exemptions to qualifying persons engaged in strategic investment projects such as warehousing and logistics services, and not for profit organisations. It is also important that other constraints to tourism growth are addressed alongside these tax incentives for a meaningful outcome.

Parliament recommended that this proposed amendment be passed with an amendment to reduce the threshold to USD 1,500,000 for citizens and include a period of 5 years within which a beneficiary must have finished setting up the facility.

## **5. Expansion of the definition an infrastructure bond**

The Bill also proposes to expand the definition of an infrastructure bond to include 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." The amendment includes both listed and unlisted securities.

By broadening the definition, the proposal ensures that both listed and unlisted long-term instruments used to finance public infrastructure and social services are treated consistently for tax purposes, thereby encouraging wider participation in infrastructure financing. The proposal makes it easier for Government to mobilise financing. Overall, this is a welcome amendment.

Parliament recommended that this proposed amendment be passed.

## **6. Deductibility of bad debts incurred by microfinance deposit taking institutions or tier 4 microfinance institutions**

The ITA currently provides for deductibility of certain categories of bad debts incurred by financial institutions but does not include microfinance deposit taking institutions or tier 4 microfinance institutions. The Bill proposes to align the deductibility of bad debts for microfinance deposit taking institutions or tier 4 microfinance institutions with that for financial institutions.

Parliament recommended that this proposed amendment be adopted.



# 51%

interest of common  
underlying ownership

## 7. Interest deductibility for a member of a group

The ITA provides for deductibility of interest expense under section 25 with certain capping restrictions for taxpayers with group membership (as currently defined). 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 being part of that group and therefore may not be subject to interest capping rules.
- ii. To redefine a “group” to exclude dormant entities. This aligns with the recent ruling of the Tax Appeals Tribunal in the case of *Techno Three Uganda Limited vs Uganda Revenue Authority TAT No. 009 of 2025* in which it was ruled that a literal interpretation of section 25 on an entity with dormant group members would be absurd and would create an unjust tax burden for the entity. This implies that an entity will not be considered to fall within a group if other members of that group are all dormant entities.
- iii. To exclude brought forward losses in the tax earnings before interest, tax, depreciation and amortisation (EBITDA) calculation in the determination of deductible interest for income tax purposes. This expands the base against which the restricted interest is determined thereby allowing greater deduction for the interest expense.

The proposed amendments are welcome as they seek to align tax legislation to the country’s broader economic goals under the NDP IV, Vision 2040 and the Tenfold Growth Strategy which emphasize the importance of increasing access to credit for the private sector.

However, there is also need to consider amending the provision to exclude interest paid/payable on domestic borrowings and interest paid/payable on credit extended by non-resident financial institutions since these create no risk of base erosion and profit shifting. In such a case, the interest restriction capping rules would only apply to borrowings within group enterprises.

Parliament recommended that this proposed amendment be adopted.



## 8. Imposition of tax on companies that have carried forward losses

The Bill proposes to impose a tax of 0.5% on the gross income of a taxpayer or a 30% tax on chargeable income, whichever is higher, where a taxpayer carries forward assessed losses for a period of more than seven years.

The proposed amendment introduces an additional tax burden for loss-making entities that is, an income tax on either gross income or chargeable income in addition to the existing 50% restriction on unutilized carried forward tax losses.

This proposal will adversely affect capital intensive businesses that typically incur significant losses in their primal years and have extended breakeven periods. It could also discourage investments in such projects which are crucial for economic growth and development.

Parliament recommended that the proposed amendment be deleted on the grounds that it would disadvantage companies that are already struggling financially and that it seeks to tax gross income rather than profits which defeats the principle of income tax.

# 50%

restriction on unutilized  
carried forward tax losses.

# 50%

WHT on interest paid by a resident company to a non-resident financial institution of a public character.

## 9. Introduction of WHT on interest paid to non-resident financial institutions

The Bill seeks to amend section 82(5) of the ITA to introduce a 5% WHT on interest paid by a resident company to a non-resident financial institution of a public character.

Currently, interest paid by resident companies to non-resident financial institutions of a public character is exempt from tax. 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.

Despite the above demerits, Parliament recommended that this proposed amendment be adopted.

## 10. Exclusion of 5% digital service tax on royalty payments

The Bill seeks to specifically clarify that income attributable to royalties is not subject to the 5% digital service tax. This provides clarity that royalty payments will be subject to the normal 15% WHT when paid to non-resident persons subject to treaty concessions.

Parliament recommended that this proposed amendment be adopted.

## 11. Compliance with 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. In our view, this amendment is redundant because the arm's length principle is provided for with the Part XI of the Income Tax Act and the Income Tax (Transfer Pricing) Regulations.

However, Parliament recommended that this proposed amendment be adopted.

# 15%

WHT when paid to non-resident persons subject to treaty concessions.

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

The Bill seeks to introduce an option for individual landlords to file monthly provisional rental income tax returns. The amendment will only apply to individuals and shall not extend to organisations.

If indeed this will be implemented as an option rather than an obligation, this will be a welcome 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 that may arise.

At the moment, it is unclear whether the monthly provisional filing option will trigger a corresponding monthly tax payment obligation.

Parliament recommended that this proposed amendment be adopted.



# 15%

WHT applies on gross payments from betting.

### **13. Imposition of withholding tax on winnings from betting and gaming**

The Bill seeks to introduce amendments to taxation of winnings from betting and gaming. Under the ITA, 15% WHT applies on gross payments from betting. The proposed amendment seeks to include gaming in addition to betting and apply WHT on winnings rather than gross payment. Winnings is defined to mean the difference between the pay-out amount and the staked amount on the game or bet. This is a welcome amendment since the current law unfairly imposes tax on the gross amount of payment which includes amounts staked. The amendment will not apply to winnings paid by a person licensed to conduct a national lottery i.e., Ithuba Uganda.

Parliament recommended that this proposed Bill be adopted with an amendment to exclude winnings arising by playing card games and roulette from WHT.

### **14. Extension of withholding tax to all telecommunication retail services and mobile network services**

# 10%

WHT on commissions paid by a telecommunications service providers to all telecommunication retail services and mobile network services.

The Bill proposes to broaden the 10% WHT on commissions paid by a telecommunications service providers to all telecommunication retail services and mobile network services. Currently, section 133 of the ITA imposes a WHT of 10% on commissions paid for airtime distribution or mobile money services.

The proposed amendment seeks to broaden the tax bracket beyond airtime distribution and mobile money services to other services such as the sale of airtime, bill payment among others. The amendment is also intended to create balance and fairness in the taxation of commissions extended by telecommunication companies as currently commissions paid for provision of certain services are not subject to WHT.

Parliament has recommended that this proposed amendment be adopted.

# 6%

WHT on a gross payment made to a resident public entertainer.

# 15%

on payments made to non-resident public entertainers and sports persons.

## 15. Introduction of withholding tax on resident public entertainers

The Bill seeks to introduce a 6% WHT on a gross payment made to a resident public entertainer. This means that any person (whether designated as a withholding agent or not) who pays a public entertainer will be required to withhold tax at a rate of 6% on the gross payment irrespective of the amount paid.

Currently, section 83 of the ITA imposes a WHT of 15% on payments made to non-resident public entertainers and sports persons. As such, the proposed amendment extends the tax burden to resident persons.

We understand that this is an advance tax which can be used to offset any income tax liability of the public entertainer.

The challenge that the enforcers may find difficult to navigate is how to ensure compliance in instances where the public entertainers are hired to perform at functions by individuals under unstructured arrangements.

Parliament has recommended that this proposed Bill be adopted with an amendment to define the word “public entertainer”.



## 16. 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. However, this also means that agents will also not be able to offset any expenses incurred in deriving the commissions against other income when determining their chargeable income for a period. This may potentially expose them to higher tax burden.

Currently, insurance agents are required to file separate individual income tax returns incorporating commissions earned, other income earned and any allowable expenses incurred.

We understand that the intent behind this proposal is to ease tax administration and compliance.

Parliament has recommended that this proposed amendment be adopted.



## 17. Requirement to maintain the character of foreign source income for a resident individual

The Bill proposes to tax foreign sourced income derived by a resident individual at the same rate that applies to the same type of income sourced in Uganda.

This means that resident individuals would no longer be subject to tax based on the tax bands (10% – 40%) on their foreign sourced income but rather their income will be taxed according to its nature/type. For example, a resident individual who earns dividends from outside of Uganda would be subject to a final tax of 15% and not the 40% currently applicable.

However, enforcement and practical implementation of the amendment remains unclear since tax on interest, commissions, and dividends paid to resident individuals is collected as a withholding tax by the payer of the income and remitted to the URA, it is uncertain how the amended provisions will practically be applied in their current form.

The amendment is intended to encourage more resident individuals with foreign source income to declare their earnings with the URA in an effort to collect more revenue.

Parliament has recommended that this proposed amendment be rejected. The Committee observed that the provision does not take into account cases where income was earned abroad based on tax exemption and bilateral international trade agreements.

## 18. Amendment of the income tax rates applicable to resident individuals

The proposed Bill seeks to amend the Schedule 4 of the ITA. Below is an illustration of the impact on tax payable for different chargeable incomes.

### Current income tax rates:

Monthly chargeable income (UGX)	Tax bracket
Below 235,000	Nil
235,000 – 335,000	10%
335,000 – 410,000	20%
410,000 – 10,000,000	30%
Above 10,000,000	40%



### Proposed income tax rates:

Monthly chargeable income (UGX)	Tax bracket
Below 335,000	Nil
335,000 – 410,000	20%
410,000 – 485,000	25%
485,000 – 10,000,000	30%
Above 10,000,000	40%

The overall impact is as follows:

1. There will be 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) will be exempt from PAYE.
3. The Bill proposes to eliminate the 10% individual rate as individuals previously under this category will now be exempt from PAYE. It also seeks to 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 of 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.

Parliament has recommended that this proposed amendment be adopted.

# The Value Added tax (Amendment), Act, 2026

The Value Added Tax (Amendment) Bill, 2026 was assented to by the President in May 2026. The Value Added tax (Amendment), Act, 2026 has made the following amendments to the Value Added Tax Act Cap. 344 (“the VAT Act”):

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

Exemption from VAT withholding (VAT-WHT) on payments where the designated person pays for taxable supplies and receives an e invoice or e-receipt per section 92 of the Tax Procedures Code Act.

The VAT-WHT regime has, in practice, presented significant challenges including cash flow constraints for VAT compliant taxpayers, as well as additional administrative and system implementation costs imposed on entities that do not ordinarily engage in taxable supplies. This unnecessarily increased the cost of doing business, particularly given that many such entities were already appointed as withholding tax agents under the ITA.

Since the expansion of mandatory usage of the Electronic Fiscal Receipting and Invoicing System (EFRIS) across multiple sectors, the URA’s ability to track VAT-registered taxpayers has materially improved. The historical risk of taxpayers charging VAT without declaring it, previously a key justification for implementing the VAT-WHT mechanism has been substantially mitigated. This is further reinforced by amendments to the ITA requiring taxpayers to claim expenses only where supported by EFRIS invoices or receipts, as well as the introduction of stringent penalties for EFRIS non-compliance under the Tax Procedures Code Act Cap. 343 (“the TPCA”).

In this context, the continued application of VAT-WHT results in duplicative compliance obligations and unnecessary administrative costs for taxpayers who are already fully compliant with EFRIS requirements, without delivering commensurate compliance benefits to the tax system.

As such, the exemption to VAT-WHT will provide much-needed cash flow relief to compliant taxpayers whose VAT has historically been withheld, while maintaining the integrity of VAT administration through EFRIS-driven oversight and enforcement.

Parliament recommended that this amendment be adopted and it was maintained in the Act assented to by the President.

## **2. Increase in the VAT registration threshold**

Increment of the annual VAT registration threshold from UGX 150 million to UGX 300 million, which would also increase the quarterly registration trigger from UGX 37.5 million to UGX 75 million. This recalibration targets the segment where compliance costs are disproportionate to tax yield, while maintaining VAT obligations for larger, better-resourced businesses.

The previous threshold remained unchanged since 2015 (when it rose from UGX 50 million) despite growth in prices and business activity. As a result, many small businesses were drawn into monthly VAT filings, record-keeping, and often the expense of hiring accountants etc., requirements that are costly and time-consuming relative to their scale. In practice, entities generating revenue between UGX 150 million and UGX 300 million contribute only about 3% of total VAT collections, yet some engage in invoice trading, and their sheer numbers increase URA's registration, monitoring, and enforcement workload.

Raising the threshold provides proportional relief to smaller taxpayers, reduces duplication and low-value casework, and allows URA to focus resources on larger taxpayers that account for the bulk of VAT revenue. It also lowers incentives for invoice misuse at the lower end of the register and removes a growth disincentive for businesses wary of crossing the current VAT line, supporting expansion and gradual formalization on a more sustainable compliance footing.

### **3. Input tax credit for Hotel and Tourism facility developers**

Introduction of 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. The amendment is intended to reduce the cost of developing large-scale tourism infrastructure and enhance the quality and competitiveness of Uganda's hospitality sector.

This amendment seeks to address the challenge on VAT recovery during construction, which only allows developers to claim VAT incurred within six months prior to VAT registration. This treatment is misaligned with market realities, as large hotel projects routinely take significantly longer than two years to complete, with some extending well beyond five years. As a result, VAT incurred in the early stages of construction becomes irrecoverable and is capitalised as a cost, substantially increasing project expenses and reducing investment viability.

The amendment addresses this challenge by allowing qualifying developers to claim VAT incurred within two years prior to commissioning, effectively extending the recovery window and easing long-term cashflow pressures during construction. The input tax credit is tightly ring-fenced to the specific project, ensuring it applies only to eligible supplies and does not spill over to other businesses of the same taxpayer. Overall, the measure is designed to lower development costs, improve investment feasibility, and stimulate sustainable growth in Uganda's tourism and hospitality sector, while maintaining targeted and controlled tax relief.

However, the investment threshold, particularly the USD 5 million requirement for citizen investors presents a key obstacle, as it significantly exceeds existing thresholds in other investment-related legislation currently granted VAT exemption. Current investment exemptions recognise much lower minimum capital requirements for citizens (USD 300,000 or USD 150,000 for projects located up-country). Retaining the higher investment threshold of UGX 5 million risks excluding a large segment of potential Ugandan investors, thereby undermining the objective of broad-based domestic participation in tourism development.

Parliament recommended adopting this proposed amendment with the investment threshold for a citizen be reduced from USD 5 million to USD 1.5 million. However, in the Act assented to by the President, the USD 5 million threshold was maintained for a citizen.

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

Section 32 of the VAT Act provides for VAT deferment on plant and machinery, with the detailed terms and conditions set out in the VAT (Deferment of Tax on Plant and Machinery) Regulations, 2013. This section has been amended to extend the concession to key inputs used in the mining sector.

The current deferment provision applies only to plant and machinery, other mining inputs fall outside its scope, creating cash flow pressure on the sector on importation of such inputs.

Extending deferment to mining inputs is intended to ease liquidity pressures, supporting the Government's mineral development agenda under the ATMS framework and the tenfold growth strategy. It is worth noting, however, that amending section 32 alone may not give full effect to this proposal. The VAT deferment regulations would need to be correspondingly updated to include mining inputs within the deferment framework. Without that step, the amendment to section 32 may remain incomplete in its implementation.



## **5. Change in calculation of the VAT refund interest payable**

Under section 36 of the VAT Act, a taxpayer entitled to a refund of excess VAT is also entitled to interest from the URA where the refund is delayed beyond prescribed timelines. However, under section 36(3), that interest entitlement is forfeited where the URA, after verification, finds that the excess input tax credit claimed exceeds the true amount due by more than UGX 50,000.

The Bill proposed to replace this fixed UGX 50,000 threshold with a proportional test set at five percent of the total refund amount claimed. This means a taxpayer would only lose entitlement to interest where the difference between the amount claimed and the amount verified exceeds five percent of the claim. The UGX 50,000 threshold has been in place since 1996 and is now entirely disproportionate to typical refund values. Even a minor variance on a delayed refund say, a reduction of UGX 51,000 on a claim of UGX 10 million exceeds the threshold and triggers loss of interest, where the difference between the refund claimed and the amount determined after verification exceeds five percent regardless of fault. For large refunds running into hundreds of millions of shillings, the threshold was effectively immaterial. A proportional test tied to the size of the claim is fairer and more practical as it protects compliant taxpayers from losing interest over immaterial differences inherent in any verification process. This should reduce disputes and strengthen confidence in the refund system.

## **6. Reduction in the threshold for E-Receipt/E-Invoice refunds**

Under section 38 of the VAT Act, a non-taxable person who purchases goods or services and is issued with e-receipts or e-invoices worth UGX 5 million within 30 consecutive days can claim a 5% refund of the VAT paid.

The Act has amended this threshold downwards to UGX 2 million. The UGX 5 million threshold was too high for most consumers and small non-taxable persons, meaning only a narrow group can access the refund. As a result, the intended compliance incentive has had limited reach. Lowering the threshold to UGX 2 million broadens eligibility and should significantly increase demand for e-receipts and e-invoices at the point of sale. This, in turn, is expected to expand the pool of verifiable transactions and support the broader goal of widening the tax base by bringing more businesses into the formal system.

To realize these benefits the refund process should be simplified and timelines clarified so that the larger eligible population can actually obtain refunds without undue friction.

## 7. Amendments to Schedule 2 – Public International Organisations

Introduction of the Arab Bank for Economic Development in Africa (BADEA) and Austrian Development Agency (ADA) on the list of Public International Organisations in Schedule 2 of the VAT Act.

The Amendment Act has also updated 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.”

This means their VAT refunds will be expected to follow a preferential refund criterion.





## **8. Amendment to Schedule 3 – Nuclear Energy Exemption**

Extension of the existing VAT exemption for goods and services supplied to contractors and subcontractors of hydro-electric power, solar, geothermal, biogas, 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.

# Proposed amendments that did not make it into the VAT (Amendment) Act, 2026

1. Input tax credit on imported software - The VAT (Amendment) Bill, 2026 proposed to include input VAT relating to imported software on the list of items that are not creditable for VAT purposes



# The Excise Duty (Amendment) Bill, 2026

The Excise Duty (Amendment) Bill, 2026 proposes to amend Schedule 2 of the Excise Duty Act as follows. The Bill had not been assented to by the President at the time of drafting this piece.

Paragraph	Excisable Good or Service	Duty Rates		Comments
		2025/2026	2026/2027	
	Spirits			Increase in the fixed rate by UGX.1,800
c)	Any other un-denatured spirits –  (ii) that are imported, of alcoholic strength by volume of less than 80%.	80% or UGX.1,700 per litre, whichever is higher	80% or UGX.3,500 per litre, whichever is higher	This more than doubles the specific rate on imported spirits and will raise the landed cost of imported alcoholic beverages. While the measure is likely intended to protect local producers and discourage consumption, it may also encourage smuggling and counterfeiting of imported brands, particularly along Uganda's porous borders. Businesses in the hospitality and entertainment sectors that stock imported spirits will face higher procurement costs, which will be passed on to consumers. Parliament recommended that this proposed amendment be adopted.
7.	Cement, adhesives, grout, white cement or lime	UGX.500 per 50kgs	GX.1,000 per 50kgs	Increase in the fixed rate by UGX.500  A doubling of excise duty on cement directly increases the cost of construction materials, which will affect the housing and infrastructure sectors. This is likely to raise the cost of building for both commercial developers and individual home builders, at a time when affordable housing remains a national priority. It may also reduce demand and slow activity in the construction sector, which is a significant employer. Parliament recommended that this proposed amendment be adopted with the excise duty rate being reduced from UGX.1,000 per 50kgs to UGX.750 per 50kgs.

Paragraph	Excisable Good or Service	Duty Rates		Comments
		2025/2026	2026/2027	
8.	Fuel			Increase in the fixed rate by UGX.200
a)	Motor spirit (gasoline)	UGX.1,550 per litre	UGX.1,750 per litre	Fuel is a fundamental input across virtually every sector of the economy. An increase in excise duty on gasoline will raise transport costs for both goods and passengers, with a cascading effect on the prices of consumer goods and services. This is particularly significant for rural communities and lower-income households, where transport costs already consume a large share of disposable income. Businesses that rely heavily on road transport and logistics will see margins squeezed further. Parliament recommended that this proposed amendment be adopted.
b)	Gas oil (automotive, light, amber for high-speed engines)	UGX.1,230 per litre	UGX.1,430 per litre	Increase in the fixed rate by UGX.200  The same concerns apply to gas oil (diesel), which is the primary fuel for commercial transport, agriculture, and manufacturing. The increase will push up production and distribution costs across these sectors. Parliament recommended that this proposed amendment be adopted.
9.	Cane or beet sugar and chemically pure sucrose in solid form	UGX.100 per kg	UGX.300 per kg	Parliament recommended that this proposed amendment be adopted with the excise duty rate being reduced from UGX.300 per kg to UGX.200 per kg.  The increment in excise duty on sugar from UGX.100 to UGX.200 per kg will significantly raise the cost of sugar for both households and manufacturers. Sugar is a basic consumer staple and a key input for the food and beverage, bakery, and confectionery industries. The increase could drive up retail prices and reduce affordability, while manufacturers that use sugar as a raw material will face higher production costs.

Paragraph	Excisable Good or Service	Duty Rates		Comments
		2025/2026	2026/2027	
11.	Plastics			Increase in the fixed rate by USD 1,430 and the fixed percentage by 900% ad valorem rate from 2.5% to 25%. Parliament recommended that this proposed amendment be adopted with the inclusion of plastic products and granules under item 11(a).
a)	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	25 % or USD 1,500 per tonne, whichever is higher	This is an exceptionally steep increase that will drastically raise the cost of plastic sacks and bags. While the environmental rationale intends to discourage single-use plastics, the scale of the increase may disrupt supply chains for industries that rely on plastic packaging, including agriculture, food processing, and retail. Businesses will need time to transition to affordable alternatives, and in the interim the cost burden will fall on producers and consumers alike.
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	Introduction of a fixed rate of UGX.1,500 and a fixed percentage of 25%  Parliament recommended that this proposed amendment be adopted.
18.	Cooking oil	UGX.200 per litre	UGX.400 per litre	Increase in the fixed rate by UGX.200  Parliament recommended that this proposed amendment be adopted. Doubling the excise duty on cooking oil will directly affect household budgets, as cooking oil is an essential daily consumer item. For manufacturers, particularly those in the food processing industry, the increase raises input costs. This measure may also encourage consumption of unregulated or smuggled cooking oil, undermining both public health standards and the intended revenue gains.
19.	Motorcycles; at first registration	UGX.200,000	UGX.500,000	Increase in the fixed rate by UGX.300,000  Parliament recommended that this proposed amendment be adopted.

Paragraph	Excisable Good or Service	Duty Rates		Comments
		2025/2026	2026/2027	
28.	Paints, varnishes and lacquers			Introduction of a fixed rate of UGX.50 and
a)	locally manufactured or produced paints, varnishes and lacquers;	-	3% or UGX.50 per litre or per kg, whichever is higher	ad valorem rate of 3%. Parliament recommended that this proposed amendment be adopted.  The lower rate on locally manufactured paints creates a deliberate differential designed to protect and promote the domestic paint manufacturing industry. The impact on local manufacturers should be modest, though it does introduce a new cost that will be passed through to consumers.
b)	imported paints, varnishes and lacquers.	-	10% or UGX.2000 per litre or per kg, whichever is higher	Introduction of a fixed rate of UGX.2000 and an ad valorem rate of 10%. Parliament recommended that this proposed amendment be adopted.  The significantly higher rate on imported paints reinforces the protectionist intent of the amendment. While this benefits local manufacturers, it raises costs for consumers and for sectors such as construction and real estate that consume large volumes of paint. It may also reduce product variety and quality options available on the market.
				Parliament recommended that this proposed amendment be adopted.
29.	Cooking fat	-	UGX.500 per litre or kg.	Introduction of a fixed rate of UGX.500  Parliament recommended that this proposed amendment be adopted. Cooking fat, like cooking oil, is a basic household staple. The introduction of excise duty on this product will increase its retail price and affect household budgets, particularly for lower-income consumers who rely on cheaper cooking fats. For food processors and bakeries, this adds another layer of input cost.

# The Tax Procedures Code (Amendment) Act, 2026

The Tax procedures Code (Amendment) Bill, 2026 was assented to by the President in May 2026. The Tax Procedures Code (Amendment) Act, 2026 brought in effect the following amendments:

## 1. Reduction of penal tax relating to digital tax stamps

Reduction of 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. This is a welcome amendment since the current penalty of UGX 50,000,000 is exorbitant and can be a significant operating cost to manufacturing companies.



## **2. Waiver of tax outstanding as at 30 June 2016 and waiver of interest and penalty on payment of principal tax**

Introduction of a waiver of 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 means that any tax arising before 30 June 2016 will be waived. This also indirectly means that the URA will not be able to assess tax for periods before 30 June 2016.

This is aimed at facilitating the clean-up process of tax ledgers by waiving historical liabilities that have been sitting on the ledgers for over 10 years.

This is a welcome amendment. However, it would have been even more prudent if the waiver was applied to tax outstanding as at 30 June 2021. This would have capped the open tax period to five years which aligns with the mandatory five-year period for document retention.

Parliament recommended inclusion of a waiver of interest and penalties as at 30 June 2026 if the taxpayer paid the principal tax by 30 June, 2027.

In the Act assented to by the President, the amendment for a waiver of any tax including penal tax and interest owed by a taxpayer as at 30 June 2016 was maintained. Additionally, a second waiver of interest and penalties outstanding as at 30 June 2025 provided the principle tax is settled by 30 June 2027 was included.

## **3. Revision of penal tax relating to electronic receipting and invoicing**

Introduction of new penal tax of ten currency points (UGX 200,000) or double the tax due on goods and services, whichever is higher, for every taxpayer who does not use an electronic fiscal device and is required to do so. Similar penalties will arise where a taxpayer does not issue an e-receipt or e-invoice for goods or services or who tampers with an electronic fiscal device.

This has replaced the current penalty on failure to use an electronic device of 400 currency points (UGX 8,000,000) or the tax due on the goods and services, whichever is higher; and the current penalty on failure to issue an e-receipt or e-invoice of 300 currency points (UGX 6,000,000) or the tax due on the goods and services, whichever is higher.

Parliament recommended that this proposed amendment be adopted and it was maintained in the Act assented to by the President.

# The Stamp Duty (Amendment) Act, 2026

The Stamp Duty (Amendment) Bill, 2026 was assented to by the President in May 2026. The Stamp Duty (Amendment) Act, 2026 brought in effect the following amendments to the Stamp Duty Act, 2014:

## 1. Requirement of persons carrying on financial services to file returns

Introduction of a requirement for persons carrying on the business of financial services to file monthly stamp duty returns to declare all sums received in respect of stamp duty paid on instruments. Similar to insurance companies, banks and other financial service providers will now be required to file monthly stamp duty returns. The amendment aligns with compliance requirements for other tax heads.

Failure to file a return will attract a penalty computed as 2% (simple interest) of the duty payable for every month the return remains outstanding. In the process of approval by Parliament, the Stamp Duty (Amendment), Bill was amended to define “financial services” and to provide clarity on who is required to file returns under this provision.

## 2%

(simple interest) of the duty payable for every month the return remains outstanding.

Accordingly, the Stamp duty Act has been amended in two respects, first, by substituting for the words “proper duty” for the words “stamp duty”, and second, by providing a definition of the services that constitute ‘financial services’, which include the following:

- 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;
- transactions concerning deposit and current accounts, payments, transfers, debts, cheques and negotiable instruments, other than debt collection and factoring;
- transactions relating to shares, stocks, bonds and other securities, other than custody services;
- management of investment funds, but does not include provision of credit facilities under a hire-purchase or finance lease agreement.
- transactions of money lenders under the Tier 4 Microfinance Institutions and Money Lenders Act.



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

Introduction of a requirement to retain documents or records for a period of at least five years from the date the document was generated.

The proposed amendment aligns with section 15(1)(c) of the TPCA which provides for a period of five after the end of the tax period within which a taxpayer is required to retain a document or record.



### 3. Stamp duty on the registration or transfer of automobiles

Introduction of stamp duty on the registration or transfer of all automobiles as below:

- a. motorcycle, tricycle or quadricycle – UGX 50,000
- b. any other motor vehicle – UGX 200,000

In the past, transfers of any asset attracted stamp duty of 1.5% on the total value of the asset while no tax was levied on registration. This amendment increases the cost of ownership and transfer of automobiles and yet such items are already subject to significant tax at importation.

Parliament recommended that this proposed amendment be adopted with the stamp duty rate on registration or transfer of a motorcycle, tricycle or quadricycle being reduced from UGX 50,000 to UGX 30,000.

This amendment was maintained in the Act assented to by the President.

Proposed amendments that did not make it into the Stamp Duty (Amendment) Act, 2026:

1. **Increase of stamp duty on transfer of an asset** – The Bill proposed to increase the stamp duty payable on the transfer of an asset to 3% of the total value.

1.5%

on the total value of the asset while no tax was levied on registration.

# The External Trade (Amendment) Act, 2026

The External Trade (Amendment) Bill, 2026 was assented to by the President in May 2026. The External Trade (Amendment) Act, 2026 brought in effect the following amendments to the External Trade Act:

## 1. Exemptions of certain Imports from Import Declaration Fee and Infrastructure Levy

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

Previously, these levies were imposed on goods imported into Uganda for home use, except for the following categories:

- i. Goods listed in the Fifth Schedule to the East African Community Customs Management Act (EACCMA) that are exempt from customs duty;
- ii. Plant and machinery classified under Chapters 84 and 85 of the EACCMA; and
- iii. Goods imported under a special operating framework with the Government of Uganda, including special projects executed on behalf of the Government in the national interest.

This amendment seeks to reduce the cost of essential health and agricultural inputs, thereby improving access to critical medical products, and enhancing agricultural productivity.

Parliament recommended that this amendment be adopted and it was maintained in the Act assented to by the President.

# 1.5%

infrastructure levy to imports of vaccines, medicines, medical supplies, pesticides, rodenticides, acaricides, and insecticides.

## 2. Introduction of an Environmental Levy on Worn Clothing and Other Worn Articles

Introduction of an environmental levy of 30% on the Cost, Insurance and Freight (CIF) value of worn clothing and other worn articles.

This amendment seeks to discourage the importation of low quality second hand clothing, commonly known as “mivumba”, by increasing its cost, thereby reducing the volume of such imports entering the country. The measure was also intended to support the domestic textile and garment industry by addressing unfair competition from cheap second hand imports, promoting local manufacturing.

Parliament recommended that this amendment be adopted and it was maintained in the Act assented to by the President.



# The Lotteries and Gaming (Amendment) Act, 2026

The Lotteries and Gaming (Amendment) Bill, 2026 was assented to by the President in May 2026. The Lotteries and Gaming (Amendment) Act, 2026 brought in effect the following amendments to the Lotteries and Gaming Act, Cap. 334:

## 1. Harmonisation of the tax rate for both betting and gaming companies

# 30%

applicable to both betting and gaming activities.

Introduction of a uniform tax rate of 30% applicable to both betting and gaming activities. Previously, betting activities were subject to a gaming tax of 20%, while gaming activities were taxed at 30%, calculated on the total staked amount less payouts for the relevant return period.

# 30%

across both categories, thereby promoting fairness, equity, and consistency.

The amendment seeks to harmonise the tax treatment of betting and gaming activities by applying a uniform gaming tax rate of 30% across both categories, thereby promoting fairness, equity, and consistency.

Additionally, the amendment aimed at enhancing government revenue mobilisation by increasing tax collections from the betting sector, while ensuring a level playing field among the betting and gaming operators.

Parliament recommended that the amendment be adopted and it was maintained in the Act assented to by the President.

## 2. Definition of payouts

Definition of payouts to mean the total gross amount of money, or the fair market value of any non monetary prize transferred or credited by a gaming or betting operator to a player as a result of a winning bet or successful gaming outcome, without deducting the amount staked or contributed by the player to participate in the game or bet.

The introduction of this definition provides clarity, thereby ensuring consistency and uniformity in the computation of gaming tax.

Parliament recommended that the amendment be adopted with a minor adjustment to replace the words “transferred or credited” with “paid”, in order to eliminate any ambiguity that could arise from use of the former terms. This amendment was maintained in the Act assented to by the President.



# The Traffic and Road Safety (Amendment) Bill, 2026

The Traffic and Road Safety (Amendment) Bill, 2026 proposes to make the following amendments to the Traffic and Road Safety Act, Cap. 347. The amendments do not apply to a motor vehicle which is in transit before the commencement of this Act and which arrives in Uganda by 31 December 2026. The Bill had not been assented to by the President at the time of drafting this piece.

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

Prohibiting of the importation of motor vehicles older than 13 years from the year of manufacture. This is an amendment from the current 15 years. Any motor vehicle more than 13 years old from its year of manufacture will be barred from importation into Uganda once the amendment takes effect.

The rationale behind this amendment is to reduce importation of old, high-emission vehicles. Parliament recommended that this proposed amendment be rejected.

## 3. Revision of environmental levy on imported motor vehicles

No	Motor vehicle	Fees (UGX)
i	9 years old from year of manufacture	20% of the CIF value
ii	10 years old from year of manufacture	30% of the CIF value
iii	11 years old from year of manufacture	40% of the CIF value
iv	12 years old from year of manufacture	50% of the CIF value

Parliament recommended that this proposed Bill be adopted with a proposed adjustment to item (iv) by including vehicles which are twelve to fifteen years from the year of manufacture.

## Authors

For further information on the Tax Amendment Acts/ Bills 2026, please contact any of the people below or your usual PwC contact:



**Pamela Natamba**  
Partner  
Tax  
+256 (0) 312 354400  
pamela.natamba@pwc.com



**Samson Ssonko**  
Associate Director  
Tax  
+256 (0) 312 354400  
samson.ssonko@pwc.com



**Trevor Lukanga**  
Associate Director  
Tax  
+256 (0) 312 354400  
trevor.b.lukanga@pwc.com



**Juliet Najjinda Mutabaazi**  
Associate Director  
Tax  
+256 (0) 312 354400  
juliet.najjinda@pwc.com



**Plaxeda Namirimu**  
Associate Director  
Tax  
+256 (0) 312 354400  
plaxeda.namirimu@pwc.com



**Doreen Mugisha**  
Manager  
Clients and Markets Development  
+256 (0) 312 354400  
doreen.mugisha@pwc.com



**Nicholas Kabonge**  
Manager  
Tax  
+256 (0) 312 354400  
nicholas.k.kabonge@pwc.com



**James Mubiru**  
Manager  
Tax  
+256 (0) 312 354400  
james.mubiru@pwc.com



**Rebecca Gwokyalya**  
Senior Associate  
Tax  
+256 (0) 312 354400  
rebecca.gwokyalya@pwc.com

© 2026 PwC. All rights reserved. At PwC, we help clients build trust and reinvent so they can turn complexity into competitive advantage. We're a tech-forward, people-empowered network with more than 364,000 people in 136 countries and 137 territories. Across audit and assurance, tax and legal, deals and consulting, we help clients build, accelerate, and sustain momentum. Find out more at [www.pwc.com](http://www.pwc.com). PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details. (2026-946-68)