



TAX & REGULATORY ALERT

**What Tax Payers Need to Know About PAYE,
Following Presidential Assent.**

August 2026

The 2026/2027 financial year commenced on 1st July 2026 with several amendments to Uganda's tax laws. While most of the tax amendment Bills were assented to before the commencement of the new financial year, the **Income Tax (Amendment) Bill, 2026** and the **Excise Duty (Amendment) Bill, 2026** took a different legislative path.

Both Bills had been passed by Parliament but were returned by H.E. the President for reconsideration. Parliament subsequently reconsidered the President's recommendations and passed the Bills with the proposed changes. The President has now assented to both amendments, bringing the two Acts into force with effect from **1st July 2026**.

This update highlights the significance of the delayed assent, the changes arising from the reconsideration process, and, particularly, what employers should do in relation to **July and August 2026 PAYE**.

1. What happened to the Income Tax and Excise Duty Amendment Bills?

The Income Tax and Excise Duty Amendment Bills were among the tax measures passed by Parliament for the 2026/2027 financial year. However, on 14th July 2026, the President declined to assent to the two Bills and returned them to Parliament for reconsideration. The President's concerns principally related to two measures.

i. Income Tax Amendment Bill- taxation of gaming and betting winnings

Parliament had approved a **15% withholding tax on betting and gaming winnings**, but the Bill as passed contained an exemption for winnings from land-based casinos licensed under the Lotteries and Gaming Act. The President objected to this exemption on the basis that it could create unequal tax treatment between businesses conducting substantially similar activities and create opportunities for tax avoidance and revenue leakage.

Parliament subsequently accepted the President's recommendation. The exemption for winnings from land-based casinos was removed, meaning that winnings from land-based casinos are now subject to the withholding tax regime applicable to betting and gaming winnings.

ii. Excise Duty Amendment Bill- single-use plastics

Parliament had initially approved an increase in excise duty on single-use plastics from **2.5% or USD 70 per tonne, whichever is higher, to 25% or USD 1,500 per tonne, whichever is higher**. The President objected to the proposed increase, citing concerns about its potential impact on production costs, investment, employment and the competitiveness of local manufacturers.

Parliament accepted the President's recommendation and retained the lower rate of **2.5% or USD 70 per tonne, whichever is higher**. Accordingly, the significant 25%/USD

1,500 per tonne increase that had previously been passed by Parliament does not form part of the final law.

2. The Income Tax Amendment Act is now law- and it applies from 1st July 2026

The Income Tax (Amendment) Act, 2026 was assented to on **20th August 2026**. Although assent occurred in August, the Act expressly commenced on **1st July 2026**. This is particularly significant for employers, withholding agents and other taxpayers who have already undertaken transactions or filed returns for the period beginning 1st July 2026. The delayed assent does not change the statutory commencement date. Taxpayers should therefore not treat 20th August 2026 as the date from which the amended Income Tax provisions begin to apply.

3. PAYE: What has changed?

One of the most significant changes under the Income Tax (Amendment) Act, 2026 concerns the PAYE bands applicable to resident individuals. The tax-free monthly threshold has increased from **UGX 235,000 to UGX 335,000**. The amendments therefore provide some PAYE relief to employees, particularly those whose income falls within the lower- and middle-income bands.

The new annual bands for resident individuals are broadly as follows:

Annual Chargeable Income	Rate
Upto UGX 4,020,000	NIL
Above UGX 4,020,000 but not exceeding UGX 4,920,000	20% of excess over 4,020,000
Above 4,920,000 but not exceeding UGX 5,820,000	UGX 180,000 + 25% excess over UGX 4,920,000
Above UGX 5,820,000 but not exceeding UGX 120,000,000	UGX 405,000 + 30% of excess over UGX 5,820,000
Above UGX 120,000,000	a. UGX 405,000 + 30% of excess over UGX 5,820,000 b. an additional 10% on excess of UGX 120,000,000

4. The critical question: How should employers handle July and August 2026 PAYE?

This is likely to be the most immediate compliance issue for employers. Because the Income Tax (Amendment) Act, 2026 commenced on **1st July 2026**, the new PAYE rates apply to employment income arising from that date. The fact that the President assented to the Act on 20th August 2026 does not, in itself, postpone the statutory commencement date.

a. Employers who calculated July PAYE using the old rates

Employers who processed their July payroll using the pre-amendment PAYE bands should re-run their July payroll using the new rates. Where the recalculation results in a lower PAYE liability than the amount originally withheld, the employer should reconcile the difference and take the necessary steps to correct the July PAYE return and tax position with the Uganda Revenue Authority. In practical terms, employers should:

1. Recalculate July 2026 PAYE using the new statutory rates.
2. Compare the recalculated liability with the amount already withheld and/or remitted.
3. Identify any PAYE over-withheld from employees.
4. Review the appropriate mechanism for amending the July PAYE return on the URA system.
5. Reconcile any resulting credit or overpayment with URA.
6. Maintain payroll records demonstrating the basis of the recalculation and reconciliation.

Employers should also consider how any over-withheld amount is to be reflected in subsequent payroll processing, so that employees ultimately receive the benefit of the reduction in PAYE.

b. What about August 2026 PAYE?

August payroll should be processed using the new PAYE rates because the amended law is now in force and has a commencement date of 1st July 2026. Employers should therefore not continue applying the old PAYE bands merely because the Income Tax Amendment Act was assented to in August.

A note of caution on URA's transitional treatment

At the time of this publication, URA had issued a public notice confirming 1st July as the new PAYE rates' commencement date but no practice notes expressly prescribing the procedure for correcting July PAYE following the delayed assent of the Income Tax (Amendment) Act, 2026.

The position remains that PAYE returns are due by the 15th day of the following month. However, the specific transitional mechanics for a July return already filed using the previous rates should be confirmed against the URA portal and any subsequent administrative guidance issued by URA. Employers should therefore not simply make an additional payment or adjust employee payroll records without first reconciling the PAYE return position. Importantly, as at the time of this publication, the PAYE rates and calculations available on the URA portal remained unchanged and continued to reflect the previous PAYE rates. This creates a practical uncertainty for employers, particularly those seeking to apply the new rates retrospectively to July payroll. Employers are therefore advised to reconcile their July PAYE position and monitor the URA portal and further guidance from URA on the appropriate procedure for making any necessary adjustments.

5. What should employers do now?

Employers should urgently undertake a payroll and PAYE compliance review covering the period from 1st July 2026. Below are our recommended actions:

1. Review July payroll. Determine whether the old or new PAYE rates were used.
2. Recalculate July PAYE. Apply the new statutory bands and determine the correct PAYE liability for each affected employee.
3. Review the July PAYE return. Where the return was based on the old rates, establish whether an amended return is required and how any resulting overpayment should be treated on the URA system.
4. Process August payroll using the new rates.
5. Update payroll systems. Payroll software, spreadsheets and internal tax computation templates should be updated to reflect the amended rates.
6. Communicate with employees. Employees whose PAYE liability has reduced should be informed where appropriate, particularly where the employer is undertaking a retrospective reconciliation for July.
7. Retain supporting documentation. Employers should keep the original payroll, revised payroll, PAYE computations, amended return and evidence of any reconciliation with URA.

6. What does the Excise Duty Amendment Act mean for taxpayers?

The Excise Duty (Amendment) Act, 2026 also now forms part of the tax regime applicable from 1st July 2026. The most notable development arising from the reconsideration process concerns single-use plastics. The previously approved increase to **25% or USD 1,500 per tonne, whichever is higher**, was not retained. Instead, the applicable rate remains at **2.5% or USD 70 per tonne, whichever is higher**.

Businesses involved in the manufacture, importation or supply of affected excisable products should therefore ensure that their pricing, invoicing, tax computations and compliance systems reflect the final enacted position rather than the rate contained in the earlier Parliamentary version of the Bill.

7. Our View

For employers, the immediate issue is more practical. The Income Tax Amendment Act has been enacted with a 1st July 2026 commencement date. Employers should therefore revisit their July payroll rather than assuming that the law only became applicable on the date of Presidential assent. The July PAYE position should be reconciled promptly, while August payroll should be processed using the new statutory rates.

Employers should also exercise caution where a July PAYE return has already been filed. The appropriate correction and treatment of any resulting overpayment should be aligned with the URA system and any administrative guidance issued by URA.

We will continue to monitor implementation of the 2026/2027 tax amendments and any guidance issued by the Uganda Revenue Authority, particularly on the transitional treatment of PAYE for July 2026.

Disclaimer

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Should you require further information or assistance with reviewing your payroll, tax computations or compliance position, do not hesitate to contact our Tax Advisory team.



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