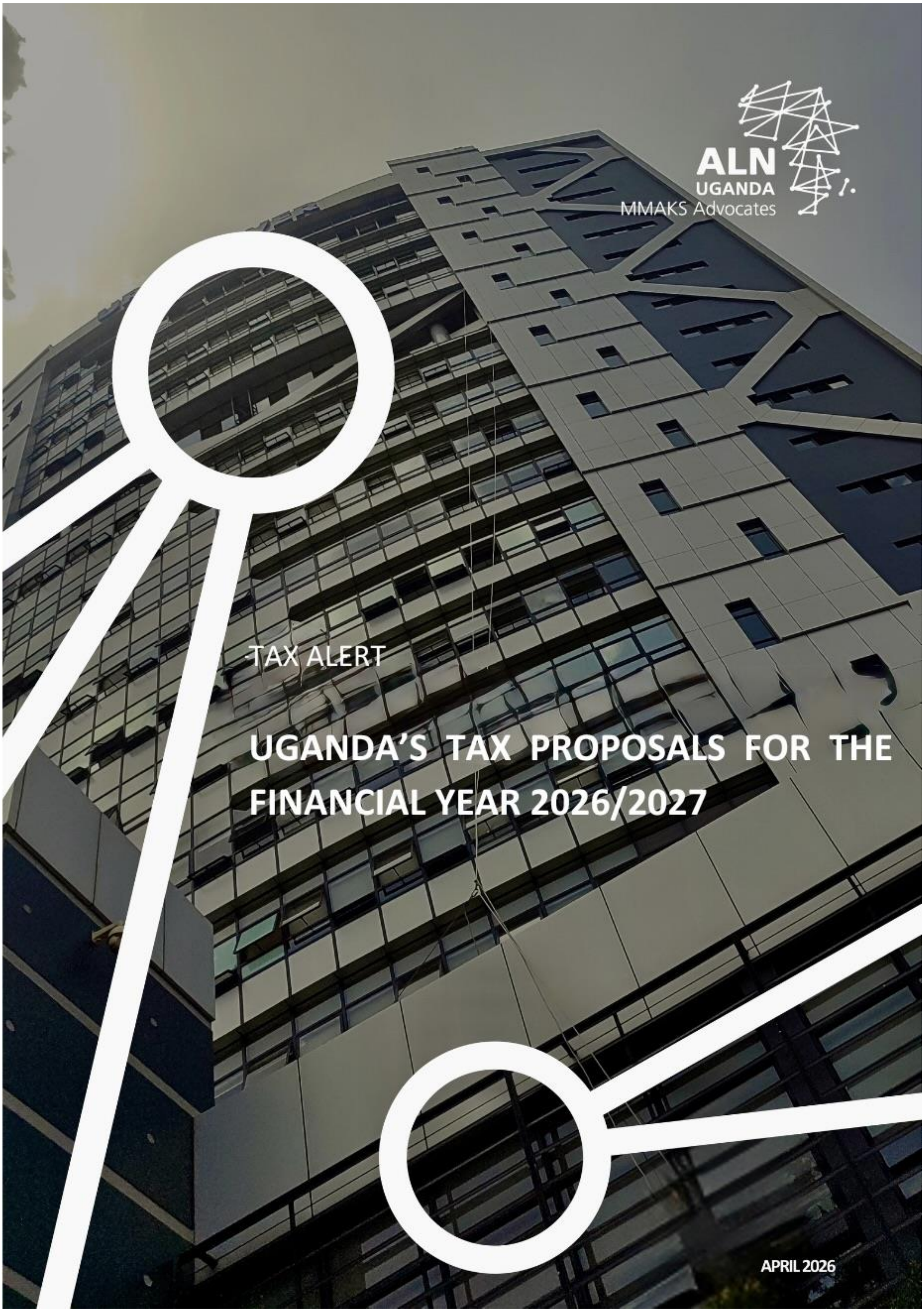

ALN UGANDA
MMAKS Advocates

TAX ALERT

UGANDA'S TAX PROPOSALS FOR THE FINANCIAL YEAR 2026/2027

APRIL 2026

1. Introduction

On 1st April 2026, the proposed tax changes for the financial year 2026/2027 were tabled before the Parliament of Uganda for consideration. If passed into law by the parliament and assented to by the President of Uganda, the tax changes would take effect on 01 July 2026.

This Tax Alert analyses the proposed amendments contained in the Income Tax (Amendment) Bill, 2026; the Value Added Tax (Amendment) Bill, 2026; the Excise Duty (Amendment) Bill, 2026; the Tax Procedures Code (Amendment) Bill, 2026; the Stamp Duty (Amendment) Bill, 2026; the Lotteries and Gaming (Amendment) Bill, 2026; the External Trade (Amendment) Bill, 2026; and the Road Safety (Amendment) Bill, 2026.

The key proposals are set out below.

2. The Value Added Tax (Amendment) Bill, 2026

The Bill proposes to exempt VAT designated persons who pay for taxable supplies from complying with VAT withholding obligations where such persons have been issued with e-invoices and e-receipts. This proposal recognises that the tax risk relating to non-payment or non-detection of VAT which are currently addressed through the VAT withholding obligations stand mitigated or alleviated where e-invoices or e-receipts have been issued by the supplier. The VAT withholding obligations would therefore present an unnecessary tax compliance burden in the circumstances.

The Bill seeks to revise the VAT registration threshold upwards from the annual turnover of Uganda Shillings 150 million to Uganda Shillings 250 million. The small businesses with an annual turnover below the UGX. 250 million will not qualify for VAT registration as well as any related benefits and obligations.

The Bill proposes to allow input VAT credit for VAT payable on selected construction materials, machinery and equipment; civil works and services by an investor developing a hotel or tourism facility, as long as such goods or services occurred not more than 2 years prior to commissioning the hotel or facility. The other conditions are that the investment should be at least USD 10 million for a foreign investor or USD 5 million for a citizen. This proposal serves to reduce construction costs for hotel or tourism facilities because the input VAT credit covering 2 construction years would be creditable or claimable or refundable to the investor.

The Bill proposes to disallow input tax credit in respect of imported software. This serves to restrict recovery of VAT cost incurred on imported software, for VAT accounting purposes.

The VAT Bill also proposes to empower the Minister to prescribe the terms and conditions on payment of VAT including due date for payment of VAT on the inputs of the Mining Sector.

The Bill proposes to incentivize non – VAT registered persons who purchase goods or services from VAT registered persons and are issued e-invoices or e-receipts, by lowering the qualifying value of the purchases, from the current Uganda Shillings 5,000,000 within 30 consecutive days to Uganda Shillings 2,000,000. The incentive is a refund of 5% of the tax paid by the non – VAT registered person.

The VAT Bill also proposes to exempt supplies related to ‘nuclear energy’ from VAT.

Additionally, the Bill includes the Arab Bank for Economic Development in Africa among the “Public international organisations” for VAT purposes.

3. The Tax Procedures Code (Amendment) Bill, 2026

The Bill (TPC Bill) proposes to adjust the penal tax applicable to a person in possession of specific goods on which a tax stamp is not affixed, from double the tax due or UGX. 50

million, whichever is higher downwards to double the tax due or UGX. 2 million, whichever is higher.

The TPC Bill proposes to waive any tax, including penal tax and interest thereon, owed by a taxpayer as at 30th June 2016 and still outstanding as at 1st July 2026. Currently, the law provides for waivers limited to penal tax and interest outstanding as at 30th June 2024 where the related principal tax is paid by 30th June 2026. This will relieve taxpayers of long-outstanding historical tax liabilities.

The Bill also introduces a penal tax for specified taxpayers who fail to use an electronic fiscal device (EFD) or fail to issue an e-invoice or e-receipt, equivalent to double the tax due on the goods or services, or Ugx. 200,000, whichever is higher.

4. The Stamp Duty (Amendment) Bill, 2026

The Bill (SD Bill) proposes to impose an obligation on financial service providers like Banks and Microfinance institutions to file stamp duty monthly returns. In case of default in filing returns, a penalty of 2% simple interest on the duty payable for every month of continuing default would apply.

The SD Bill proposes a 5 year record retention period for documents relating to dutiable transactions.

It is also proposed that stamp duty applicable on transfers be revised upwards from the current 1.5% to 3% of the total value.

The other proposal is for stamp duty on registration or transfer of motor vehicles, tricycle or quadricycle at Ugx. 50,000 and 200,000 for any other motor vehicle.

5. The Income Tax (Amendment) Bill, 2026

The Bill proposes to expand the definition of 'royalties' to include software.

The Bill proposes to classify the income derived from the disposal of a non – business asset under taxable property income.

Relatedly, a withholding tax of 6% on the gross payment made by a purchaser of such a non-business asset has been proposed as an advance payment of income tax on such property income by the purchaser for and on behalf of the seller. Currently, the 6% withholding tax applies on purchases of business assets only.

The Bill proposes to exempt the income of an investor who is a developer of a hotel or tourism facility, who invests at least USD 10 million for a foreign investor or USD 5 million for a citizen investor. This exemption will apply provided that at least 70% of the raw materials are sourced locally and at least 70% of the employees are citizens who collectively earn at least 70% of the total wage bill.

The Bill also extends the income tax exemption for Bujagali Hydropower Project until 30th June 2030.

For income exemption purposes, the 'infrastructure bond' is expanded beyond listed bonds to cover all bonds, and other similar securities used to raise funds for public infrastructure and other social securities, if those bonds have a maturity period of at least 10 years.

The Bill seeks to extend the application of bad debts deduction to microfinance deposit-taking institutions and Tier 4 microfinance institutions, on addition to financial institutions.

For purposes of limiting interest deductions to 30% of Tax EBITDA, the Bill proposes to clarify on the meaning of a 'group' as persons other than an individual with at least 51% common underlying ownership, expressly excluding any dormant member. A dormant member is defined as a person other than an individual that does not carry on business and has no accounting transactions in a year of income. Relatedly, Tax EBITDA has been redefined to exclude brought – forward losses from determining tax EBITDA. Currently, the inclusion of brought forward losses leads to an overstated amount of disallowed interest.

Besides restricting taxation to chargeable income of tax payers, the Bill proposes to introduce a minimum tax on taxpayers with no chargeable income but with carried forward losses for a period of 7 years. The proposed rate is 0.5% on gross income, or the tax ordinarily payable, whichever is higher.

The Bill introduces a 5% withholding tax on the gross amount of interest paid by a resident company in respect of loans raised from outside Uganda premised on either widely issued debentures or in respect of interest paid to a bank or financial institution of a public character.

The Bill proposes to exclude the income attributable to royalties from the application of Digital Services Tax in Uganda. The income attributable to royalties derived by a non resident is instead subjected to a 15% withholding tax on gross basis.

Under the Bill, individuals who are subject to rental income tax may be required to furnish provisional returns on a monthly basis in contrast to the current quarterly basis.

Several withholding taxes have been proposed. Specifically, a 15% withholding tax on winnings from betting or gaming payable by the person making the payout; a 10% final withholding tax on commissions paid for telecommunication retail services, mobile network services, and mobile money services; as well as a 6% withholding tax of 6% on payments to public entertainers.

It has also been clarified that the 10% withholding tax from commissions paid to insurance agents should be treated as a final tax.

The Bill clarifies that the income derived by a resident individual from foreign sources shall be taxed at the same rates applicable to income sourced in Uganda.

The Bill proposes revised individual income tax as demonstrated below:

- Income below Ushs. 4,020,000 is not taxable;
- Income exceeding Ushs. 4,020,000 but not exceeding Ushs. 4,920,000 is taxed at 20% of the amount above Ushs. 4,020,000;
- Income exceeding Ushs. 4,920,000 but not exceeding Ushs. 5,820,000 is taxed at Ushs. 180,000 plus 25% of the amount above Ushs. 4,920,000;
- Income exceeding Ushs. 5,820,000 but not exceeding Ushs. 120,000,000 is taxed at Ushs. 405,000 plus 30% of the amount above Ushs. 5,820,000;
- Income exceeding Ushs. 120,000,000 is taxed at Ushs. 405,000 plus 30% of the amount above Ushs. 5,820,000, with an additional 10% tax applied to the amount exceeding Ushs. 120,000,000.

6. Excise Duty (Amendment) Bill,2026

The Bill proposes to revise the rates of excise duty on certain excisable goods and services, as highlighted in the table below: .

Table 2: Proposed changes in Excise Duty rates

Item	Goods	Duty 2025/2026	Duty 2026/2027
Spirits			
3	c) Any other un-denatured spirits – (ii) that are imported, of alcoholic strength by volume of less than 80%	80% or Ushs.1700 per litre, whichever is higher	80% or Ushs. 3,500 per litre, whichever is higher
Cement			
7	Cement, adhesives, grout, white cement or lime	Ushs. 500 per 50 kgs	Ushs. 1,000 per 50kgs
Fuel			
8	a) Motor spirit (gasoline)	Ushs. 1550 per litre	Ushs 1750 per litre
	b) Gas oil (automotive, light, amber for high speed engines)	Ushs. 1230 per litre	Ushs 1430 per litre
Sugar			
9	Cane or beet sugar and chemically pure sucrose in solid form	Ushs 100 per kg	Ushs 300 per kg
Plastics			
11	(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, whihever is higher	25 % or USD 1,500 per tonne, whichever is higher
Cooking oil			
18	Cooking oil	Ushs. 200 per litre	Ushs 400 per litre
Paints, varnishes and lacquers			
28	(a) locally manufactured or produced paints, varnishes and lacquers;	N/A	3% or Ushs 50 per litre or per kg, whichever is higher
	(b) imported paints, varnishes and lacquers.	N/A	10% or Ushs 2000 per litre or per kg, whichever is higher
Cooking fat			
29	Cooking fat	N/A	Ushs 500 per litre or kg

7. Traffic and Road safety (Amendment) Bill, 2026

This bill proposes to prohibit the importation of motor vehicles that are more than thirteen years old from the year of manufacture and to revise the environment levy applicable on imported motor vehicles.

The key changes are demonstrated in the table below:

Table 3: Proposed changes in Environment Levies

Item	Motor vehicle	Fees (Ushs) 2025/2026	Fees (Ushs) 2026/2027
	Spirits		
(b)	A motor vehicle which is – (i) nine years old from the year of manufacture; excluding goods vehicles;	50% of the CIF value	20% of the CIF value
	(ii) ten years old from the year of manufacture; excluding goods vehicles;	50% of the CIF value	30% of the CIF value
	(iii) eleven years old from the year of manufacture; excluding goods vehicles;	50% of the CIF value	40% of the CIF value
	(iv) twelve years old from the year of manufacture; excluding goods vehicles; and	50% of the CIF value	50% of the CIF value

8. The External Trade (Amendment) Bill, 2026

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

The Bill further proposes to introduce an environmental levy on worn clothing and other worn articles at the rate of 30% of the CIF value.

9. The Lotteries and Gaming (Amendment) Bill, 2026

The Bill seeks to harmonise the gaming tax rate applicable to both both betting and gaming activities to 30%. Currently, different rates apply with with payouts (winnings) from betting taxed at 20% and payouts from gaming taxed at 30%. A definition of "pay outs" has also been proposed, for gaming or betting tax purposes.

10. Conclusion

The proposed tax changes if passed in to law take effect on 01 July 2026. Taxpayers ought to remain updated on which changes will affect their affairs to ensure timely compliance and avoid unnecessary penalties arising from non – compliance with any of these tax changes.

This Alert is for information purposes only. The MMAKS Tax Team is available should you require any further discussion on the proposed tax measures.

Edward Balaba
Partner, Tax
balaba@ug.aln.africa

Dalton Kisuule
Legal Trainee, Tax
kisuule@ug.aln.africa