



ONYANGO & COMPANY
ADVOCATES, TAX & LEGAL CONSULTANTS



TAX ALERT

INSIDE UGANDA'S 2026 TAX AMENDMENT ACTS

Introduction.

On 1st April 2026, the Minister of State for Finance, Planning and Economic Development, Hon. Henry Musasizi, tabled a package of Tax Amendment Bills before the Parliament of Uganda for the Financial Year 2026/2027. The Bills were subsequently referred to the House Committee on Finance, which presented its committee reports on 21 April 2026. Parliament passed the majority of the Bills on 21st and 23rd April 2026.

The following Tax Amendment Bills were passed by Parliament:

- a. Income Tax (Amendment) Bill, 2026
- b. Value Added Tax (Amendment) Bill, 2026
- c. Excise Duty (Amendment) Bill, 2026
- d. Tax Procedures Code (Amendment) Bill, 2026
- e. Stamp Duty (Amendment) Bill, 2026
- f. Lotteries and Gaming (Amendment) Bill, 2026
- g. External Trade (Amendment) Bill, 2026

These laws are pending Presidential Assent and, once assented to, will take effect from 1st July 2026. This alert provides a structured analysis of each Act, setting out the current law, the amendment made, its rationale, and its anticipated effect on taxpayers and the broader economy.

1. The Income Tax (Amendment) Act, 2026

The Income Tax (Amendment) Act, 2026 is the most comprehensive of the 2026 tax amendments. It introduces expanded withholding tax obligations, revised individual tax bands, new exemptions, and important definitional clarifications. Parliament notably rejected several proposals tabled by the Government, including a minimum tax on long-loss businesses and a tax on kyeyo (diaspora) remittances.

1.1 The Income Tax (Amendment) Act, 2026

Current Law	Under the Income Tax Act, Cap. 338, employees earning up to UGX 235,000 per month are exempt from Pay As You Earn (PAYE) income tax.
Amendment	The Act raises the monthly PAYE tax-free threshold from UGX 235,000 to UGX 335,000 per month.
Effect	Low-income earners, particularly those in the bottom wage bracket will retain more of their take-home pay. Employers will need to update their payroll systems to reflect the new threshold from 1st July 2026.

Rationale	The amendment is intended to ease the tax burden on low-income workers, improve disposable incomes at the lower end of the pay scale, and align the threshold with current economic realities and inflation. The previous threshold had not been revised for several years.
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1.2. Raised Individual Tax Rate Bands

Current Law	Individual resident taxpayers are subject to income tax on a progressive scale under Schedule 1 of the Income Tax Act. The previous tax-free annual threshold was UGX 2,820,000 (i.e., UGX 235,000 per month).
Amendment	<p>The Act introduces revised individual income tax bands as follows:</p> <ul style="list-style-type: none"> i. Income below/not exceeding UGX 4,020,000 per year- Nil (exempt) ii. Income exceeding UGX 4,020,000/= but not exceeding UGX 4,920,000/= per year -20% of the excess above UGX 4,020,000/= iii. Income exceeding UGX 4,920,000/= but not exceeding UGX 5,820,000/= per year - UGX 180,000 plus 25% of the excess above UGX 4,920,000/= iv. Income exceeding UGX 5,820,000/= but not exceeding UGX 120,000,000/= per year - UGX 405,000 plus 30% of the excess above UGX 5,820,000/= v. Above UGX 120,000,000/= per year – (a) UGX 405,000/= plus 30% of the amount by which chargeable income exceeds UGX 5,820,000/= and (b) where the income of an individual exceeds UGX 120,000,000/= an additional 10% charge on the amount by which chargeable income exceeds UGX 120,000,000.
Effect	Middle-income earners benefit from slight relief at the lower end of the scale. High-income earners (above UGX 120 million per annum) face an additional 10% surtax on income above that threshold, increasing the effective tax rate at the top.
Rationale	The restructured bands are designed to broaden the tax base gradually while maintaining the progressive nature of income taxation. The 10% top-up on high earners is intended to promote equity and capture additional revenue from the highest income segment.

1.3. Withholding Tax on Telecommunications Commissions

Current Law	Prior to this amendment, commissions paid to telecommunication retail agents, mobile network agents, and mobile money agents were not subject to a specific withholding tax under the Income Tax Act
Amendment	A 10% final withholding tax is introduced on commissions paid for telecommunication retail services, mobile network services, and mobile money services. This tax is final in nature, meaning no further income tax obligation arises for the recipient on this income.
Effect	Mobile money agents and telecom retailers will now have 10% withheld from commissions by the payer before payment. This may reduce take-home earnings for agents in the short term, but eliminates their obligation to file separate returns on this income stream.
Rationale	The rapidly expanding mobile money sector which processes billions of shillings in transactions annually has become a significant source of informal income. The Government seeks to formalise taxation of this sector and capture revenue at the point of payment rather than relying on self-assessment.

1.4. Withholding Tax on Betting and Gaming Winnings

Current Law	Under the principal Income Tax Act, there is no specific income tax withholding obligation imposed directly on payers of betting or gaming winnings to winners.
Amendment	A 15% withholding tax is introduced on net winnings (i.e., the amount received less the stake placed) from betting or gaming activities. The withholding obligation falls on the operator making the payout.
Effect	Betting and gaming businesses must now deduct and remit 15% of net winnings to URA. Winners will receive their payout net of this tax. Operators face new compliance and system obligations.
Rationale	The gaming and betting sector has grown significantly in Uganda. The Government seeks to ensure that economic gains realised by winners in this sector are subject to tax, consistent with the treatment of other forms of income.

1.5. Withholding Tax on Public Entertainers

Current Law	Payments to resident public entertainers (musicians, comedians, actors, sportspersons, etc.) were not subject to a specific withholding tax mechanism under the Act.
Amendment	A 6% withholding tax is introduced on payments made to resident public entertainers.
Effect	Event promoters and other persons who pay entertainers must now withhold 6% from such payments and remit to URA. Entertainment industry workers will receive net payments after deduction.
Rationale	The entertainment industry has seen substantial growth and significant income generation among artists and performers. Introducing a source-based withholding mechanism formalises taxation of this sector and reduces the risk of non-compliance with self-assessment obligations.

1.6. Withholding Tax on Interest Paid to Non-Resident Financial Institutions

Current Law	The principal Income Tax Act previously did not impose a specific withholding tax on interest payments made by resident companies on debentures widely issued outside Uganda or on loans from non-resident banks/financial institutions of a public character.
Amendment	A 5% withholding tax is introduced on the gross amount of interest paid by a resident company on: (a) widely issued debentures raised outside Uganda, or (b) loans from a bank or financial institution of a public character that is non-resident.
Effect	Resident companies with cross-border loan facilities from foreign banks or that issue debentures internationally will be required to withhold 5% on interest payments to those non-resident entities, increasing their administrative obligations and the effective cost of foreign borrowing.
Rationale	The amendment seeks to address base erosion by ensuring that interest paid abroad on cross-border financing arrangements is subject to Ugandan tax at source, in line with international tax norms and the OECD Base Erosion and Profit Shifting (BEPS) framework.

1.7. Royalties: The inclusion of Software and Digital Services Tax Interaction

Current Law	The definition of 'royalties' under the principal Income Tax Act did not expressly include software. Separately, a 5% Digital Services Tax (DST) applied to non-residents providing digital services in Uganda, including income attributable to royalties.
Amendment	The Act expands the definition of 'royalties' to expressly include software. Additionally, income attributable to royalties derived by a non-resident is excluded from the application of the Digital Services Tax and is instead subjected to a 15% withholding tax on the gross amount.
Effect	Non-resident software providers and IP licensors will now be subject to a 15% withholding tax on royalties (including software licensing fees) rather than the 5% DST. Uganda-based businesses licensing software from non-resident entities will bear withholding obligations.
Rationale	The amendment aligns the tax treatment of software with that of other intellectual property and ensures that royalties historically a significant profit-shifting tool are subject to a higher and more standardised withholding rate. It also clarifies the boundary between royalty income and digital services income.

1.8. Exemptions- Hotel & Tourism Facilities

Current Law	No specific income tax exemption existed for developers of hotel or tourism facilities under the Income Tax Act.
Amendment	An income tax exemption is introduced for investors who develop hotel or tourism facilities, subject to the following conditions: <ul style="list-style-type: none"> i. Minimum investment of USD 10 million (foreign investor) or USD 5 million (citizen investor), ii. At least 70% of raw materials sourced locally, iii. At least 70% of employees are citizens who collectively earn at least 70% of the total wage bill
Effect	Qualifying hotel and tourism facility investors will enjoy income tax relief on their investment, reducing the effective cost of capital and improving project viability. This may spur new investment in the hospitality sector.
Rationale	Tourism is a key economic pillar for Uganda. The exemption is designed to attract both foreign and domestic investment into high-value hospitality infrastructure, create jobs, and promote local sourcing, thereby generating multiplier effects for the wider economy.

1.9. Bujagali Hydropower Project - Extended Exemption

Current Law	The income of the Bujagali Hydropower Project was exempt from income tax under the Income Tax Act, with the exemption period previously running until 30 June 2025 (extended in 2025 to 30 June 2026).
Amendment	The Act extends the income tax exemption for the Bujagali Hydropower Project to 30th June 2030.
Effect	Bujagali Hydropower Project will continue to benefit from income tax relief, which feeds into the Power Purchase Agreement (PPA) calculations and potentially moderates electricity tariffs for consumers and manufacturers.
Rationale	Withdrawing the exemption would increase the tax burden on Bujagali, which could trigger renegotiation of the PPA and result in higher electricity tariffs for consumers and industry. Parliament retained this exemption to safeguard energy cost stability.

1.10. Rental Income: Monthly Provisional Returns

Current Law	Individuals subject to rental income tax were required to file provisional returns on a quarterly basis.
Amendment	The Act now allows an individual required to pay rental income to file provisional returns on a monthly basis rather than quarterly at their discretion.
Effect	Landlords who are required to file monthly may face increased compliance costs and administrative burden. However, it brings URA greater cash flow certainty and enables more timely detection of underpayments.
Rationale	Monthly filing aligns rental tax compliance with the same cycle as PAYE and VAT, enabling URA to monitor rental income more effectively and reduce the risk of year-end underpayments.

1.11. Key Provisions rejected by Parliament

Parliament rejected several proposals tabled by the Government in the Income Tax (Amendment) Bill, 2026, including:

- a. **Tax on Kyeyo (Diaspora) Remittances:** The Government proposed taxing income remitted to Uganda by citizens working abroad. Parliament rejected this proposal, citing the difficult working conditions of migrant workers particularly those in the Middle East and the social role remittances play in supporting Ugandan households.
- b. **Tax on Gains from Non-Business Asset Disposals:** A proposal to levy income tax on profits from selling personal non-business assets (such as land, jewellery, and personal items) was rejected.

- c. **Minimum Tax on Long-Loss Businesses:** The proposal to impose a 0.5% minimum tax on gross income of businesses that have carried forward losses for 7 or more years was deleted after Parliament expressed concern that such a measure taxed gross income rather than profit and could deter investment.

2. Value Added Tax (amendment) Act, 2026

The Value Added Tax (Amendment) Act, 2026 introduces significant reforms to the VAT registration framework, input tax credit rules, and the e-invoicing compliance ecosystem.

2.1. VAT Registration Threshold

Current Law	Under the Value Added Tax Act, Cap. 344, a person whose annual taxable turnover equals or exceeds UGX 150 million is required to register for VAT. This threshold had remained unchanged since 2015.
Amendment	Parliament raised the VAT registration threshold from UGX 150 million to UGX 300 million per annum.
Effect	Businesses with annual turnover below UGX 300 million will no longer be required to register for VAT, charge VAT on their supplies, or comply with VAT filing and accounting obligations. An estimated significant number of small traders and SMEs will fall below the new threshold.
Rationale	The threshold had not been revised since 2015 despite economic growth and inflation. The amendment reduces the compliance burden on small businesses, allows URA to focus enforcement resources on larger taxpayers, and better reflects the current economic environment.

2.2. VAT Exemption For E-Invoice/E-Receipt Holders (Withholding Relief)

Current Law	Under the principal VAT Act, VAT-designated persons (such as government agencies and large businesses) are required to withhold VAT from payments to VAT-registered suppliers and remit it directly to URA.
Amendment	VAT-designated persons who receive e-invoices or e-receipts from suppliers are exempted from the obligation to withhold VAT, on the basis that digital invoicing sufficiently documents and tracks the VAT obligation.
Effect	Businesses that fully adopt the e-invoicing system will face reduced compliance friction when dealing with government and large corporate customers. This is a meaningful incentive to migrate to e-invoicing platforms.

Rationale	The amendment recognises that e-invoices and e-receipts already mitigate the tax risk that VAT withholding is designed to address. Exempting e-invoice holders removes a duplicative administrative layer and incentivises adoption of digital invoicing.
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2.3. E-Receipt Incentive: Lower Qualifying Threshold

Current Law	Non-VAT registered persons who purchase goods or services from VAT-registered persons and are issued e-invoices/e-receipts are entitled to a refund of 5% of VAT paid, but only where purchases exceed UGX 5,000,000 within 30 consecutive days.
Amendment	The qualifying threshold for the e-receipt 5% VAT refund is lowered from UGX 5,000,000 to UGX 2,000,000 within 30 consecutive days.
Effect	More consumers and informal businesses can now benefit from the 5% VAT refund incentive, incentivising them to demand e-invoices and e-receipts from suppliers.
Rationale	Widening the pool of persons eligible for this incentive is designed to accelerate adoption of e-invoicing across the economy, improving VAT traceability and reducing tax leakage.

2.4. Input VAT Credit For Hotel and Tourism Developers

Current Law	No specific provision allowed hotel or tourism facility developers to claim input VAT credit for construction costs incurred prior to commissioning.
Amendment	Investors developing hotel or tourism facilities may now claim input VAT credit on construction materials, machinery, equipment, civil works, and related services incurred up to two years before the facility is commissioned. This applies to investments of at least USD 10 million (foreign) or USD 5 million (citizen).
Effect	Qualifying hotel and tourism developers will recover VAT on significant pre-operational expenditure, improving project cash flows and reducing the effective cost of development.
Rationale	Long construction timelines mean VAT on inputs accumulates as a sunk cost before any revenue is earned. Allowing pre-commissioning input tax credit addresses a structural cash-flow disadvantage and encourages investment in quality tourism infrastructure.

3. Excise Duty (Amendment) Act, 2026

The Excise Duty (Amendment) Act, 2026 revises excise duty rates on a range of goods and services under Schedule 2 to the Act. These changes are likely to be felt soonest in the market, as excise duty adjustments typically transmit quickly into consumer and business pricing.

3.1. Spirits

Current Law	Excise duty on imported un-denatured spirits with alcoholic strength below 80% by volume: 80% or UGX 1,700 per litre, whichever is higher.
Amendment	The specific duty component is increased: 80% or UGX 3,500 per litre, whichever is higher, an increase of UGX 1,800 per litre.
Effect	Importers and distributors of spirits will face significantly higher duty costs. This is likely to be passed on to consumers through higher retail prices.
Rationale	The higher specific duty is aimed at boosting revenue from alcohol imports, discouraging excessive alcohol consumption, and levelling the competitive playing field between imported and locally produced spirits.

3.2. Cement, Adhesives and Construction Materials

Current Law	Excise duty on cement, adhesives, grout, white cement, and lime: UGX 500 per 50 kg bag.
Amendment	Parliament passed an increase from UGX 500 to UGX 750 per 50 kg bag (the Government had originally proposed UGX 1,000 per bag, which was moderated by Parliament).
Effect	Construction costs particularly for housing and infrastructure projects will increase. Developers, contractors, and home builders will absorb or pass on higher costs.
Rationale	The construction sector has expanded significantly. The revised duty captures a share of that growth for the national revenue while moderating the magnitude of increase from the Government's original proposal to limit impact on affordable housing.

3.3. Petroleum Products (Fuel)

Current Law	Motor spirit (petrol): UGX 1,550 per litre. Gas oil (diesel): UGX 1,230 per litre.
Amendment	Motor spirit (petrol): UGX 1,750 per litre (increase of UGX 200). Gas oil (diesel): UGX 1,430 per litre (increase of UGX 200).

Effect	Fuel price increases will flow through the supply chain, increasing transport costs for goods, services, and commuting. This will contribute to inflationary pressure across the economy.
Rationale	Fuel excise duty is one of the most efficient revenue collection mechanisms given the volume of consumption.

3.4. Sugar

Current Law	Excise duty on cane or beet sugar and chemically pure sucrose in solid form: UGX 100 per kg.
Amendment	Excise duty on sugar: UGX 200 per kg (Parliament moderated the Government's proposal of UGX 300 per kg).
Effect	Sugar prices will increase at the retail level, affecting household budgets and food manufacturers that use sugar as an input (beverages, confectionery, bakeries).
Rationale	The sugar duty increase targets a widely consumed commodity to broaden the revenue base. Parliament's moderation of the rate reflects sensitivity to food affordability and cost-of-living concerns.

3.5. Plastics

Current Law	Excise duty on plastic sacks, bags, and single-use plastic items: 2.5% or USD 70 per tonne, whichever is higher.
Amendment	25% or USD 1,500 per tonne, whichever is higher Excise duty on: <ul style="list-style-type: none"> a. Sacks and bags of polymers of ethylene and other plastics except vacuum packaging bags for food, juices, tea and coffee sacks, and bags for direct use in the manufacture of sanitary pads; b. Disposable plastic cups, lids, plates, cutlery bags, sachets, bottles, straws and stirrers, cling films and wraps, Jars and lids, a tenfold increase in percentage terms.
Effect	Manufacturers and importers of plastic packaging will face substantially higher costs, which are likely to be passed on to consumers or incentivise a shift to alternative materials.
Rationale	The steep increase in plastics duty is consistent with Uganda's environmental policy goals to reduce plastic waste and pollution. The dramatic rate increase is intended to make plastic packaging economically uncompetitive relative to alternatives.

3.6. Cooking Oil and Cooking Fat

Current Law	No specific excise duty previously applied to cooking oil and cooking fat.
Amendment	A new excise duty of UGX 400 per litre is introduced on cooking oil and cooking fat.
Effect	The retail price of cooking oil, a household staple will increase. This will disproportionately affect lower-income households who spend a higher proportion of income on food.
Rationale	The Government seeks to capture excise revenue from a widely consumed product. However, given its status as a food staple, this amendment is likely to face scrutiny on equity grounds.

3.7. Motorcycle Registration

Current Law	The first registration excise duty on motorcycles was UGX 200,000.
Amendment	The first registration excise duty on motorcycles is increased to UGX 500,000.
Effect	New motorcycle owners including boda-boda riders and businesses will pay UGX 300,000 more at the point of first registration. This increases the upfront cost of entering the boda-boda industry.
Rationale	The motorcycle sector has expanded dramatically in Uganda. The higher registration fee captures revenue from a growing sector and may partly offset the cost of road safety, traffic management, and infrastructure use associated with high motorcycle volumes.

3.8. Paints, Varnishes and Lacquers

Current Law	No differential excise duty previously applied between imported and locally manufactured paints, varnishes, and lacquers.
Amendment	Imported paints, varnishes, and lacquers: 10% or 2000/= excise duty per liter, whichever is higher. Locally manufactured equivalents: 3% excise duty, creating a deliberate protective differential.
Effect	Imported paint products will become more expensive relative to locally manufactured alternatives. Domestic paint manufacturers gain a competitive price advantage, which may encourage local production.

Rationale	The differential tax treatment is a classic import-substitution policy designed to protect and grow Uganda's domestic manufacturing sector in line with the Government's 'Buy Uganda, Build Uganda' (BUBU) policy.
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4. Tax Procedures Code (Amendment) Act, 2026.

The Tax Procedures Code (Amendment) Act, 2026 introduces administrative reforms, including a landmark tax amnesty for historical liabilities, tightened EFD compliance penalties, and an adjustment to tax stamp penalties.

4.1. Historic Tax Amnesty

Current Law	The Tax Procedures Code previously provided for a waiver of penal tax and interest outstanding as at 30th June 2024, conditional on payment of the related principal tax by 30th June 2026.
Amendment	The Act introduces a sweeping tax amnesty, waiving all outstanding tax liabilities including principal tax, penal tax, and interest owed by taxpayers as at 30th June 2016 and still outstanding as at 1st July 2026. No condition of principal tax payment is imposed for this historical tranche.
Effect	Taxpayers with long-outstanding tax debts predating July 2016 will be fully discharged of those liabilities. URA's ledger will be cleaned of irrecoverable historical debts, enabling it to focus collection efforts on current obligations.
Rationale	Many historical tax debts are uncollectable due to dissolved businesses, untraceable taxpayers, or ledger reconciliation disputes. The amnesty cleans URA's books, restores taxpayer confidence, and creates a fresh compliance baseline for the reformed tax environment.

4.2. Penalties for Failure to Use EFDs/Issue E-Invoices

Current Law	The previous law did not specify a penal tax for taxpayers who failed to use an Electronic Fiscal Device (EFD) or issue e-invoices or e-receipts.
Amendment	A penal tax is introduced for specified taxpayers who fail to use an EFD or fail to issue an e-invoice or e-receipt: double the tax due on the goods or services, or UGX 200,000, whichever is higher.

Effect	Businesses required to use EFDs or issue e-invoices will face financial penalties for non-compliance. This strengthens the enforcement of Uganda's digital tax documentation framework.
Rationale	E-invoicing and EFD usage are central to URA's digital compliance strategy. Clear and calibrated penalties for non-compliance provide a credible deterrent and incentivise taxpayers to migrate fully to digital tax systems.

4.3. Reduction in Tax Stamp Penalty

Current Law	A person found in possession of goods that require tax stamps but do not bear them is liable to a penal tax of double the tax due or UGX 50,000,000, whichever is higher.
Amendment	The maximum fixed penalty is reduced from UGX 50,000,000 to UGX 2,000,000. The variable component (double the tax due) remains unchanged.
Effect	The significantly lower fixed penalty reduces the severity of punishment for smaller operators found with unstamped goods, making the penalty more proportionate to the scale of the violation.
Rationale	The original UGX 50 million penalty was criticised as disproportionately severe, particularly for small traders who may hold limited quantities of unstamped goods. The reduction better aligns the penalty with the principle of proportionality.

5. Stamp Duty (Amendment) Act, 2026.

The Stamp Duty (Amendment) Act, 2026 focuses on broadening compliance obligations for financial institutions, increasing the duty rate on property transfers, and introducing measures for motor vehicle transactions. Several proposals including increases in land transfer duty and motorcycle transfer duty were rejected by Parliament.

5.1. Transfer Duty Rate Increase

Current Law	Stamp duty on transfers of property (including land and other assets) is charged at 1.5% of the total consideration or value.
Amendment	The stamp duty rate on transfers is increased from 1.5% to 3% of the total value.
Effect	All property transfers including sale agreements, leases, and conveyances will attract double the previous stamp duty. This increases the transaction cost for buyers and sellers of real property and businesses.

Rationale	The revision brings the stamp duty rate more in line with comparable jurisdictions in the region and generates additional revenue from an underperforming duty head, without creating a new tax category.
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5.2. Stamp Duty on Motor Vehicle Transfers

Current Law	No specific stamp duty rate existed for the registration or transfer of motor vehicles, tricycles, or quadricycles under the Stamp Duty Act.
Amendment	A fixed stamp duty is introduced on the registration or transfer of motor vehicles: UGX 50,000 for motorcycles, tricycles, or quadricycles; and UGX 200,000 for any other motor vehicle.
Effect	Buyers and sellers of motor vehicles will now pay stamp duty at fixed rates on each transfer or registration. This creates a new compliance step in the vehicle transaction process.
Rationale	Formalising stamp duty on motor vehicles creates a revenue stream from a high-volume transaction category while also providing a traceability mechanism for vehicle ownership changes.

5.3. Monthly Returns for Financial Institutions

Current Law	Banks and microfinance institutions had no specific obligation to file monthly stamp duty returns under the principal Stamp Duty Act.
Amendment	Financial service providers (including banks and microfinance institutions) must now file monthly returns of stamp duty collected on instruments. Failure to file attracts a penalty of 2% simple interest per month on the duty payable for every month of continuing default.
Effect	Financial institutions must establish systems to track and report stamp duty on a monthly basis. Failure to do so results in an automatic interest penalty, increasing compliance costs for defaulters.
Rationale	Monthly reporting aligns stamp duty administration with other taxes and enables URA to monitor financial sector compliance more effectively, reducing the risk of underpayment or late payment of stamp duty.

5.4. Record Retention

Current Law	The principal Stamp Duty Act did not previously specify a retention period for records relating to stamp-dutiable transactions.
Amendment	A five-year record retention period is introduced for all documents relating to stamp-dutiable transactions.
Effect	Taxpayers involved in stamp-dutiable transactions must retain relevant records for at least five years, consistent with the general retention requirement under the Tax Procedures Code.
Rationale	A defined retention period is necessary for effective audit and compliance verification by URA. The five-year period is consistent with the general tax records retention obligation and international practice.

6. Lotteries and Gaming (Amendment) Act, 2026

The Lotteries and Gaming (Amendment) Act, 2026 harmonises the tax treatment of all gambling activities under a single unified rate and introduces definitional clarity to reduce disputes in the sector.

6.1. Unified Gaming Tax Rate

Current Law	Under the Lotteries and Gaming Act, different tax rates applied to different gambling activities: betting winnings (payouts) were taxed at 20%, while gaming winnings were taxed at 30%. This created differential treatment of similar activities.
Amendment	A single unified gaming tax rate of 30% is introduced across all betting and gaming activities. A formal definition of 'payouts' is introduced: payouts are the amounts returned to players after deducting the operator's margin. Tax is calculated as total stakes received minus payouts made during the tax period.
Effect	Betting operators that previously paid 20% will now pay 30%, a significant increase. All gambling operators now face the same rate, eliminating rate arbitrage between different licence categories. The definition of 'payouts' provides clarity and reduces the risk of disputes with URA.
Rationale	The previous dual-rate system created inconsistency and administrative complexity. Harmonising at 30% simplifies enforcement, eliminates structural inequality between operators, and aligns with the separate 15% withholding tax on player winnings introduced by the Income Tax (Amendment) Act.

7. External Trade (Amendment) Act, 2026

The External Trade (Amendment) Act, 2026 introduces an environmental levy on imported second hand clothing (commonly known as 'mivumba') and provides exemptions on certain essential imports.

7.1. Environmental Levy on Secondment Clothing (Mivumba)

Current Law	Second hand clothing was previously subject to import duty at standard rates under the East African Community Common External Tariff, with no specific environmental levy.
Amendment	A 30% environmental levy is introduced on the Cost, Insurance, and Freight (CIF) value of imported second hand clothes and other worn articles.
Effect	Importers of mivumba will pay a substantial additional levy on each consignment. Retail prices for second hand clothing which serves as an affordable clothing option for lower-income Ugandans are likely to rise significantly.
Rationale	Second hand clothing imports generate significant volumes of waste and have been linked to environmental degradation in landfills and water bodies. The levy is also intended to protect and promote Uganda's domestic textile and garment manufacturing sector, consistent with regional and continental industrialisation policy.

7.2. Exemptions on Essential Imports

Current Law	Vaccines, medicines, medical supplies, pesticides, rodenticides, acaricides, and insecticides were previously subject to the infrastructure levy (1.5%) and the import declaration fee (1%) on importation.
Amendment	The Act exempts these essential imports vaccines, medicines, medical supplies, pesticides, rodenticides, acaricides, and insecticides from both the infrastructure levy and the import declaration fee.
Effect	Healthcare providers, pharmaceutical importers, and agricultural input suppliers will face lower import costs, potentially reducing the cost of medicines and crop protection products.
Rationale	Reducing the cost of essential health and agricultural inputs supports public health outcomes and agricultural productivity both priority areas of the National Development Plan. The exemption removes a cost layer on goods where affordability and accessibility are policy imperatives.

8. Summary Overview of Key Amendments

Amendment	Current Position	New Position
PAYE Threshold	UGX 235,000/month	UGX 335,000/month
VAT Registration Threshold	UGX 150 million/year	UGX 300 million/year
Telecom Commission WHT	None	10% (final)
Betting Winnings WHT	None	15% on net winnings
Public Entertainers WHT	None	6%
Cross-border Interest WHT	None	5% on gross interest
Royalties — Software	Not included	Expressly included; 15% WHT
Transfer Stamp Duty	1.5% of value	3% of value
Gaming Tax Rate	20% betting / 30% gaming	30% (unified)
Mivumba Levy	Standard import duty	30% environmental levy on CIF
Fuel (Petrol)	UGX 1,550/litre	UGX 1,750/litre
Fuel (Diesel)	UGX 1,230/litre	UGX 1,430/litre
Cement Excise Duty	UGX 500/50kg bag	UGX 750/50kg bag
Sugar Excise Duty	UGX 100/kg	UGX 200/kg
Cooking Oil	Nil	UGX 400/litre
Plastics	2.5% or USD 70/tonne	25% or USD 1,500/tonne
Motorcycle Registration	UGX 200,000	UGX 500,000
Historical Tax Amnesty	Waiver: pre-June 2024 arrears	Full waiver: all arrears pre-June 2016

9. Conclusion

The 2026 Tax Amendment Acts represent a significant and wide-reaching set of fiscal reforms. Taken together, they expand the tax base, strengthen collection at source, digitalise compliance infrastructure, promote targeted investment, and protect Uganda's environment. The package also demonstrates Parliament's willingness to moderate executive proposals where they risk investor confidence or disproportionately burden lower-income Ugandans.

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