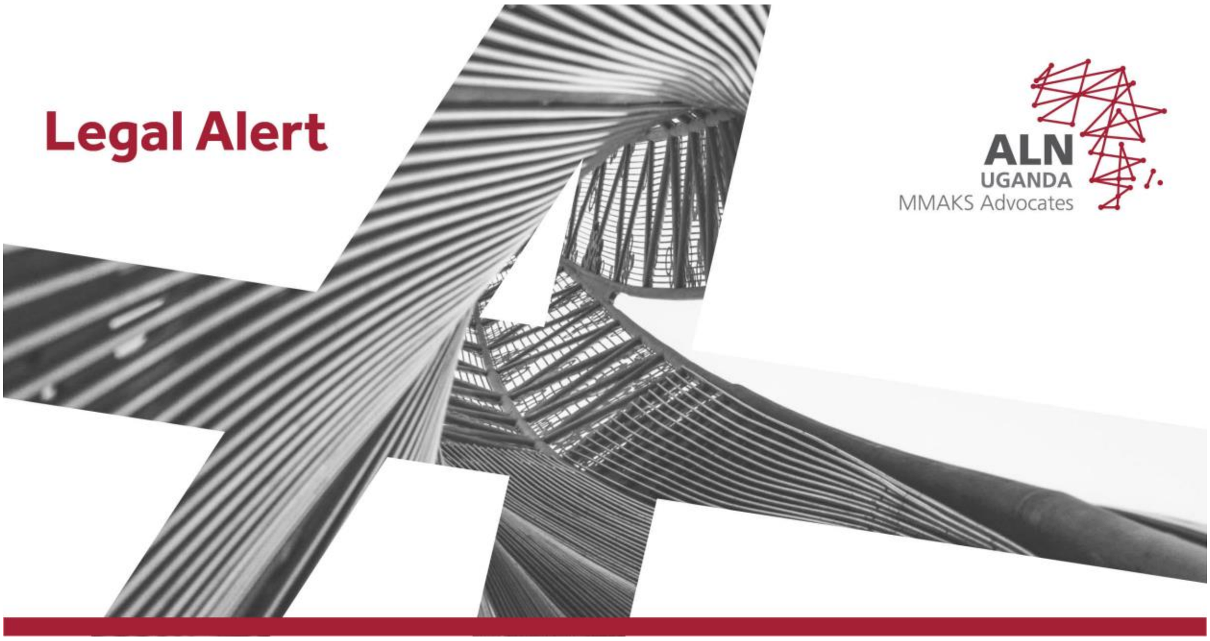


Tax Alert on Uganda's Tax Proposals for the fiscal year 2025/2026:

On 27th March 2024, the Minister of Finance, Planning and Economic Development tabled before the Parliament of Uganda the 2025 Tax Amendment Bills for deliberation and consideration. The Tax Bills, if passed into law by Parliament and assented to by the President of Uganda will become law with effect from July 2025 (except the tax proposal on Tax Identification Numbers – TINs).

This Alert highlights key proposals contained in the Income Tax (Amendment) (No.2) Bill 2025, the Tax Procedures Code (Amendment) Bill 2025, the Stamp Duty (Amendment) Bill 2025, the Value Added Tax (Amendment) Bill 2025, the Excise Duty (Amendment) Bill 2025 and the External Trade (Amendment) Bill, 2025.

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

Income Tax Income Tax exemption for Start-Up businesses

This Bill seeks to introduce an income tax exemption for businesses established by citizens. Any business income of the qualifying businesses will not be subjected to income tax for a three-year period. Notably, a citizen for income tax purposes includes individuals who are citizens in any of East African Community (EAC) partner state and entities incorporated within EAC, with at least 51% shares held by an EAC citizen.

The criteria to be satisfied in order to qualify for the income tax exemption, is as follows:

a. The business is registered with an investment capital not exceeding Ug. Shs. 500,000,000 (Uganda Shillings Five Hundred Million);
b. 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.

This exemption for qualifying businesses from income tax will serve to promote local enterprise and spur business growth because monies that would have gone towards tax payments could be ploughed back as further investment into the business.

Definition of a "reorganisation" for "Roll – over Relief" purposes:

The Bill seeks to expand part of the definition of a 'reorganisation' to specifically cover a transaction in which any person transfers their assets to another person (not being an individual) after which the stock of the transferee is distributed. The current definition in this respect is limited and only caters for a transfer of assets between one company to another company.

The implication of this proposal is that a transfer made by 'any person' including individuals to corporate entities which meet the specified conditions will amount to a reorganization for roll – over relief purposes.

Non-resident digital services providers dealing with their Associates.

The Bill proposes that the existing 5% digital services tax (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 will apply. The definition of an associate under the income tax laws commonly applied to determine a related party for transfer pricing purposes will be applied under this new tax measure.

2. The Tax Procedures Code (Amendment) Bill, 2025.

Tax Identification Number (TIN):

The Bill seeks to replace the existing Tax Identification Number (TIN) system – with the National Identification Number (NIN) for individual tax payers or registration numbers of non - individual tax payers, as follows; .

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

Additionally, the Bill proposes to prohibit the issuance of any business licences and authorisations or registration for stamp duty payment purposes where the person does not have any of the prescribed forms of tax identification numbers.

The implication of this proposal is to streamline tax identification of taxpayers to align with other existing legal identification numbers. The use of National Identification Numbers and Business registration Numbers as unique identifiers for tax purposes will promote coherence and consistency in tracking taxpayers, and their tax affairs including income, properties, among others. However, in setting out to replace the long - established TIN system, this proposal will require sufficient time to sensitise taxpayers and to have it fully implemented. The Bill has therefore proposed that this tax change will only take effect on a date appointed by the Minister, and not July 2025 as is the case for other tax proposals. The Minister is also required to issue regulations to prescribe procedures and requirements regarding issuing registration numbers to non – individuals.

The Gaming and Betting Centralised Payments Gateway system

The Bill seeks to introduce a gaming and betting centralised payments gateway system duly licensed by the Bank of Uganda, to be integrated with the Uganda Revenue Authority electronic notice system. It will be required that an operator of a casino, gaming or betting activity shall only receive a wager or money staked and only make payouts through the proposed gaming and betting centralised payments gateway system. Any failure to comply will lead to a penalty of double the gaming or withholding tax due or Ug. Shs. 110,000,000 (Uganda Shillings One Hundred Million) (circa USD. 30,137), whichever is higher.

This proposal intends to attain tax transparency by the gaming and betting sector - players through real-time disclosure of monies staked and monies paid out by the Uganda Revenue Authority and hence address any tax non – compliance within the sector.

3. The Stamp Duty (Amendment) Bill, 2025

The Bill seeks to replace the existing stamp duty of Ugx. 15,000 with a nil duty for agreements or memorandum of an agreement. The mortgage deeds too will be subjected to nil duty. In recent times, the enforcement of stamp duty on agreements executed has shown confusion and uncertainties arising from this law. For example, does the stamp duty of Ugx. 15,000 apply to cash sales, e – contracts, revoked agreements, unenforceable agreements, among others.

The Bill also proposes to introduce a nil stamp duty on mortgage deeds in place of stamp duty at 0.5% for mortgage deeds or Ugshs. 15,000 for additional security given. The costs of borrowing will be reduced by this change to nil duty on mortgage deeds.

4. The Value Added Tax (Amendment) Bill, 2025

The powers of the Commissioner to deal with tax avoidance schemes for VAT purposes are proposed to be widened to include disregarding the scheme and adjusting a transaction where the importer imports goods under separate consignments, which if aggregated would qualify the importer to be registered for VAT.

Other key changes include adjustments 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 but exclude composite lanterns from the list of exempt supplies.

The Bill seeks to include to the list of exempt supplies the supply of biomass pellets.

The Bill also proposes to include the supply of aircraft among the Zero-rated supplies.

5. The External Trade (Amendment) Bill, 2025:

Infrastructure levy and Import Declaration fee (IDF)

Though initially imposed in 2014 to apply to all imports into the East African Community (EAC) partner states, the Bill seeks to domesticate and provide exceptions to the infrastructure levy of 1.5% of the customs value of the goods imported.

Also, proposed is the introduction of an Import Declaration Fee of 1% of the customs value.

The Bill clarifies that the infrastructure levy and import declaration fee 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.

However, both the infrastructure levy and import declaration fee shall 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).

The implication of this tax proposal, if passed into law, is to provide exceptional cases to which the infrastructural levy at 1.5% and import declaration fee at 1% will not apply, with effect from July 2025.

Export levy on wheat bran, cotton cake and maize bran

A new export levy at the rate of USD 10 per metric tonne is proposed to be imposed on the export of wheat bran, cotton cake and maize bran; to be payable to URA at the time point when these goods are consigned out of Uganda.

6. Excise Duty (Amendment) Bill, 2025:

The Bill seeks to introduce a provision for making an application to the Commissioner for remission of any excise duty paid on damaged on expire or obsolete goods.

The Bill proposes further amendments to the Excise duties on specific goods highlighted below:

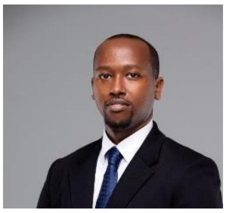
	Goods	Duty 2024 / 2025	Proposed Duty 2025/2026
Cigarettes (Soft Cap)			
i)	Locally manufactured	Ug. Shs. 55,000 per 1,000 sticks	Ug. Shs. 65,000 per 1,000 sticks
ii)	Imported	Ug. Shs. 75,000 per 1,000 sticks	Ug. Shs. 150,000 per 1,000 sticks
Cigarettes (Hinge Lid)			
i)	Locally manufactured	Ug. Shs. 80,000 per 1,000 sticks	Ug. Shs. 90,000 per 1,000 sticks
ii)	Imported	Ug. Shs. 100,000 per 1,000 sticks	Ug. Shs. 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 Ug. Shs. 650 per litre, whichever is higher	30% or Ug. Shs. 900 per litre, whichever is higher
ii)	Beer produced from barley grown and malted in Uganda	30% or Ug. Shs. 950 per litre, whichever is higher	Repealed
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	10% or Ug. Shs. 250 per litre, whichever is higher.	N.B - Duty maintained but qualifying percentage of locally grown pulp changed from at least 30% to at least 50% to qualify.
Fuel			

i)	Motor spirit (gasoline)	Ug. Shs. 1,550 per litre	Ug. Shs. 1,650 per litre
ii)	Gas oil (automotive, light, amber for high-speed engine)	Ug. Shs. 1,230 per litre	Ug. Shs. 1,380 per litre
Plastics			
i)	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 ton, whichever is higher	N.B – Duty maintained but the affected plastics limited to those specified and not all plastics and plastic granules.

Conclusion:

The tax proposals presented by the Ministry of Finance will undergo the necessary public consultation processes and review by the Parliamentary Committee on Finance before being debated and passed into law by Parliament. Any clarity and reconsiderations required should be made by Parliament to ensure that the tax laws passed will serve their intended purpose.

Edward Balaba
Partner
balaba@ug.aln.africa



Edgar E. Mugarura
Associate
mugarura@ug.aln.africa