



Uganda Budget Brief 2026

Theme: “Full Monetization of the Ugandan Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access”

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Economic Commentary

Economic performance

The theme of the budget for the financial year 2026/2027 is “Full Monetisation of Uganda’s Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Services, Digital Transformation and Market Access”.

The budget is consistent with the Fourth National Development Plan (NDP IV) for the period FY 2025/26 to FY 2029/30 as well as the Charter for Fiscal Responsibility, and satisfies the requirements of gender, equity responsiveness and balanced development.

The economy is projected to grow by 6.4% to Ushs 250.4 trillion (USD 69.3 billion) by the end of June 2026 and expected to expand by 10.2% to Ushs 290.315 trillion (USD 77 billion) by June 2027.

The robust growth outlook is expected to be primarily underpinned by the commencement of oil production, which is anticipated to generate substantial fiscal revenues and stimulate productivity through strong intersectoral linkages with agriculture and manufacturing. Growth will be further supported by sustained investments across the priority sectors identified under the Tenfold Growth Strategy, with the key drivers being:

- i. Strengthening of good governance, security, and the developmental role of the state;
- ii. Commencement of oil production in 2026, expected to stimulate job creation and boost revenue generation, with positive spillover effects enhancing productivity across agriculture and manufacturing;
- iii. Prudent macroeconomic management to mitigate the destabilising effects of oil receipts on macroeconomic stability;

- iv. Coordinated oversight of mineral sector development and the management of mineral revenues;
- v. Enhanced human capital development across the full life cycle; and
- vi. A well-supported private sector oriented towards driving growth and employment creation.
- vii. Development and maintenance of strategic, sustainable infrastructure spanning transport, housing, water, industrial facilities, and ICT;
- viii. Expansion of power generation and supply through diversification of the energy mix — incorporating renewable sources including solar, thermal, and hydropower — to increase electricity access and reduce the carbon footprint, thereby enabling the extension of both grid and off-grid connections to support productive activities and sustain economic growth; and
- ix. Maintenance of roads and bridges, rehabilitation of the Metre Gauge Railway (MGR), construction of the Standard Gauge Railway (SGR), and development of water transport infrastructure.

Economic Commentary

In terms of purchasing power parity (PPP) terms, the GDP is forecast to increase from USD 191.7 billion, with GDP per capita projected to increase to USD 1,420.

In April 2026, the Ugandan Shilling appreciated by 0.4% against the US Dollar, averaging a mid-rate of UGX 3,716.70/USD compared to UGX 3,730.53/USD in March 2026, reversing depreciations recorded over the preceding two months. The appreciation was primarily attributable to increased foreign exchange inflows from export proceeds and portfolio investors, which more than offset dollar demand from the manufacturing and energy sectors. The Ugandan shilling remains one of the best performing currencies in sub-Saharan Africa.

Foreign Direct Investments (FDI) inflows for the 12-month period ending March 2026 were USD 4.2 billion exceeded the 12-month total ending March 2025 (USD 3.4 billion) by 6%, representing a dramatic acceleration of FDI inflows.

The Ugandan shilling remains one of the best performing currencies in sub-Saharan Africa.



Economic Commentary

Revenue collections

In FY 2026/27, domestic revenues are projected to reach UGX 45.96 trillion, up from an estimated UGX 35.7 trillion in FY 2025/26, representing a nominal increase of UGX 10.26 trillion. This growth is attributable to higher economic activity, a broadening tax base, strengthened tax administration and collection measures, and reforms to non-tax revenue collection.

Over the medium term, domestic revenues are expected to rise substantially, underpinned by continued economic expansion in line with the Tenfold Growth Strategy, the introduction of new tax policy measures, enhanced tax administration efficiency, improved taxpayer compliance, greater accountability in the granting of tax holidays, the elimination of non-beneficial exemptions inconsistent with the industrialisation agenda, and growing revenues from the oil and gas sector as production commences.

Economic Commentary

External sector performance

Uganda's merchandise trade position improved in March 2026, as export receipts grew at a faster pace than the import bill. On a year-on-year basis, the merchandise trade deficit narrowed by 54.1% to USD 47.75 million, from USD 103.92 million in March 2025. Month-on-month, the deficit contracted by 29.5% from USD 67.76 million in February 2026.

A | Exports

The total export earnings reached USD 18.04 billion in the twelve months to March 2026, from USD 5.93 billion in the twelve months to March 2022.

The leading exports include gold, coffee, cocoa, fish products, steel products, sugar and a growing range of manufactured goods. The coffee exports reached USD 2.46 billion for the year ending March 2026, up from USD 1.84 billion in the previous year.

B | Imports

The import bill increased by 36.2% year-on-year, rising from USD 1,096.90 million in March 2025 to USD 1,493.87 million in March 2026, driven by higher import volumes for mineral products (excluding petroleum products), machinery, equipment, vehicles and accessories, and vegetable products, animal products, beverages, fats and oils, among others.

On a monthly basis, imports grew by 4.1% from USD 1,435.18 million in February 2026, attributable to increased volumes of vegetable products, animal products, beverages and fats and oils, prepared foodstuffs and tobacco, chemical and related products, and wood and wood products, among others.

Economic Commentary

Macro-economic indicators

Inflation

Annual inflation in Uganda edged slightly higher to 3.0% in April 2026, up from 2.8% in March. This increase was mainly driven by energy-related costs, which was largely due to an increase in fuel prices. Petrol inflation rose to 8.7%, diesel to 10.8%, and kerosene to 7.5%, all significantly higher than in March.

This reflects what is starting to happen globally, where geopolitical tensions are feeding directly into domestic pump prices. As fuel costs rise, they are beginning to push up transport costs, which is already visible in passenger transport inflation jumping to 4.2% from 0.6%. In contrast, core inflation, which excludes food crops and energy, also rose marginally to 3.0% from 2.9%, showing that underlying price pressures are beginning to build but remain contained. Overall, the current environment shows a shift where inflation is no longer being driven by food, but it is increasingly influenced by energy and transport costs.



The average inflation is expected to end at 3.8% by June 2026 compared to 3.5% in the previous financial year.

Debt management

The stock of outstanding private sector credit grew by 2.3% month-on-month, from UGX 25,377.04 billion in February 2026 to UGX 25,965.17 billion in March 2026. The increase was recorded across both shilling-denominated credit, which rose from UGX 17,827.15 billion to UGX 18,204.98 billion, and foreign currency-denominated credit, which increased from UGX 7,549.89 billion to UGX 7,760.19 billion over the same period.

On a year-on-year basis, outstanding private sector credit expanded by 11.4%, from UGX 23,305.19 billion in March 2025 to UGX 25,965.17 billion in March 2026. This growth was primarily driven by stronger credit demand, underpinned by improved economic activity, alongside a reduction in non-performing loans within the banking sector.

As of December 2025, Uganda's total public debt stood at USD 34.86 billion equivalent to Ushs 126.19 trillion. Of this, external debt amounted to USD 15.84 billion while domestic debt was USD 19.02 billion. This translates to a Debt to GDP ratio of 53%. The borrowings were used to finance major infrastructure investments, including energy projects, road construction, industrial parks, and the expansion of Entebbe International Airport. Public debt is assessed as carrying a moderate risk of distress and is expected to remain manageable, with sustainability projected to strengthen over the medium to long term — underpinned by accelerated GDP growth under the Tenfold Growth Strategy, enhanced domestic revenue mobilisation, tighter expenditure controls, and anticipated oil revenues.

Economic Commentary

Macro-Economic indicators

The Charter for Fiscal Responsibility (CFR) for FY 2021/22–FY 2025/26 establishes the Government's overarching framework for conducting fiscal policy in a manner consistent with sustainable fiscal balances and prudent debt levels. The current Charter prescribes seven measurable fiscal rules: (i) reduction of total public debt below 50% of GDP in nominal terms by FY 2025/26; (ii) reduction of domestic debt interest payments as a share of revenues (excluding grants) to 12.5%; (iii) maintenance of nominal publicly guaranteed debt below 5% of GDP; (iv) alignment of Bank of Uganda borrowing with the Public Finance Management (PFM) Act, Cap. 171; (v) gradual adjustment of the overall fiscal balance, including grants, to a deficit not exceeding 3.0% of non-oil GDP by FY 2025/26; (vi) annual improvement in the non-oil revenue-to-GDP ratio of at least 0.5 percentage points; and (vii) ensuring that the growth rate of recurrent spending as a percentage of GDP does not exceed the growth rate of revenue (excluding oil) as a %age of GDP.

Of these commitments, two have been met. The ratio of publicly guaranteed debt to GDP stands at 0.13% — well within the 5.0% threshold — and government borrowing from the Central Bank has been conducted in compliance with the PFM Act. However, the remaining fiscal rules are projected to be breached. The public debt-to-GDP ratio is expected to exceed the 50% target for FY 2025/26, and the domestic debt interest payment-to-revenue ratio is projected to surpass the 12.5% benchmark. Targets relating to the fiscal deficit and revenue growth are similarly expected to be missed.

These slippages are attributable to a combination of factors: lower-than-projected revenue collections over five consecutive years, partly reflecting tax policy concessions extended to support post-COVID-19 economic recovery; higher-than-anticipated expenditures, particularly under the Tenfold Growth Strategy, which were not envisaged at the time the Charter was drafted in 2021; and delays in the production and commercialisation of oil, which resulted in continued elevated borrowing while oil-related infrastructure projects, originally expected to reach completion by FY 2025/26, remain ongoing.

FY 2026/27 marks the commencement of the third Charter for Fiscal Responsibility, which will cover the five-year period FY 2026/27–FY 2030/31. The new Charter is currently under development and is to be submitted to Parliament no later than three months after its first sitting following the 2026 general election, as provided under Section 4(3) of the PFM Act, Cap. 171.

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Budget Commentary

Resource envelope

The resource envelope for the financial year 2026/2027 is Ushs 84.39 trillion comprised of both domestic and external sources as detailed below;

Budget allocation	FY 2026/27	
	(Ushs, trillions)	%age
Domestic revenues	45.96	54.5%
Domestic borrowing	11.97	14.2%
Domestic refinancing of maturing debt	13.97	16.6%
Grants and external borrowing for general budget financing	1.22	1.4%
External financing for projects	11.27	13.4%
Total	84.39	100%

Uganda's Parliament recently approved the UGX 84.39 trillion national budget for the 2026/27 financial year. ”

Expenditure (Outflows)

The total expenditure for the FY 2026/27 is Ushs 84.39 trillion

Expenditure (Outflows) continued

Budget allocation	FY 2026/27	
	(Ushs, Trillions)	%age
Wages	9.709	11.5%
Non-wage recurrent expenditure	33.276	39.4%
Development expenditure	22.054	26.1%
Domestic debt refinancing	13.967	16.6%
Debt amortisation	4.181	5.0%
Domestic debt repayment to Bank of Uganda	0.547	0.6%
Domestic arrears	0.317	0.4%
Local Government expenditure from own resources	0.3398	0.4%
TOTAL BUDGET	84.39	100%

Budget Commentary

The following are the key government allocations and interventions for the 2026/27 financial year

Health

In order to further improve the health of Ugandans, a total of Ushs 5.23 trillion has been provided next financial year 2026/27.

The priority interventions will include:

- (i) Maternal and child healthcare;
- (ii) Nutrition improvement;
- (iii) Expanded immunisation;
- (iv) Prevention and treatment of non-communicable diseases;
- (v) Provision of essential medicines;
- (vi) Strengthening of specialized healthcare services; and
- (vii) Improve emergency response systems; and
- (viii) Exploring feasible pathways towards Universal Health Coverage.



Education, Skills and Sports

Government has allocated Ushs 6.66 trillion for priority interventions which include:

- (i) Expanding access to quality UPE and USE;
- (ii) Strengthening STEM and vocational education ;
- (iii) Improving teacher welfare and training, with emphasis on pre-primary teachers;
- (iv) Curriculum reform;
- (v) Strengthening public universities and research institutions; and; (vi) Completing critical sports infrastructure for AFCON 27.

An additional Ushs 568.65 billion has been allocated to enhance salaries for primary school teachers and arts teachers in secondary schools and BTJET institutions.



Budget Commentary

Social protection

This was allocated Ushs 173.55 billion for social protection focussing on: i) Expanding economic empowerment programmes ii) Strengthening labour standards iii) Supporting youth employment initiatives iv) Promoting women's economic participation v) Enhancing social protection systems; and vi) Establishing a robust Labour Market Information System.

Water, sanitation and environmental Protection

This was allocated Ushs 1.013 trillion next financial year to further expand access to safe water and sanitation services across the country. The objective is to ensure universal access to safe water and sanitation services.

Wealth creation

Wealth creation initiatives were allocated Ushs 2.43 trillion next financial year 2026/27. These funds are going to be passed on to Ugandans in wealth creation through: PDM, Ushs 1.059 trillion; Emyooga, Ushs 100 billion; UDB, Ushs 1.0 trillion; Uganda Development Corporation, Ushs 187.1 billion; and the Agricultural Credit Facility, Ushs 50 billion.

Others include GROW (Generating Growth Opportunities and Productivity for Women Enterprises) Ushs 231.3 billion; INVITE (Investment for Industrial Transformation and Empowerment); Ushs 275.1 billion, Presidential Zonal Industrial Hubs and skilling initiatives Ushs 58.5 billion to turn youth into manufacturers; and support to Microfinance Ushs 48.5 billion.



Budget Commentary

The following are the key government allocations and interventions for the 2026/27 financial year

Agro-Industrialisation

Ushs 2.26 trillion was allocated towards deepening agro-industrialisation. Priority interventions include: (i) agricultural research; (ii) agricultural inputs including fertiliser; (iii) water for irrigation; (iv) extension services; (v) agro-processing and value addition; (vi) post-harvest handling and storage facilities; (vii) inspection, surveillance, certification, enforcement of quality standards, and market access.

Tourism Development

Tourism was allocated a total of Ushs 567.32 billion to continue developing the tourism sector. Priority interventions will include:

- i) Branding and marketing the company as tourism and investment destination
- ii) Tourism infrastructure development
- iii) Construction of highway sanitation facilities and tourism site refreshment centres
- iv) Improving and enforcing hospitality standards and training
- v) Health tourism
- vi) Economic and commercial diplomacy



Budget Commentary

Mineral-Based Industrial Development including Oil and Gas

Ushs 473.51 billion was allocated for mineral-based industrial development including oil and gas, for

- (i) continued quantification of mineral resources, starting with iron ore, gold and copper, and strengthening their tracking system;
- (ii) capitalisation of the Uganda National Mining Company;
- (iii) establishing mineral markets and buying centres to enable transparent mineral trading; (iv) expediting finalisation of the East African Crude Oil Pipeline (EACOP); and
- (iv) prioritisation of the construction of the oil refinery and refined products pipeline, among others.

Science, Technology and Innovation (STI) including ICT and Creative Industry

Ushs 1,140 billion has been allocated for science, technology and innovation (STI) including ICT and the creative arts industry.

- The priorities for the next financial year include:
- i. Commercialization of innovations, especially Kiira Motorvehicles, coffee, Dei Pharma and banana products.
 - ii. Establishment of a Hi-Tech city.
 - iii. Additional investment in scientific R&D and innovation.
 - iv. Expansion of digital infrastructure.
 - v. Growth of Business Process Outsourcing for job creation.



Budget Commentary

Infrastructure development

Government has provided US\$ 8.79 trillion for financial year 2026/27 for transport infrastructure development. Priority areas will include:-

- i. Construction of the Malaba-Kampala Standard Gauge Railway and completion of the Metre Gauge Railway.
- ii. Construction and upgrade and maintenance of national, city, district, urban, and community access roads.
- iii. Construction and maintenance of strategic bridges.
- iv. Operationalization of Kabalega International Airport.
- v. Expansion of Uganda Airlines.

Energy development

US\$ 2.07 trillion was allocated to Energy for financial year 2026/27 to undertake the following priority interventions:

- i. Expansion of generation capacity by commencing the 380-megawatt Kiba hydro-electricity plant, a floating solar plant at Isimba, and 500 megawatts of utility scale solar in the Elgon and Acholi regions.
- ii. Preparatory work for nuclear energy generation at Buyende .
- iii. Expansion of transmission and associated substation infrastructure.
- iv. Rural electrification; and
- v. Industrial power connections.

Industrial development and manufacturing

A total of US\$ 1.03 trillion to the manufacturing programme in FY26/27. Priority interventions include: i) Additional capitalisation of UDC to drive industrial development ii) Industrial infrastructure development, particularly in industrial parks, including new fully serviced plug and play parks iii) Value addition to agricultural raw materials and minerals iv) Supporting market access for Ugandan manufactured products v) Strengthening the functionality of Special Economic Zones; and vi) Industrial research, including the establishment of regional industrial incubation hubs.

Security, good governance and rule of Law

This area was allocated US\$ 10.21 trillion to support:

- (i) continuing modernisation, training and welfare of the UPDF;
- (ii) full equipping of the National Referral Military Hospital;
- (iii) strengthening of border security;
- (iv) enhancing community policing; and
- (v) cybersecurity and protection of critical national infrastructure.

Administration of justice

US\$ 665.55 billion was allocated under the Administration of Justice Programme for expanding access to justice and further decentralise appellate services, recruit and deploy judicial officers, reduce case backlog through Alternative Dispute Resolution and mobile courts, digitise courts, case management, and e-filing, strengthen prosecution, forensic services, and anticorruption efforts; and upgrade court infrastructure and circuit operations.

Budget Commentary

Legislation and oversight

Government has allocated Ushs 1.23 trillion to enable Parliament to fulfil its constitutional mandates of legislation, appropriation, oversight, and effective representation.

Environmental protection and disaster management

To safeguard our environment and adapt to climate change, Government has allocated Ushs 494.08 billion next financial year. These funds will protect 1.26 million hectares of forest reserves and wetlands; restore 10,000 hectares of degraded wetlands; and demarcate critical riverbanks and lakeshores, particularly along the Nile.

We will also upgrade meteorological services and early warning systems to deliver accurate forecasts for agriculture, aviation, and climate monitoring. In addition, Ushs 361.88 billion has been allocated to the Contingency Fund to strengthen our national disaster response next financial year.

The financing strategy for FY26/27

The financing strategy for FY2026/27 seeks to create additional fiscal space to finance Government priorities while maintaining debt sustainability:

- i. Strengthening tax administration and compliance.
- ii. Introducing targeted tax policy measures to increase domestic revenue.
- iii. Mobilising concessional financing from development partners and international financial institutions.
- iv. Implementation of RAPEX (Rationalization of Government agencies and public expenditure) to improve efficiency and coordination of service delivery. Expanding alternative sources of financing, including Public-Private Partnerships, venture capital, innovative instruments such as SUKUK, and listing of commercially viable public enterprises on the stock exchange.



The Parliament of Uganda passed the proposed Tax Amendments for the year 2026/2027 affecting the Income Tax Act (Cap 338), Tax Procedure Code Act (Cap 343), Value Added Tax Act (Cap 344), Stamp Duty Act Cap (Cap 339), Lotteries and Gaming (Amendment) Act (Cap 334).

The proposed amendments come into effect on 01 July 2026.

We highlight below the tax proposals that have been tabled before the president for assentation in the various tax laws.



A Income Tax (Amendment) Act 2026

1. Amendment to broaden the definition of the word 'royalty' Section 2 of the Income Tax Act.

The amendment seeks to broaden the definition of the word "royalty" in paragraph (a) (i) by inserting the word "software" immediately after the word "model."

Currently, there is a revenue leakage where software is being taxed as digital services at a rate of 5%.

This amendment is intended to widen the tax base by removing instances where software has been taxed at a rate of 5% to being taxed at a rate of 15%. Software is one of Uganda's biggest imports in terms of services.



Income Tax (Amendment) Act 2026

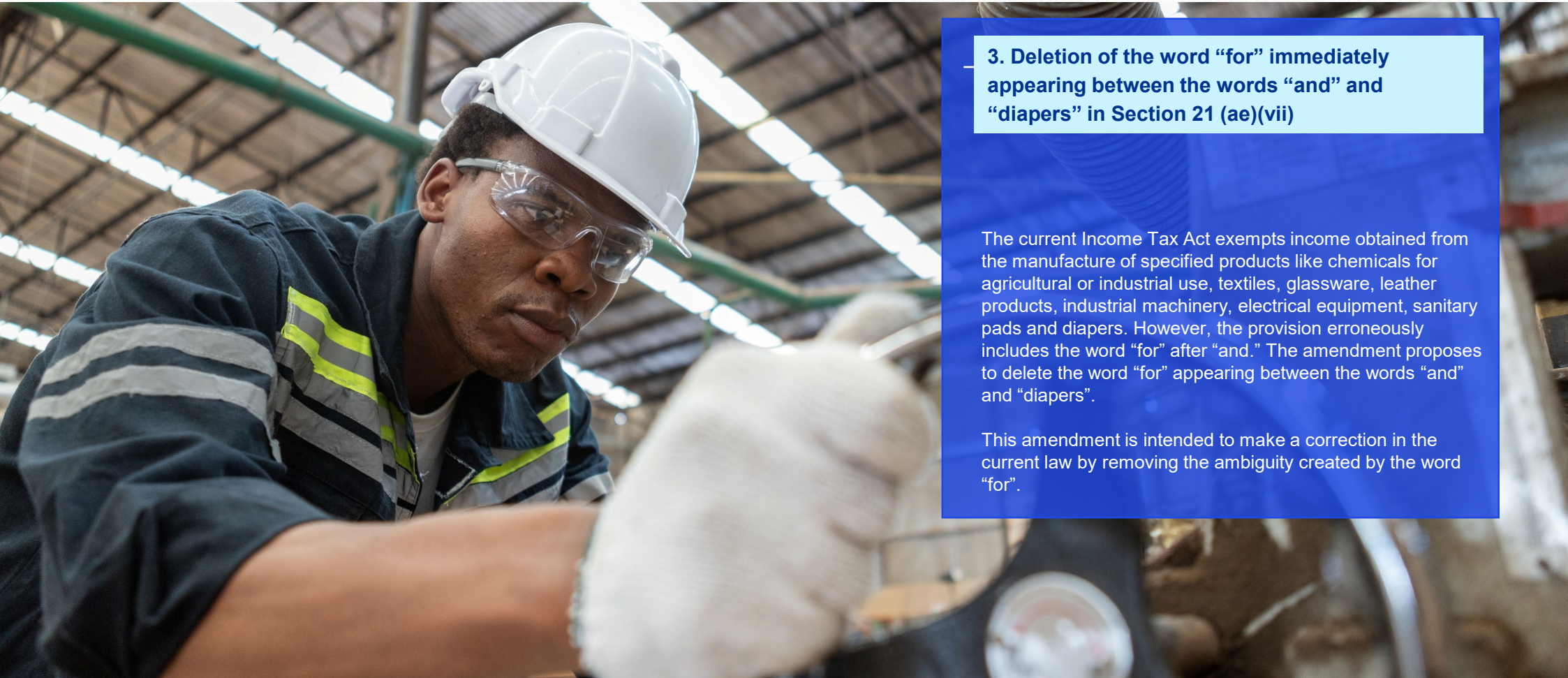
2. Extension of the tax exemption of Bujagali hydro power project up to 30th June 2032

The amendment extends the tax exemption of Bujagali hydro power project to 30th June 2032. Currently the exemption on Bujagali hydro power project runs up to 30th June 2026.

Bujagali hydro power will be exempted from income tax until 30th June 2032 giving it 6 more years of tax relief.

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

Income Tax (Amendment) Act 2026



3. Deletion of the word “for” immediately appearing between the words “and” and “diapers” in Section 21 (ae)(vii)

The current Income Tax Act exempts income obtained from the manufacture of specified products like chemicals for agricultural or industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and diapers. However, the provision erroneously includes the word “for” after “and.” The amendment proposes to delete the word “for” appearing between the words “and” and “diapers”.

This amendment is intended to make a correction in the current law by removing the ambiguity created by the word “for”.

Income Tax (Amendment) Act 2026

4. Exemption of income earned by developers of a hotel or tourism facility

This amendment seeks to introduce Section 21 (ag) (vii) in the principal Act. The amendment intends to exempt income of a developer of a hotel or tourism facility whose investment capital is at least USD10,000,000 in the case of a foreigner or USD 5,000,000 in the case of a citizen who, subject to availability, uses at least 70% of locally sourced raw materials and employs at least 70% of its employees who are citizens earning an aggregate wage of at least 70% of the total wage bill.

This amendment is meant to attract both local and foreign investors into investing in infrastructure relating to the tourism sector thus boosting the Tourism sector in Uganda.

Income Tax (Amendment) Act 2026

5. Revision of the definition of infrastructure bond.

This amendment seeks to remove the word “listed” immediately after “all” from the definition of infrastructure bond.

Currently, the Principal Act defines infrastructure bonds to mean “all listed bonds, notes, or other similar securities used to raise funds for public infrastructure and other social services, if those bonds have a maturity of at least ten years.”

The amendment is aimed at broadening the pool of qualifying bonds thus enabling the Government to mobilise funds from privately placed infrastructure bonds.

Income Tax (Amendment) Act 2026

6. Inclusion of microfinance deposit-taking institutions or tier 4 microfinance institutions as eligible to claim the deduction for bad debts.

The amendment seeks to allow microfinance deposit institutions and tier 4 microfinance institutions to claim a deduction of specific loan loss provisions incurred in the ordinary course of business.

Currently, Section 24 only allows financial institutions regulated by Bank of Uganda to claim specific loan loss provisions incurred in the ordinary course of business by a financial institution in the production of income included in gross income.

This amendment is aimed at bringing equity for microfinance institutions as these entities are important as they act as primary access points for capital for the informal and rural sectors.

7. Amending the definition of “group” and excluding “dormant companies” from members of a group.

The amendment seeks to amend section 25(5) by inserting a definition of “group” as “persons other than individuals with at least 51% interest of the common underlying ownership; and excluding any member of the group that is dormant.”

The amendment further defines “dormant” to mean “a person other than an individual that is not doing business and does not have an accounting transaction in a year of income.”

Currently, the definition of “group” is wide and includes any person other than an individual with common underlying ownership.

The amendment aims to reduce compliance burden on genuine entities within a group that have not had any economic activity during the year.



Income Tax (Amendment) Act 2026

8. Exemption of income earned by developers of a hotel or tourism facility

The amendment seeks to amend section 25(5) by amending the definition of “tax earnings before interest, tax, depreciation and amortisation” to exclude carried forward losses.

The current Section 25(5) defines tax EBITDA to mean the sum of gross income less allowable deductions (except interest deductions) and depreciation and amortization.

The amendment excludes carried forward losses from the definition of “tax EBITDA” including carried forward losses as part of allowable deductions reduces chances of entities that are genuinely loss making from ever taking a deduction for the interest expense.

Income Tax (Amendment) Act 2026

9. Clarifying assets classes

The amendment seeks to substitute the words “class 4 assets” for “class 3 assets”.

Currently Section 34 refers to Class 4 assets despite the 2021 amendments which removed class 4.

The amendment is aimed to make a correction of the law.

10. Introducing a 5% withholding tax on interest from debentures widely issued to foreign lenders or interest paid to financial institutions

The amendment intends to amend section 82(5) by introducing a withholding tax on resident companies which pay interest on debentures issued by foreign companies for purposes of raising loan outside Uganda and the debentures are widely issued for purposes of raising funds for use by the company in the business carried on in Uganda or where the interest is paid to a bank or financial institution of a public character and the interest is paid outside Uganda.

The current provision exempts interest paid by a resident company in respect of debentures where it is satisfied that the debentures were issued by the company outside Uganda for purposes of raising a loan outside Uganda, the interest was paid outside Uganda and the debentures were issued for purposes of raising funds for use by the company in business carried on in Uganda or the interest was paid to a bank or financial institution of a public character.

The amendment seeks to remove the current exemption and introduce a withholding tax obligation on interest payments made by Ugandan companies in respect of debentures issued by foreign companies. This is intended to widen the tax base by targeting offshore interest payments.



Income Tax (Amendment) Act 2026

11. Taxpayer obligation to prove compliance with arm's length principle

The amendment introduces Section 115A on compliance with arm's length principle. The section provides that a person who enters into a controlled transaction or a series of controlled transactions must account for the transaction(s) in a manner that is consistent with the arm's length principle.

Current law on Transfer Pricing requires taxpayers engaging in transactions with Associates to conduct these in accordance with the arm's length principle.

The amendment further defines "controlled transactions" as a transaction between associates.

The amendment puts the burden of proof on the taxpayer engaged in transactions with associates to prove that these were conducted in line with the arm's length principle which gives more power to Uganda Revenue Authority to make adjustments that do not meet these criteria during Transfer Pricing audits.

12. Introducing an option to file provisional rental income tax returns on a monthly basis for individuals.

The proposed amendment amends Section 124 by introducing an option to file monthly provisional returns. The provision states that an individual required to pay rental income tax under Section 5 of the ITA, may furnish a provisional return of rental income on a monthly basis.

Currently, taxpayers with rental income are required to file provisional returns six months into the year of income, amended provisional return twelve months into the year and final return six months after the year end.

The amendment provides individuals with an alternative for filing monthly provisional rental tax returns.

The amendment intends to provide flexibility in how individuals with rental income can meet their tax filing obligations.

Income Tax (Amendment) Act 2026

13. Re-introduction of withholding tax on payments for winnings of betting or gaming.

The amendment seeks to impose a withholding tax obligation at a rate of 15% on a person who makes payment for winnings of betting or gaming. The amendment defines “winnings” to mean the difference between the pay-out and the staked amount.

However, the amendment excludes winnings paid by a person licenced to conduct a national lottery under the Lotteries and Gaming Act and winnings derived from land-based casinos licenced under the Lotteries and Gaming Act.

This provision of the law was previously repealed in 2023 following TAT ruling on Fortuna Limited Vs URA where the dispute revolved around the interpretation on what constitutes a wining for purposes of WHT and at what point it should be collected.

The amendment intends to clarify on the definition of “winnings”, establishing a point of winning and including gaming which was not previously provided for.

14. Expanding applicability of 10% withholding tax on commissions paid by telecommunication service providers

The amendment broadens the reach of withholding tax at a rate of 10% on commission paid by telecommunications service provider who make a payment of commission for telecommunication retail services, mobile network services or provision of mobile money services.

The amendment defines a telecommunication service provider as a person licensed to offer telecommunication service under the Uganda Communications Act.

Currently, the law provides for a 10% withholding tax on commissions paid to airtime and mobile money agents. However, the proposed amendment seeks to extend the withholding tax to telecommunication service providers who make payments for telecommunication retail services, mobile network services or provision of mobile money services.

This withholding tax is final and cannot be credited as per Section 139 of the Income Tax Act.

The amendment intends to enhance tax collections from usage of mobile money services by ensuring that agents or recipients of commissions from telecommunication service providers are included in the tax bracket.

Income Tax (Amendment) Act 2026

15. Introducing withholding tax on public entertainers

The amendment introduces a withholding tax obligation on a person who pays a public entertainer at a rate of 6%. The Act further defines a public entertainer as a person who performs in public, or in front of a camera or microphone for entertainment, artistic or similar purposes including a person who performs in, participates in, or provides entertainment at any event or activity open to the public, and includes stage, radio, television and digital performers.”

Currently, the withholding tax obligation is on designated agents and on commissions in insurance, advertising and mobile money.

The amendment intends to widen the tax base by expanding the category of public entertainers to include digital performers (content creators), events performers, and any other people who perform in public. This is aimed at ensuring compliance by shifting the obligation to withhold tax on persons who pay these public entertainers.

16. Expanding what constitutes final tax

The amendment seeks to expand the items under withholding tax as a final tax by adding tax withheld on payment of commission paid to an insurance agent and tax withheld on payment of a commission for telecommunication retail services, mobile network services or provision of mobile money services to a resident individual.

Under the current law, tax withheld on payment for commission to insurance agents is not final tax and insurance agents have an obligation to account for income tax on the payments received and subsequently obtain credits on the tax withheld.

The amendment helps with enhancing compliance by reducing the burden to account for income tax that was previously placed on insurance agents. The amendment also seeks to clarify that tax withheld on payment of a commission for telecommunication retail services, mobile network services or provision of mobile money services to a resident individual is final and no credit can be obtained from this tax.

Income Tax (Amendment) Act 2026

17. Expanding the listed institutions

Schedule 2 to the Income Tax Act was amended to provide add the Arab Bank for Economic Development in Africa and the Uganda Red Cross Society among the listed institutions.

The income of these institutions will be exempt from income tax.



18. Amending the income tax rates applicable to resident individuals

The amendment seeks to change the income tax rates for individuals as follows:

Chargeable Income (per year)	Rate of Tax (per year)
Not exceeding UGX. 4,020,000	Nil
Exceeding UGX. 4,020,000 but not exceeding UGX. 4,920,000	20% of the amount by which chargeable income exceeds UGX. 4,020,000
Exceeding UGX. 4,920,000 but not exceeding UGX. 5,820,000	UGX. 180,000 plus 25% of the amount by which chargeable income exceeds UGX. 4,920,000.
Exceeding UGX. 5,820,000 but not exceeding UGX. 120,000,000	UGX. 405,000 plus 30% of the amount by which chargeable income exceeds UGX. 5,820,000
Exceeding UGX. 120,000,000	a) UGX. 405,000 plus 30% of the amount by which chargeable income exceeds UGX. 5,820,000; and b) Where the chargeable income of an individual exceeds UGX. 120,000,000 an additional 10% charged on the amount by which chargeable income exceeds UGX. 120,000,000

The amendment is aimed at considering the effect of inflation since 2012 which has eroded the tax fee threshold. However, the increase in the threshold from UGX 235,000 to UGX 335,000 is too small in comparison with the actual inflation between 2012 to 2026. No consideration was made for individuals in the 40% tax bracket despite the impact of inflation.

B Tax Procedure Code (Amendment) Act 2026

1. Reduction of the penalty for possession of unstamped goods

The amendment revises the penalty for possession of unstamped goods from 2500 currency points (UGX. 50,000,000) or double the tax due to 100 currency points (UGX. 2,000,000) or double the tax due.

The current law provided for a penalty of UGX. 50,000,000 or double the tax due whichever was higher for possession of unstamped goods. However, this penalty was excessive and lopsided to the non-compliance

failure. The proposed amendment seeks to reduce the penalty to UGX. 2,000,000 or double the tax due.

The amendment helps with enhancing compliance by retaining the penalty imposed on possession of unstamped goods at a rate that can easily be paid taking into consideration the financial cash flows of taxpayers.



Tax Procedure Code (Amendment) Act 2026

2. Remission of outstanding tax liability as at 30th June 2016

The amendment states that any tax including penal tax and interest owed by a taxpayer as at 30th June 2016 and is outstanding as at the commencement of this Act (1st July 2026) is waived.

Currently, tax liabilities outstanding as at 30 June 2016 are collectable and enforceable by URA.

This is intended to facilitate cleaning up taxpayer's ledger positions by waiving off unpaid taxes arising from self-assessments, default assessments, administrative assessments as at 30th June 2016.



Tax Procedure Code (Amendment) Act 2026

3. Waiver of interest and penalty on payment of principal tax

The amendment waives any interest and penalty outstanding as at 30th June 2025 where the principal tax is remitted by 30th June 2027.

The amendment intends to enhance collections by encouraging taxpayers to pay the principal tax and have their interest and penalty waived. It also presents an opportunity for taxpayers to clean their ledgers and do away with interest and penalties from periods prior to 1st July 2025.



4. Revision of penalties for non-compliance with Electronic Fiscal Receipting and Invoicing Solution (EFRIS)

The First Schedule to the Act has been The amendment revises the penalty for on taxpayers who are mandated to use electronic fiscal devices but do not use these devices to pay a penal tax equivalent to double the tax due on the goods or services or ten currency points (UGX. 200,000), whichever is higher.

Further, taxpayers who do not issue e-invoices or e-receipts for goods or services or tamper with electronic fiscal devices are liable to pay a penal tax equivalent to double the tax due on the goods and services or ten currency points, whichever is higher.

Previously, the law imposed a penalty of “double the tax due on the goods and services” on VAT registered taxpayers. However, URA had added non-VAT registered taxpayers onto the list of persons required to register for EFRIS. This made the provision unenforceable on persons who were not VAT registered but made supplies of these goods and services.

The provision closes the loophole by introducing a penalty of UGX. 200,000 that is applied to non-VAT registered entities that are required to issue EFRIS invoices.

c Value Added Tax (Amendment) Act 2026

1. Exemption of VAT Withholding for e-invoiced transactions

The amendment revises the position on VAT withholding for e-invoiced transactions. Where a designated person pays for taxable supplies and is issued with an e-invoice or e-receipt in accordance with section 92 of the Tax Procedures Code Act, VAT withholding will not apply.

Previously, designated withholding VAT agents were required to withhold VAT on payments for taxable supplies, regardless of whether an electronic fiscal invoice or receipt was issued.

The provision is intended to promote e-invoicing and improve supplier cash flows by exempting transactions supported by valid e-invoices or e-receipts from VAT withholding, thereby reducing administrative burdens and rewarding compliant taxpayers.

2. Increase in VAT Registration Threshold

The amendment seeks to increase the VAT registration threshold to UGX 300,000,000 in annual taxable turnover.

Previously, a person was required to register for VAT if their annual taxable turnover was UGX 150,000,000 or more.

The provision is intended to remove more micro and small enterprises from mandatory VAT registration and reduce compliance costs for smaller businesses by increasing the VAT registration threshold from UGX 150,000,000 to UGX 300,000,000.

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The provision is intended to remove more micro and small enterprises from mandatory VAT registration and reduce compliance costs for smaller businesses by increasing the VAT registration threshold from UGX 150,000,000 to UGX 300,000,000.



c Value Added Tax (Amendment) Act 2026

3. VAT Credit for Developers of Hotels and Tourism Facilities

Under the new amendment a VAT credit is allowed to a taxable person who develops a hotel or tourism facility and invests at least USD 10,000,000 for a foreigner or USD 5,000,000 where the investor is a citizen.

The credit applies to qualifying expenditure incurred up two years before commissioning of the hotel and includes civil works, services to conduct feasibility studies, design, construction services and locally produced materials for construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market.

Current law, allows persons to claim an input tax credit paid or payable in respect of locally procured goods or import of goods where such goods were for use in the business of the taxable person provided that the goods were on hand at the date of becoming VAT registered and the input tax was incurred not more than six months from the date of registration or twelve months in the case of a manufacturer.

The provision is aimed to provide an incentive to hotel developers and operators and boost the tourism sector. It also reduces the cost of setting up highly capital-intensive tourism projects within Uganda since the VAT will no longer be captured as a cost to the investor.

4. Revision of the threshold for forfeiting interest from UGX 50,000 to 5% of the total amount of the tax refund claimed.

The amendment revises the threshold of denying interest to 5% percent of the total amount of the tax refund claimed.

Currently Section 36(3) of the VAT Act provides that where the variance between the refund claimed by a taxpayer and the amount determined by URA following a refund audit is misstated by UGX 50,000, the taxpayer automatically forfeits the right to receive interest on the claim when URA delays paying the refund.

The provision aims to create a fair application of interest on overpayments by URA and late refunds processing by URA.



c Value Added Tax (Amendment) Act 2026

5. Refund of tax for use of electronic receipt or invoice

The threshold for a non-taxable person to apply for 5% refund of the tax paid is reduced to UGX 2,000,000.

Previously, the threshold for a non-taxable person who purchases goods or services from a taxable person to claim a 5% refund upon being issued with an e-invoice / receipt within a period of 30 days was UGX 5,000,000.

The provision is intended to incentivise non-taxable persons by reducing the amount on which they can apply for a 5% refund from UGX 5,000,000 to UGX 2,000,000.

6. Regulations for payment of VAT on inputs for the mining sector.

The Amendment amends section 32 of the VAT Act to empower the Minister of Finance to make Regulations with respect with respect to payment of VAT on inputs for the mining sector.

This provision brings in potential for deferred or structured VAT payments easing funding pressure on capital intensive mining projects.



c Value Added Tax (Amendment) Act 2026

7. Update of the Second Schedule to include listed institutions.

The Second Schedule of the VAT Act has been amended to include immediately before Australian Development Agency (ADA) the following:

- a) "Arab Bank for Economic Development in Africa (BADEA); and
- b) by substituting for the words "Medical Research Council", the words "Medical Research Council or Uganda Virus Research Institute and London School of Hygiene and Tropical Medicine (MRCruVRI and LSHTM) Uganda Research Unit."

This provision moves to exempt these institutions from VAT and in turn reduce their cost of operation.

D Stamp Duty (Amendment) Act 2026

1. Monthly returns and interest for financial services providers

Under the new amendment, persons carrying on the business of financial services must file monthly returns with the Commissioner General, detailing all sums received in respect of stamp duty paid on instruments and where they fail to file, they are liable to simple interest of 2% of the duty payable for every month during which the failure continues.

The law also clarifies the definition financial services to include a broad range of activities such as loan management and deposit transactions, securities dealings and money lending under the Tier 4 Microfinance Institutions and Money Lenders Act.

Current law only puts obligation to file monthly returns on insurance companies and takaful businesses.

Previously, there was no explicit requirement for financial service providers to file monthly returns of stamp duty collected, nor a specific interest provision for failure to file such returns.

2. Five-Year document retention requirement

Taxpayers required to maintain documents or records relating to stamp duty for at least five years from the date the document or record is generated.

Currently, Section 62 of the Stamp Duty Act has a general obligation to avail documents “at all reasonable times” for inspection. There is no time limit to keep documents, and the Tax Procedure Code Act provisions do not extend to the Stamp Duty Act.

The provision is aimed at streamlining the documentation retention with the other tax heads provided for in the Tax Procedure Code Act.

D Stamp Duty (Amendment) Act 2026

3. Introduction of Stamp Duty on registration or transfer of motor vehicles or cycles.

The principal Act is amended in Schedule 2, by inserting immediately after item 66, the following-

"67. Registration or transfer of-

- a) motorcycle, tricycle or quadricycle – UGX 30,000
- b) any other motor vehicle – UGX 200,000.

Current law does not impose stamp duty on registration or transfer of motor vehicles or motorcycles. Stamp duty is only imposed on insurance of motor vehicles or cycles at a rate of UGX 35,000.

E The Excise Duty (Amendment) Act 2026

The Excise Duty (Amendment) Act was approved by Parliament. However, it has not yet been assented to by His Excellence, the President of Uganda. Once it is assented to as approved by Parliament, it will be effective July 01st, 2026.

The Act intends to revise the rates of Excise Duty on goods and services under Schedule 2 to the Act as follows:

Item	Excisable good or service	Current Duty (2025/2026)	Proposed duty 2026/2027
3 (c)(ii)	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
7	(i) Cement, adhesives, grout, white cement or lime	UGX. 500 per 50kgs	UGX. 1,000 per 50 kgs
8(a)	Motor spirit (gasoline)	UGX. 1550 per litre.	UGX. 1,750 per litre.
8(b)	Gas oil (automotive, light, amber for high-speed engines)	UGX. 1,230 per litre.	UGX. 1,430 per litre.
9	Cane or beet sugar and chemically pure sucrose in solid form	UGX. 100 per kg	UGX. 300 per kg
11 (a) and (b)	Plastics - 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; 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 ton, whichever is higher	255% or USD 1,500 per tonne, whichever is higher.
18	Cooking oil	UGX. 200 per litre	UGX. 400 per litre
19	Motorcycles; at first registration	UGX. 200,000	UGX. 500,000
28 (a)	Locally manufactured or produced paints, varnishes and lacquers;	This is a new introduction in the Excise Duty Act.	3% or UGX. 50 per litre or kg, whichever is higher
28 (b)	Imported paints, varnishes and lacquers.	This is a new introduction in the Excise Duty Act.	10% or UGX. 2000 per litre or kg, whichever is higher
29	Cooking fat	This is a new introduction in the Excise Duty Act.	UGX. 500 per litre or Kg

The above amendments to the Excise Duty Act are mainly aimed at increasing government revenue. However, they serve other purposes like discouraging the use of items that are not environmentally friendly or unhealthy items like plastics and sugar respectively. The Act also aims at discouraging importation of items that are ordinarily locally produced for example undenatured spirits and imported paints.

F The Lotteries and Gaming (Amendment) Act, 2026

The Lotteries and Gaming (Amendment Act) was assented to by the President and will come into force on 1st July 2026. It was amended mainly to harmonise the gaming tax rate for a betting or gaming activity and to define the meaning of payouts under Schedule 4 of the Act

The amendment introduces a rate of tax at 30% of the total amount staked less payouts for the period of filing returns for a betting or gaming activity. This is an increment from 20% as it has been in the previous Act.

The amendment defines 'payouts' to mean the total gross amount of money or the fair market value of non-monetary prize paid by a gaming or betting operator to a player as a result of a winning bet or successful gaming outcome, including the amount staked, wagered, or contributed by the player to participate in the game or bet.

The above amendments is aimed at increasing government revenue from betting and gaming and clarify on the definition of pay-outs and remove the ambiguity that affected the computation of tax income derived from betting and gaming.



G

External Trade (Amendment) Act 2026

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

Under the new amendment, the above items will be excluded from an infrastructure levy of 1.5%.

An import declaration fee of 1% is to be removed from the above items as well.

The provision is intended to reduce the cost of importation on the above items, therefore reducing their selling price in the market.

2. Introduction of an environmental levy on worn clothing and worn articles

The new amendment mandates that a 30% environmental levy shall be imposed on the CIF value of worn clothing and other worn articles.

The application of this provision will result in an increased cost of importation of the worn clothing and articles and in turn increase the selling price of those items in the market.

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