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LEGAL ALERT

Analysis of the Tax Changes Introduced by the Finance Act, 2025

September 2025

Introduction

The Uganda Gazette of 04th July 2025 published new fiscal and Tax laws including the Income Tax (Amendment) (No. 2) Act, 2025; the Value Added Tax (Amendment) Act, 2025; the Excise Duty (Amendment) Act, 2025; the Stamp Duty (Amendment) Act, 2025; the Tax Procedures Code (Amendment) Act, 2025; the External Trade (Amendment) Act, 2025; and the Hides and Skins (Export Duty) (Amendment) Act, 2025. These laws contain tax changes which took effect on 1 July 2025 (save for use of National Identification Numbers as Tax Identification Numbers).

This alert updates our earlier publication dated 8 April 2025 which outlined the tax proposals presented before Parliament for consideration. It highlights the key proposals that have been successfully enacted into law.

1. The Income Tax (Amendment) (No.2) Act, 2025 and The Income Tax (Amendment) (No.1) Act, 2025

Tax Exemption for Bujagali Power Project:

The exemption from tax for the income of Bujagali hydro power project stands extended to 30th June 2026. The exemption period for this was project also includes the year ending 30th June 2025 as introduced by the Income Tax (Amendment) (No.1) Act, 2025.

Tax Exemption for Start-Up Businesses

An exemption from tax for income derived from a business established by a citizen after 1 July 2025, for a period of three (3) years where the business fits the following criteria.

a. Where the business is registered with an investment capital not exceeding UGX. 500 million);
b. Where the citizen or their affiliate has not previously benefited from the exemption; and
c. The citizen files a tax return including a business information return under Section 147 of the Income Tax Act, Cap. 338

Adjustment to the Definition of Reorganisation for "Roll-Over Relief" Purposes

The meaning of a reorganisation is expanded to include a transaction in which any person transfers their assets to another person, other than an individual controlled by the transferor or the shareholders following which the stock of the transferee is distributed.

Previously, this segment of the definition was narrower and only covered transfers made by companies. The effect is that transfers of assets by any other persons, not being companies, which meet the prescribed conditions would also be considered as a reorganisation for roll over relief from capital gains tax purposes.

Non-Resident Digital Services Providers Dealing with their Associates

The 5% digital services tax (DST) applies to foreign suppliers of digital services (as defined). However, effective 1 July 2025, DST shall not apply where the digital services are provided by a non – resident digital service provider to its associate in Uganda. Instead, in such cases, the general 15% withholding tax applicable to gross payments for royalties or 'Uganda – sourced' service payments to a non – resident person is applicable where digital services are supplied to associates in Uganda.

2. THE TAX PROCEDURES CODE (AMENDMENT) ACT, 2025

Tax Identification Numbers

At a future date to be appointed by the responsible Minister, the existing Tax Identification Number (TIN) system is to be replaced with the National Identification Number (NIN) for individual taxpayers or with registration numbers of non - individual taxpayers, as follows;

a) For individuals, the National Identification Number (NIN) issued by the National Identification Registration Authority shall serve as the TIN
b) For non – individuals, the registration number issued by Uganda Registration Services Bureau shall serve as the TIN; and
c) For persons subject to exchange of information protocols, the TIN issued by a foreign tax authority with which Uganda has a tax treaty or agreement for the exchange of information, shall serve as the TIN.

Additionally, the issuance of any business licences or registration for stamp duty payment purposes where the person does not have any of the prescribed forms of tax identification numbers has been prohibited.

The use of National Identification Numbers and Business registration Numbers as unique identifiers for tax purposes will promote coherence and consistency in registering and tracking taxpayers and their affairs.

Waiver of Interest and Penalty on Payment of Principal Tax

Any interest and penalty outstanding as at 30 June 2024 will be waived, where the taxpayer pays the outstanding principal tax by 30 June 2026. Where only part of the principal tax is paid, the waiver of interest is on a pro – rata basis.

This tax amnesty will reduce the tax burden for taxpayers with outstanding tax obligations as only principal tax will be payable.

The Gaming and Betting Centralised Payments Gateway system

The introduction of a gaming and betting centralised payments gateway system duly licensed by the Bank of Uganda, and to be linked with the Uganda Revenue Authority electronic notice system. The operator of a casino, gaming or betting activity shall only receive a wager or money staked and only make payouts through the gaming and betting centralised payments gateway system. Non-compliance with this requirement shall result into a penal tax equivalent to double the gaming or withholding tax due or UGX 110 million (approx. USD. 30,137), whichever is higher.

Continuous Compliance with Tax – Exemption Requirements

A taxpayer who enjoys a tax exemption should continually meet the conditions imposed for such exemption. In case of failure to comply with this rule, the taxpayer will be personally liable to pay the taxes not paid during the exemption period.

3. THE STAMP DUTY (AMENDMENT) ACT, 2025

The stamp duty payable on agreements or memorandum of agreement has been revised from UGX 15,000 to NIL.

The stamp duty payable on mortgage deeds has been revised from 0.5% to NIL; stamp duty on mortgage – related additional security from UGX. 15,000 to NIL; and stamp duty on mortgage of a crop from UGX 15,000 to NIL.

4. THE VALUE ADDED TAX (AMENDMENT) ACT, 2025

Notably, the earlier proposal to widen the powers of the Commissioner to deal with tax avoidance schemes for VAT purposes to include disregarding a scheme and adjusting a transaction where an importer imports goods under separate consignments, which if aggregated would qualify the importer to be registered for VAT was dropped by the final Act.

An adjustment to the VAT exemption regime for the solar energy sector to cover the supply of deep-cycle batteries, solar lanterns and raw materials for the manufacture of deep cycle batteries and solar lanterns. However, the supply of composite lanterns is excluded from the list of exempt supplies and therefore subject to VAT at 18%.

The other item included under the exempt supplies is the supply of biomass pellets.

A supply of aircraft has been included under the zero-rated supplies for VAT purposes.

5. THE EXTERNAL TRADE (AMENDMENT) ACT, 2025

Infrastructure levy and Import Declaration Fee (IDF)
Though applicable to imported goods since July 2017, the Act clarifies on the application of the infrastructure levy of 1.5% of the customs value of the goods imported.

On addition, a new Import Declaration Fee (IDF) of 1% of the customs value has also been introduced and this will increase the customs paid on goods imported and declared for home use in Uganda.

Both the infrastructure levy and IDF apply on goods intended for home use and shall be paid by the importer at the time of entering the goods into the country for home use. But the levy and IDF do not apply to goods and products under the Fifth schedule of the EAC Customs Management Act, 2004; plant and machinery prescribed under chapters 84 and 85 of the East African Community Common External Trade harmonised commodity description and coding system; and goods under a special operating framework with the Government of Uganda specified in the approved measures on import duty rates in the East African Community Common External Tariff (EAC CET).

6. HIDES AND SKINS (EXPORT DUTY) (AMENDMENT) ACT, 2025

The pre – existing exceptions from export duty on processed hides and skin have been removed and as such, all hides and skins exported out of Uganda shall be subject to a levy of USD 0.80 per kg.

7. EXCISE DUTY (AMENDMENT) (NO.2) ACT, 2025 AND EXCISE DUTY (AMENDMENT) (NO.1) ACT, 2025

A taxpayer dealing in excisable goods has an option to apply to the Commissioner for remission of any excise duty paid on damaged or expired or obsolete goods.

The initial tax proposal to increase the excise duty on gasoline and gas oil was dropped and is not part of the tax changes.

However, excise duty rates on selected goods have been adjusted as highlighted below:

	Goods	Duty 2024/2025	Duty 2025/2026
Cigarettes (Soft Cap)			
i)	Locally manufactured	UGX 55,000 per 1,000 sticks	UGX 65,000 per 1,000 sticks
ii)	Imported	UGX 75,000 per 1,000 sticks	UGX 150,000 per 1,000 sticks
Cigarettes (Hinge Lid)			
i)	Locally manufactured	UGX 80,000 per 1,000 sticks	UGX 90,000 per 1,000 sticks
ii)	Imported	UGX 100,000 per 1,000 sticks	UGX 200,000 per 1,000 sticks
Beer			
i)	Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent.	30% or UGX 650 per litre, whichever is higher	30% or UGX 900 per litre, whichever is higher
ii)	Beer produced from barley grown and malted in Uganda	30% or UGX 950 per litre, whichever is higher	Repealed
Spirits			
	Un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials *(change underlined)*	60% or UGX 1500 per litre, whichever is higher.	60% or UGX 1500 per litre, whichever is higher.
	Other un-denatured spirits - Locally produced, of alcoholic strength by nature of less than 80%.	80% or UGX 1700 per litre, whichever is higher.	60% or UGX 1700 per litre, whichever is higher.
Non-alcoholic beverages			
i)	Fruit juice and vegetable juice, except juice made from at least 50% of pulp from fruit and vegetables locally grown in Partner State	12% or UGX 250 per litre, whichever is higher	10% or UGX 250 per litre, whichever is higher

Contact Us

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