Tax (Amendment) Bills, 2025

A KPMG analysis

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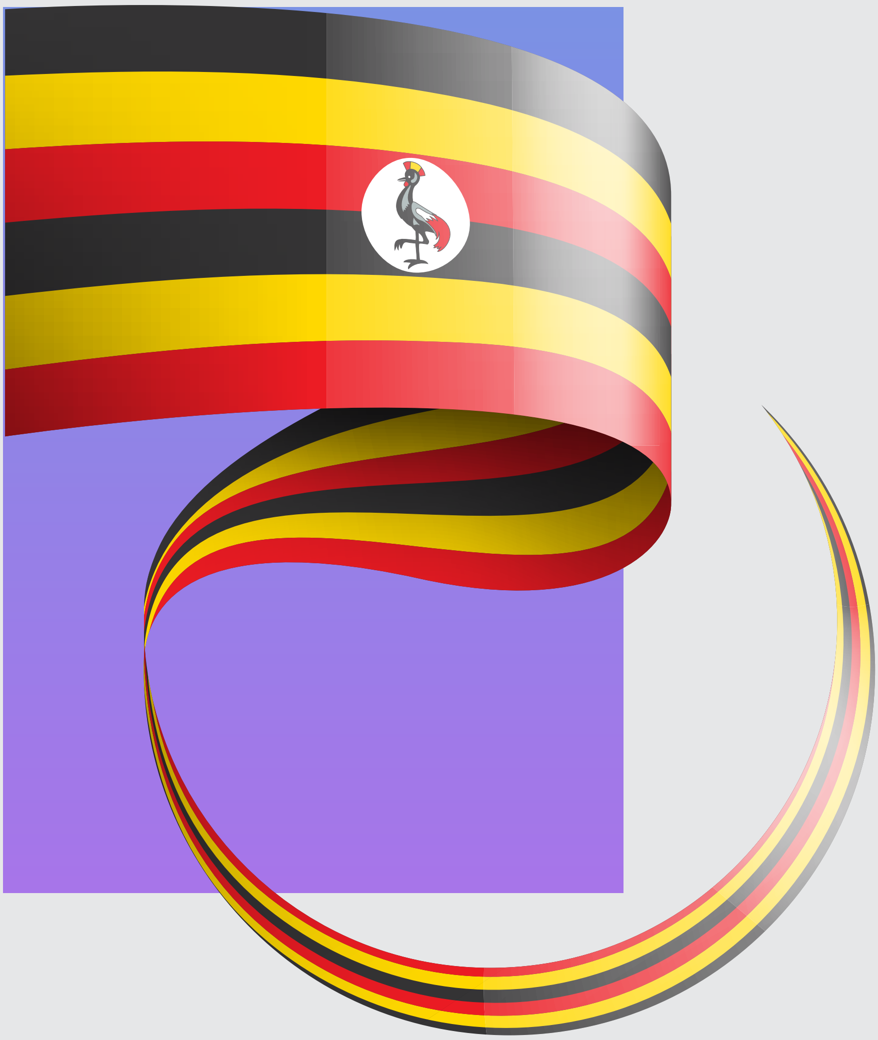


Introduction

The proposed tax amendments for the year 2025/2026 affect the Income Tax Act (Cap 338), Value Added Tax Act (Cap 344), Excise Duty Act (Cap 336), Stamp Duty Act (Cap 339 and External Trade Act (Cap. 69)

The proposed amendments will come into effect on 01 July 2025 if the President of Uganda assents to them in their current form. We highlight the proposals that have been tabled on the various tax laws as below.

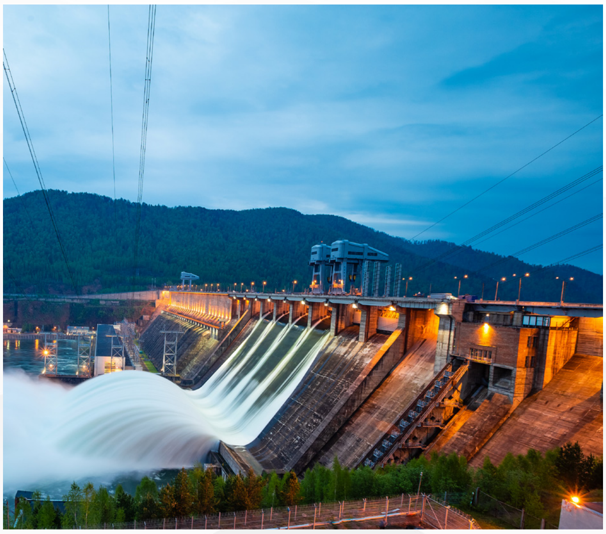
Income Tax (Amendment) Bill 2025

Extension of the tax exemption of Bujagali hydro power project up to 30th June 2032

The amendment proposes to extend the tax exemption of Bujagali hydro power to 30th June 2032. Currently, the exemption of Bujagali hydro power plant runs up to 30th June 2024.

Upon passing this amendment, Bujagali hydro power plant will be exempted from income tax until 30th June 2032 giving it 7 more years of tax relief.

This amendment is intended to keep the electricity tariffs within an affordable range.



Start-up businesses established by a citizen exempted from tax for three years

This proposal seeks to introduce a three-year income tax exemption for new businesses established by citizens after July 1, 2025.

To qualify for this income tax exemption;

- The business must be registered with investment capital not exceeding five hundred million shillings (UGX 500m),
- The citizen or their associate must not have previously benefited from this exemption; and
- The citizen must file a tax return with required business information referred to in Section 147 of the Principal Act.

This proposal is aimed at encouraging entrepreneurship, support of small and medium enterprises, encourage formalisation of business operations and stimulate innovation.

Inserting immediately after the words "agricultural use" the word "or" in Section 21 (ae) (vii)

This amendment seeks to adjust Section 21 (ae) (vii) of the principal Act by inserting immediately after the words "agricultural use" the word "or".

Currently, the section reads "manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers."

Upon amendment, the Section would read as follows "manufactures chemicals for agricultural use or industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers."

This amendment is meant to clarify that the exemption applies only to chemicals intended for agricultural or industrial use.

Expansion of the definition of Reorganization.

This amendment seeks to widen the definition of the term reorganization to include “a transaction in which a 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”.

Currently, the Principal Act defines reorganization to mean “a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed”.

The current definition limits reorganizations to transfers between companies where the transferee is controlled by the transferor or its shareholders.

The proposed amendment widens this scope by allowing transfers to any 'person' (excluding individuals controlled by the transferor or shareholders), thereby encompassing a wider range of potential restructuring transactions.

This may now include transactions where individuals transfer assets to companies that they control.

Exclusions from Digital Service Tax and imposition of Withholding Tax at 15%

The Bill seeks to exclude the applicability of digital services tax on a non-resident person deriving income from providing digital services in Uganda to an associate in Uganda.

Instead, the proposal seeks to impose withholding tax at 15% on income of a non-resident person derived from providing digital services in Uganda to an associate in Uganda.

Currently, income of such a non-resident person has been subjected to withholding tax at 5%.

This implies that non-resident persons providing digital services to Associates in Uganda will be subject to withholding tax at a rate of 15% instead of Digital Services Tax at a rate of 5%.

Exemption of income earned by International Atomic Energy Agency (IAEA)

The Bill proposes to add International Atomic Energy Agency (IAEA)” on the list of organisations whose income is exempted from tax under the Second Schedule 2 of the Principal Act.

Value Added Tax (Amendment) Bill

Anti -fragmentation rule for imported goods declared as separate consignments

The Bill seeks to introduce a provision giving power to the Commissioner General to recharacterize separate consignments as an aggregate consignment in determining the VAT liability.

This implies that if the aggregate value of imported goods under separate consignments would qualify the importer to be registered under the VAT Act (that is exceeding 150 million shillings), the importer would be required to register for VAT if not already registered.

Currently, where an importer imports goods under separate consignments, the importer is not required to register for VAT if each consignment does not meet the VAT registration threshold.

The purpose of the proposed amendment is to guard against importers who import goods in separate consignments with a view of avoiding VAT registration.

Inclusion of the United Nations related Agencies and specialised Agencies in Schedule 2 to the VAT Act Cap 344.

The Bill seeks to amend the Second Schedule to the Principal Act by including the United Nations related Agencies and specialised Agencies and substituting International Atomic Agency (IAA) with International Atomic Energy Agency (IAEA) as Public International Organisations.

Where the proposed amendment is passed into law, there will be an expansion of the listed organisations for VAT purposes including all United Nations related Agencies, and specialised Agencies that will be exempt from VAT and will be able to claim a refund in respect of tax paid or borne by them relating to transactions concluded for their official purposes.

Substitution, exclusion and inclusion of certain goods and services as Exempt Supplies.

The Bill seeks to amend exempt supplies in the Third Schedule to the VAT Act as follows:

- To exempt the supply of deep cycle batteries, solar lanterns and raw materials for the manufacture of deep cycle batteries and solar lanterns.

▪ Currently, the law exempts deep cycle batteries, composite lanterns, and raw materials for the manufacture of deep cycle batteries and composite lanterns.

▪ The proposed amendment therefore is substituting the words “composite” with “solar”. This is to give more clarity that it is the solar lanterns and the raw materials for their manufacture that are exempt from VAT in a bid to promote use of renewable energy.

- To exempt the supply of wet processing operations and garmenting, cotton lint, artificial fibres for blending, polyester staple fibre, viscose rayon fibre, yarn, other than cotton yarn, textile dyes and chemicals, garment accessories, textile machinery spare parts, industrial consumables for textile production, textile manufacturing machinery and equipment.

▪ This proposal is to rectify the mistake made by the drafters of the provision in 2018 who missed some commas leading to differences in meaning and interpretation of that provision. It currently reads ‘………………………, viscose rayon fibre yarn other than cotton yarn,……..”

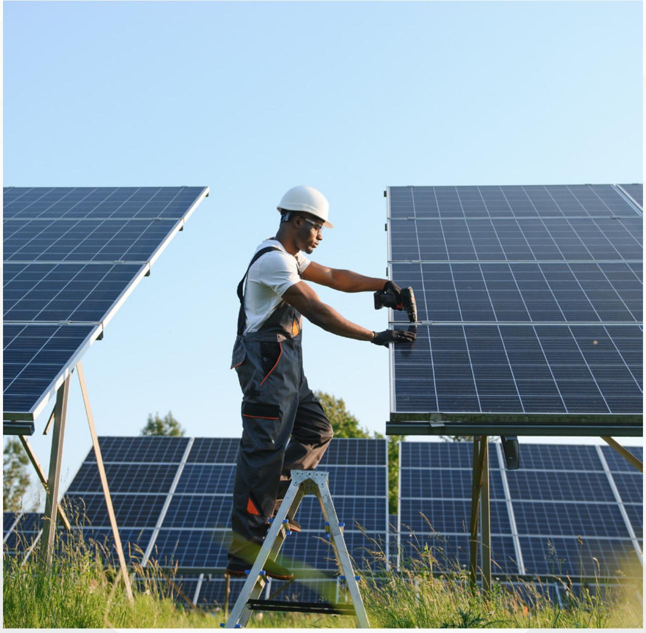
▪ This provision is to clarify that textile producers and garment manufacturers are entitled to VAT exemption on those highlighted materials or items used in their processing to promote the textile industry.

- To repeal the VAT exemption on the supply of billets for further value addition in Uganda.

▪ The proposed amendment is meant to bring fairness to local producers of billets who may not have been able to claim VAT on inputs if they are to supply billets without further value addition. The exemption was in effect encouraging billet imports which could undermine industrialisation in Uganda.

- To exempt biomass pellets .

The proposed amendment is to make biomass pellets cheaper and thus encourage their production which would lead to use of more renewable energy and preserve the environment.

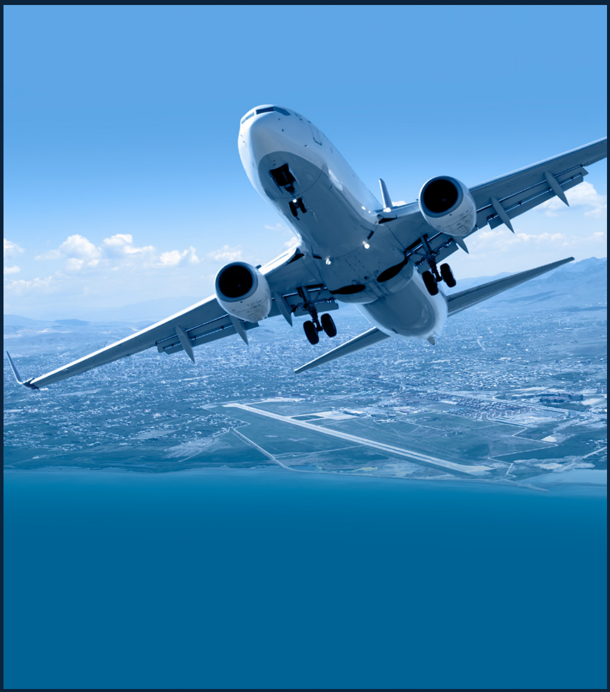


Inclusion of the supply of aircraft as a zero-rated supply

The Bill seeks to include the supply of aircraft as a zero-rated supply in the Fourth Schedule to the VAT Act.

The proposed amendment is meant to incentivise the supply of aircraft since it will be subject to a VAT rate of 0%. A supplier of zero-rated supplies is entitled to a claim for input tax incurred in the supply of the zero-rated supplies.

Currently, the VAT Act applies the zero rate on the leasing of aircraft. Therefore, this amendment seeks to also zero rate the supply of aircraft to encourage investment in outright purchase of aircrafts.



Tax procedures code (amendment) Bill, 2025

Tax Identification Number (TIN) - Section 4

The Bill proposes that the following shall be used as tax identification numbers –

- National identification numbers (NIN's) issued by the National Identification Registration Authority (NIRA), in case of an individual;
- Business Registration Numbers (BRN's) issued by the Uganda Registration Services Bureau (URSB), in case of a person who is non-individual; and
- A tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.

This amendment is aimed at widening the tax base through enabling an interlink between the NIRA and URSB information / database with the e-Tax system.

The Bill proposes that URSB shall establish and maintain a centralized register of all non-individuals registered, incorporated, or carrying on business in Uganda.

The amendment further proposes for taxpayers to state their national identification numbers or business registration numbers, or TINs issued by a foreign tax authority with whom Uganda has a treaty or agreement for the exchange of information on any return, notice, communication or other document furnished, lodged or used for tax purposes.

The Bill directs all local authorities, Government institutions and regulatory bodies not to issue any license or any form of authorization necessary for purposes of conducting business to any individual or company without a NIN or BRN.

The Bill further directs all local authorities, Government Institutions and Regulatory bodies not to register any instrument required to pay stamp duty under the Stamp Duty Act unless the person lodging the instrument for registration has a NIN for an individual and a BRN for a non – individual or a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty for exchange of information.

The Minister shall by regulation prescribe the procedure and requirements for registering and issuing registration numbers to non -individuals. So, we await those regulations.

Waiver of interest and penalty on principal outstanding as at 30 June 2024 - Section 47B inserted

The Bill proposes a waiver of any interest and penalty outstanding as at 30 June 2024, where the taxpayer pays the principal tax by 30 June 2026.

Where the taxpayer pays part of the principal tax outstanding as at 30 June 2024, by 30 June 2026; the waiver of interest and penalty shall be on a pro-rata basis.

The provision is meant to incentivize taxpayers to pay principal tax due by 30 June 2024, by 30 June 2026 and to encourage taxpayers to clean up their tax ledgers, take advantage of the interest and penalty waiver if any liabilities arise after the ledger reconciliation with URA.

Penal Tax relating to electronic receipting and invoicing -amendment to section 93

The Bill proposes to revise penalties for non-compliance with the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) to "double the tax due on goods and services".

The current law prescribed penalties of "the tax due on the goods or services in question"; or "Shs. 8,000,000 if one did not use an electronic fiscal device machine" or "Shs 6,000,000 if one did not issue an e-invoice or e-receipt for goods or services, or tampered with an electronic fiscal device" ; which ever was higher.

Gaming and betting centralised payments gateway system -insertion of sections 93A

Operators of casinos, gaming or betting activities shall only receive a wager or money staked and only make payouts through the gaming and betting centralised system licensed by the Bank of Uganda which shall be linked to the Uganda Revenue Authority electronic notice system.

This tax proposal is aimed at obtaining real time information on gaming and betting activities for better monitoring by Uganda Revenue Authority. This is expected to widen the tax base and enhance regulation of the activities of operators of casinos, gaming and betting through the gaming and betting centralised system licensed by the Bank of Uganda and linked to the Uganda Revenue Authority electronic system.

Penal tax relating to gaming and betting centralised payments gateway system -Section 93B

Operators of casinos, gaming or betting activities who do not use the gaming and betting centralised payments gateway system shall be liable to pay a penal tax equivalent to double the gaming or withholding tax due or five thousand five hundred currency points (Ushs.110 million) whichever is higher.

The proposed penal provision is meant to prohibit and deter operators of casinos, gaming or betting actives from transacting outside the gaming and betting centralised payment gateway system.

Failure to comply with requirements for tax exemption - Section 93C

A taxpayer exempted from tax shall always maintain the requirements for granting the exemption under the law.

A taxpayer who fails to comply with the above proposal shall be liable to pay the tax due for the period for which the taxpayer fails to maintain the requirements required for the taxpayer to be granted an exemption under the tax law.

The Bill further proposes that the tax due shall be personally paid by the taxpayer who fails to maintain the exemption requirements.

This proposal is meant to ensure that taxpayers with exemptions always maintain all the exemption requirements during the exemption period.

Excise duty (Amendment) Bill, 2025

The Bill proposes to amend Schedule 2 of the Excise Duty Act, Cap 336 to provide for the remission of excise duty paid on damaged, expired, or obsolete goods; to revise the rate of excise duty on certain excisable goods and services under Schedule 2 to the Act and for related matters.

Remission of duty paid on ex-factory goods

A person liable to pay excise duty may apply to the Commissioner for the remission of any excise duty paid on damaged, expired, or obsolete goods.

This proposal is aimed at giving taxpayers an opportunity to recover excise duty that has been paid on damaged, expired or obsolete goods.

Currently, the Principal Act provides for duty remission only on disposal of goods.

The Bill seeks to extend the duty remission to cover damaged, expired or obsolete goods.

The Bill also proposes that an application for duty remission paid on ex-factory price goods must be accompanied by:

- Proof that duty was paid on damaged, expired, or obsolete goods where applicable;
- The goods delivery documentation;
- A report indicating the extent, and the cause of the damage issued by a competent authority, in the case of damaged goods; and
- Any other document as the Minister may determine by regulations.

The Bill further proposes that where the Commissioner is satisfied that excise duty was paid on damaged, expired or obsolete goods. The Commissioner shall-

- Apply the excise duty paid to reduce any other duty due from the person liable to pay excise duty; or
- At the written application by the person liable to pay excise duty, apply the excise duty paid to reduce any other outstanding tax liability of the person liable to pay excise duty if the outstanding tax liability is not in dispute.

If this proposal is passed into law, a taxpayer will have an option to either utilise the remission to reduce excise duty due to them or to reduce other outstanding tax liabilities owed to them if those liabilities are not in dispute, and the taxpayer has written to the commissioner for the excise duty to be used to reduce those other tax liabilities.

Amendment of Schedule 2 to the Principal Act

The Bill proposes to amend Schedule 2 of the Excise Duty Act as followss.

Item	Excisable good or service	CurrentDuty (2024/2025)	Proposed duty 2025/2026
1 (a)	Cigarettes: Soft Cap Locally manufactured Imported	Shs. 55,000 per 1000 sticks. Shs.75,000 per 1000 sticks.	Shs. 65,000 per 1000 sticks. Shs. 150,000 per 1000 sticks.
(b)	Cigarettes: Hinge lid Locally manufacturedImported	Shs 80,000 per 1,000 sticks Shs. 100,000 per 1000 sticks.	Shs 90,000 per 1000 sticks Shs. 200,000 per 1000 sticks.
2 (b)	Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent	30% or Shs. 650 per litre, whichever is higher.	30% or Shs. 900 per litre, whichever is higher.
2 (c)	Beer produced from barley grown and malted in Uganda	30% or Shs 950 per litre, whichever is higher.	Repealed
5 (b)	Fruit juice and vegetable juice, except juice made from at least 50% of pulp from fruit and vegetables locally grown in Partner State (Proposed change: increases the percentage composition of excepted fruit and vegetable juice from 30% to 50% of pulp from fruit and vegetables locally grown in Partner State).	10% or Shs. 250 per litre, whichever is higher.	10% or Shs. 250 per litre, whichever is higher.
8 (a)	Motor spirit (gasoline)	Shs. 1550 per litre	Shs. 1650 per litre
(b)	Gas oil (automotive, light, amber for high-speed engines)	Shs. 1230 per litre	Shs. 1380 per litre
11	Plastics - Sacks and bags of polymers of ethylene and other plastics under HS codes 3923.21.00 and 3923.29.00 except vacuum packaging	-	2.5% or USD 70 per tonne, whichever is higher.

Stamp duty (amendment) Bill, 2025

The Bill proposes to amend Schedule 2 to the Stamp Duty Act, cap 339 to provide for NIL duty for agreements or memorandum of an agreement and, a mortgage deed.

If this proposal is passed into law, a person executing these instruments will not be charged stamp duty effective 1st July 2025.

Item	Current Stamp Duty 2024/2025	Proposed stamp duty 2025/2026
"5. Agreement or memorandum of an agreement	Shs 15,000	Nil.
"42. (a) Mortgage deed - of the total value. A mortgagor who gives a power of attorney to collect rent or a lease of the property mortgaged is deemed to give possession within the meaning of this item.	0.5%	Nil
"b) Where a collateral or auxiliary or additional or substituted security is given by way of further assurance where the principal or primary security is duly stamped.	Shs 15,000	Nil
"43. MORTGAGE OF A CROP - including any instrument endorsement, note, attestation, certificate, or entry not being protest of a bill of note, made or signed by a notary public in the execution of the duties of his or her office or by any other person lawfully acting as a notary public.	Shs 15,000	Nil

The external trade (Amendment) Bill, 2025

Below are key highlights from the proposed tax amendments introduced by the External Trade (Amendment Bill) 2025, to take effect on 01 July 2025.

Infrastructure levy of 1.5% on all imports for home use

The Bill proposes the introduction of a compulsory infrastructure levy of 1.5% of the customs value on all goods imported into the country for home use.

In customs terms, goods for home use are those that are imported solely for the purpose of sale or final use within Uganda.

Currently, the infrastructure levy of 1.5% is only applicable to selected dutiable items imported from outside EAC Region.

The amendment implies that all goods imported into Uganda from outside the EAC region for home use, and that are not listed in the exemption schedule, must pay this compulsory levy, effective 01 July 2025.

The exceptions to this proposed amendment include;

- Goods and products prescribed in the Fifth Schedule to the East Africa Community Customs Management Act (EACCMA), 2004;
- Plant and machinery as prescribed under chapter 84 and 85 of the East Africa Community Common External Tariff (EACCET); and
- Goods under a special operating framework with the Government of Uganda specified in the approved measures on import duty rates in the EACCET.

Introducing the infrastructure levy to all categories of goods is a direct and deliberate move by government to promote domestic production and consumption.

The additional 1.5% levy will raise the cost of imports into the country and thus make them more costly to the local consumers. It will thus boost the production and sale of locally produced substitute products, such as garments, textiles, tiles, furniture, etc., and thus protect and support the local industry. This is a long-run drive towards import substitution strategy and promotion of the BUBU (Buy Uganda, Build Uganda) initiative.

Declaration fees on imports for home use

The amendment introduces import declaration fees of 1% of the customs value on all goods imported into Uganda for home use effective 01 July 2025.

The import declaration fee shall not apply to:

- Goods and products that are exempted from customs duty as listed in the Exemptions Regime, Fifth Schedule of the EACCMA, 2004. Some examples include: goods specially designed for use by PWDs, rally drivers, containers and pallets, passenger baggage, mosquito nets, seeds for sowing, agricultural inputs, education materials, refrigerated trucks, hotel equipment, emergency relief goods, diagnostic reagents and equipment, etc.
- Plant and machinery under chapter 84 and 85 of EACCET. Chapter 84 includes nuclear reactors, boilers, machinery and mechanical appliances, parts thereof.

  Chapter 85 includes electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.

Goods under a special operating framework with the Government of Uganda specified in the approved measures on import duty rates in the EACCET. Currently, there are no fees charged on import declarations made by importers. The import declaration fee is a new development in the importation business and will lead to a rise in the cost of importation meaning imports will incur additional costs while bringing goods into the country.

> **The import declaration fee is a new development in the importation business and will lead to a rise in the cost of importation.**

Export Levy

This amendment introduces export levy on three items – wheat bran, cotton cake and maize bran. Effective 01 July 2025 there will be an export levy of USD 10 per metric tonne on the above three items, sold and consigned out of Uganda.

Currently, most exports out of the country are not taxed. Only a few of the goods such as fish, gold, raw hides and skins pay export duty.

The introduction of export levy on these goods will raise their cost of exportation and consequently their prices in the foreign market. In the long run, it may reduce their demand in overseas market and increase their domestic supply. This is also meant to boost the use of those items within Uganda for value addition.

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