

**PARLIAMENT OF UGANDA**



**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND  
ECONOMIC DEVELOPMENT ON THE INCOME TAX  
(AMENDMENT) BILL, 2026**

Office of the Clerk to Parliament

11<sup>th</sup> Parliament

April, 2026

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## 1.0 INTRODUCTION

The Income Tax (Amendment) Bill, 2026 was read for the first time on Wednesday, 1<sup>st</sup> April 2026 by the State Minister responsible for Finance, Planning and Economic Development (General Duties). The Minister also laid a certificate of financial implications indicating that the expected revenue gain is Shs. 178 billion annually.

The Committee scrutinised the Bill in accordance with Rule 135 (2), (3) and (4) of the Rules of Procedure and now begs to report.

## 2.0 OBJECT OF THE BILL

The object of the Bill is to amend the Income Tax Act, Cap. 338, to:

- i. provide for withholding tax on interest paid by a resident company to a foreign financial institution;
- ii. provide for withholding tax on commissions paid for telecommunication retail services, mobile network services or provision of mobile money services;
- iii. provide for withholding tax on winnings under gaming or betting;
- iv. provide for withholding tax on payment for the purchase of non-business assets;
- v. provide for withholding tax on payments to public entertainers;
- vi. exempt the income of the Bujagali Hydro Power Project from tax;
- vii. exempt the income of a developer of a hotel or tourism facility from tax;
- viii. amend Schedule 2 to provide for the Arab Bank for Economic Development in Africa (BADEA) and the Uganda Red Cross Society as a listed institution; and
- ix. amend Schedule 4 to the Act to revise certain tax rates.

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### 3.0 METHODOLOGY

In considering the Income Tax (Amendment) Bill, 2026, the Committee adopted the following methods;

#### 3.1 Meetings

The Committee held meetings and received written memoranda from the following entities:

- i. Ministry of Finance, Planning and Economic Development (MoFPED);
- ii. Uganda Revenue Authority (URA);
- iii. Private Sector Foundation Uganda (PSFU);
- iv. Uganda Manufacturers Association (UMA);
- v. PricewaterhouseCoopers (PwC);
- vi. Institute of Certified Public Accounts of Uganda (ICPA-U);
- vii. Uganda Bankers' Association;
- viii. Tax Justice Alliance Uganda;
- ix. Uganda National Traders Alliance;
- x. Uganda Manufacturers Association;
- xi. Institute of Certified Public Accountants of Uganda;
- xii. Kampala City Traders Association;
- xiii. Uganda Hotel Owners' Association;
- xiv. Civil Society Budget Advocacy Group;
- xv. Uganda Insurers Association;
- xvi. Uganda Gaming Operators Association; and
- xvii. Uganda Gaming and Betting Alliance.

#### 3.2 Document review

The Committee reviewed and made reference to the following documents;

- i. The Income Tax Act, Cap. 338; and
- ii. The Income Tax (Amendment) Bill, 2026 –Explanatory Notes.

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## 4.0 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

### 4.1 Inclusion of software in royalty

Clause 2 of the Bill seeks to amend Section 2 of the Income Tax Act Cap. 338 to provide for “software” in the definition of the word “royalty”. The proposed amendment thus indicates that software is now explicitly royalties, attracting withholding tax.

The Ministry informed the Committee that the amendment aligns Uganda’s tax treatment with international standards, including the EAC Treaty and the UN Model Tax Convention which treat software payments as royalties in order to allow countries which import software to tax the payments on gross basis.

*The Committee observed that software is a key service paid for under cross border services in a globalised economy. Software can be imported either embedded in a physical device or accessed digitally. The proposed amendment seeks to expand the tax base to include both categories.*

***The Committee recommends that Clause 2 be adopted.***

### 4.2 Disposal of non-business asset

Clause 3 of the Bill seeks to include income derived from the disposal of a non-business asset as property income. Section 20 of the Income Tax Act provides for the different types of property income. This means that when one disposes a non-business asset, the person purchasing the non-business asset will be required to withhold 6% of the gross payment as proposed under Clause 13 of the Bill.

The Committee learnt that the amendment ensures that income from the sale of non-business assets such as land, jewellery, shares and precious metals is recognised as taxable income under the Act. It is necessary to support the proposed withholding tax in clause 13 of the Bill on such transactions, since the income must first form part of gross income to be chargeable to tax. Currently, capital gains tax mainly applies to business assets, with gains taxed as part of business income. Non-business assets

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are largely outside this framework, creating a gap in the tax system. The proposal addresses this gap by bringing non-business asset disposals into the tax base.

*The Committee observed that:*

- i. the term “non-business asset” is not defined in the Bill leaving it to wide interpretation. There is need to specify what a non-business asset is other than defining it by way of exclusion from a business asset. A business asset is defined under Section 2 of the Act to mean an asset which is used or held ready for use in a business, and includes any asset held for sale in a business and any asset of a partnership or company;*
- ii. implementation of this tax may face considerable challenges as it is difficult to determine when one sells a non-business asset;*
- iii. the traceability of transactions involving non-business assets such as unregistered land, jewellery, among others will be difficult thereby complicating administration of such a tax;*
- iv. there is need to consider the purpose of sale of a non-business asset as the imposition of withholding of tax may not enable citizens to achieve the intended purpose of sale; and*
- v. a tax payer who for different reasons sells land below the market value will incur a tax obligation which ordinarily should not exist.*

***The Committee recommends that Clause 3 of the Bill be deleted.***

#### **4.3 Exemption of Bujagali hydropower project**

Clause 4 (a) (i) of the Bill seeks to amend section 21(1) (ab) to extend the exemption of the income of Bujagali hydro power project by six years from 30<sup>th</sup> June 2026 to 30<sup>th</sup> June 2032.

The Ministry indicated that the exemption in the current law is set to expire on 30<sup>th</sup> June 2026. The proposed extension is based on the structure of the Bujagali agreement, where corporate income tax is built

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in the electricity tariff. If tax is imposed, the tariff will automatically increase to cover the tax cost. This means that taxing the project would lead to higher electricity prices for consumers rather than generating real net revenue for Government.

In 2025, the Committee on Finance recommended in its report that Bujagali Hydro Power project be exempted from Income Tax for a seven-year period as proposed in the Bill to be consistent with the power purchase agreement which runs up to 2032. On 14<sup>th</sup> May 2025, Parliament debated the Income Tax (Amendment) Bill, 2025 and rejected the Committee's seven-year recommendation and instead gave Bujagali a one-year exemption ending 30<sup>th</sup> June 2026.

*The Committee observed that;*

- i. in 2017, the Bujagali generation tariff was at US\$ 13 Cents which was so high. The Government in a renegotiation offered to waive corporate income tax for five years in exchange for a reduction of the generation tariff to US\$ 8.3 Cents. The Bujagali generation tariff as at March 2026 was \$6.34 cents/KWh with a dispatch of 84.1%;*
- ii. if the amendment is rejected, income tax according to the renegotiated power purchase agreement shall automatically pass through into the tariff at a cost ranging between US\$1.8 – 2.0 Cents/KWh; and*
- iii. the proposed amendment seeking to give a waiver to Bujagali up to 2032 implies that after 2031, the tariff applicable shall only be between US\$4.5 - 4.7 Cents/KWh (lower than the current tariff of Isimba and Karuma).*

**The Committee recommends that Clause 4(a) (i) of the Bill be adopted.**

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#### 4.4 Correction of typographical error

Clause 4(a)(ii) seeks to correct a typographical error under Section 21(1) (ae)(vii) of Cap. 338. The section provides a tax exemption for income derived from specific manufacturing activities, specifically: "*manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for* diapers. The proposed amendment is to delete the word "for".

The Committee observes that the proposed amendment is a correction or clarification intended to correct technical or clerical errors in this section.

***The Committee recommends that Clause 4(a)(ii) be adopted.***

#### 4.5 Exemption of income of a developer of a hotel or tourism facility

Clause 4(a)(iii) of the Bill seeks to amend Section 21 of the Income Tax Act by inserting in subsection (1) a new paragraph (ah). The proposal intends to exempt a hotel or tourism facility developer from tax subject to the conditions specified in the provision. In order for a hotel or tourism facility developer to benefit from the exemptions the following must be in place;

- i. the investment capital should be at least ten million United States Dollars, in the case of foreigner or five million United States Dollars, in the case of a citizen;
- ii. subject to availability, the developer should use at least seventy percent of locally sourced raw materials;
- iii. the developer should employ at least seventy percent of its employees who are citizens earning an aggregate wage of at least seventy percent of the total wage bill.

According to the Ministry, this measure is designed to attract investment in high quality hotels, create jobs, and support Uganda's tourism sector.

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It also aligns with the Government's ten-fold growth strategy, especially in promoting ATMS (agro-industrialisation, tourism, minerals as well as science and technology).

The Committee observes that;

- i. the amendment will promote investment in the tourism industry in Uganda;
- ii. the minimum threshold for investments by citizens set at US\$ 5 million is so high for a typical Ugandan developer to mobilise financing and deliver the project on the time prescribed in the Bill;
- iii. whereas the Ministry did not propose a timeline for implementation of the project under the Income Tax (Amendment) Bill, 2026, the Committee found that most hotel construction projects take an average of five years to be completed and as such, there is need to prescribe a timeline for the proposed exemption;
- iv. to ensure that Ugandan developers benefit from this amendment, the investment capital should be reduced to US\$ 1,500,000 for citizens; and
- v. the requirements under the proposal for the developer to use locally sourced raw materials and employment of citizens promotes local content and assures citizens of employment opportunities.

**The Committee recommends that Clause 4(a)(iii) of the Bill be passed with an amendment to reduce the threshold to US\$1,500,000 and include a period of five years within which a beneficiary must have completed setting up the facility.**

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#### 4.6 Infrastructure bond

Clause 4(b) of the Bill intends to amend Section 21(7) to change the definition of infrastructure bond to include all bonds as opposed to only listed bonds.

The Finance Ministry stated that the key change is that the bond will no longer need to be listed on a stock exchange to qualify. Currently, this requirement limits how Government can raise funds and creates uncertainty. By removing the listing requirement, the proposal makes it easier for Government to mobilise financing and allows these bonds to be traded more freely, even outside the stock exchange.

*The Committee observed that the inclusion of all bonds will make it easier for Government to mobilise financing.*

***The Committee recommends that Clause 4(b) be adopted.***

#### 4.7 Allowable deduction for bad debt

Clause 5 seeks to amend section 24 to allow micro finance deposit taking institution or tier 4 microfinance institutions to claim deductions for bad debts just like other financial institutions. According to the Ministry, this amendment allows microfinance and tier 4 institutions to claim deductions for bad debts and provisions for bad debts made in accordance with financial regulatory requirements. Currently, the law permits such deductions for supervised financial institutions, but does not extend the same treatment to microfinance and tier 4 institutions. The proposed change aligns the tax treatment of microfinance institutions with that of other regulated financial institutions. It ensures fairness and recognises the similar regulatory obligations they face.

That microfinance deposit taking institutions and tier 4 microfinance institutions are relevant in Uganda and serve as primary access points for

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underserved, rural and informal sectors and as such they should be allowed to claim under this section.

**The Committee recommends that Clause 5 be adopted.**

#### **4.8 Deduction of interest incurred on debt obligations**

Clause 6 of the Bill seeks to amend Section 25 of the Act to include the definition of "dormant" and amend the definition of "group" and "tax earnings before interest, tax, depreciation and amortisation". The definition of group is proposed to include a person other than an individual *with at least fifty-one percent of the common underlying ownership and excludes a member of the group that is dormant*. The definition of tax earnings before interest, tax, depreciation and amortisation is proposed as the sum of gross income less allowable deductions *other than brought forward losses*.

The Ministry stated that this proposal intends to simplify and clarify how interest expenses are treated for tax purposes. First, the proposal defines a "dormant" company as one that is not doing business and has no financial activity in a year. Such companies will be ignored when applying the rules. Second, it defines a "group" as companies that are at least 51% interest of the common underlying ownership. Only active companies are included. This makes it clearer which businesses are treated as related. Third, it explains how to calculate EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) which is a measure of business performance. It focuses only on current year income and expenses and excludes old losses brought forward from previous years.

The Committee was further informed that under the current law, companies that are members of a group can deduct interest on loans, but this is limited to 30% of EBITDA if the company is part of a group. This rule prevents group companies from using too much borrowing to reduce their tax. This is something they are able to do by virtue of being in a group.

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*The Committee observed that;*

- i. amending the definition simplifies the application of the 30% interest limitation rule by excluding dormant companies that have no real economic activity from the group calculation making the rule easier to apply; and*
- ii. it reduces unnecessary compliance burden on genuine companies which have not had no real economic activity in a year.*

***The Committee recommends that Clause 6 of the Bill be adopted.***

#### **4.9 Expenditure incurred by a person in acquiring farm works**

Clause 7 of the Bill seeks to amend section 34 of the Act. It is to the effect that expenditure incurred by a person in acquiring farm works is included in the person's pool for **class 3** assets in the year of income in which the expenditure is incurred and depreciated accordingly under section 27.

Under the Income Tax (Amendment) Act, 2021, the class of assets under the principal Act was amended from class 4 to class 3. Section 27(2) provides that depreciable assets are classified into three classes as set out in Part I of Schedule 7 to the principal Act with depreciation rates applicable for each class as specified in that Part.

The Ministry indicated that this change is needed because the law was amended in July 2021 to reduce asset categories from four classes to three. As a result, class 4 no longer exists. The amendment simply updates the law to reflect the current classification system and avoids confusion when applying the rules.

*The Committee observes that the continued reflection of class 4 assets in the principal Act which no longer exist poses challenges during tax administration.*

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**The Committee recommends that Clause 7 be adopted.**

#### **4.10 Carry forward losses**

Clause 8 of the Bill seeks to amend Section 36 of the Act to introduce a minimum tax on carry forward losses. Currently, a tax payer who, after a period of seven years of income, carries forward assessed losses is only allowed a deduction of 50% of the loss carried forward in the following year of income and the subsequent years of income in determining the tax payer's chargeable income.

The proposed amendment is to the effect that a tax payer who, after a period of seven years of income carries forward assessed losses, shall pay a tax at a rate of 0.5% on the gross income of the tax payer or the tax charged under section 4(1), whichever is higher.

The Ministry informed the Committee that currently, the law limits the use of carried forward losses after seven years to 50%, but it does not impose any further consequence. As a result, some companies may continue reporting low or no taxable income for many years. The proposed amendment ensures that such businesses still make a minimum contribution to government revenue. Instead of paying no tax, they will pay at least 0.5% of their gross income. The proposed amendment ensures that such businesses still make a minimum contribution to government revenue. In simple terms, a company will either pay the normal tax of 30% on its profits or, if it continues to report losses, a small tax based on its turnover.

*The Committee observed that;*

- i. *if this amendment is applied across board, it may result into closure of several businesses since it is targeting to tax gross income as opposed to profit;*

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- ii. *where a company is genuinely incurring losses, it will be required to pay tax. Whereas the proposal is seeking to capture companies which are practicing tax planning through practices such as declaration of losses, some companies which are genuinely incurring losses will be disadvantaged; and*
- iii. *the amendment amounts to taxation of gross income as opposed to profits and therefore defeats the principle of income tax.*

**The Committee recommends that Clause 8 of the Bill be deleted.**

#### **4.11 Tax on international payments**

Clause 9 of the Bill seeks to amend Section 82 of the Act which exempts interest paid by a resident company in respect of debentures upon fulfilling the stated conditions. The amendment seeks to impose withholding tax on the gross amount of the interest paid in respect of debentures by a resident company. The interest is at the rate of 5% as proposed under Part V of Schedule 4 of this Act.

The Ministry stated that currently, when a Ugandan company borrows from a foreign bank or financial institution, it does not withhold tax on the interest it pays. This means that income earned from Uganda may go untaxed in Uganda. The amendment introduces a 5% withholding tax to ensure that this income contributes to Uganda's tax revenue, just like interest earned by financial institutions within the country.

*The Committee observed that the interest to be withheld is derived from income generated in Uganda and as such should be taxed within the Ugandan jurisdiction.*

**The Committee recommends that Clause 9 of the Bill be adopted.**

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#### 4.12 Taxation of non-residents providing digital services

Clause 10 of the Bill proposes to amend Section 86 of the Act by exempting the income attributable to royalties from taxation under taxation of non-residents providing digital services.

This means that a person who derives income from providing digital services in Uganda which service is attributable to royalties, the person will not pay tax under Section 86. This is because the person will be required to pay tax under Section 82. Section 82 provides for payment of tax on royalties. The definition of royalty is provided for under section 2 of the principal Act and the Bill proposes an amendment to that section to provide for software under royalties.

The Ministry stated that this amendment aligns with Clause 2 of the Bill, which includes "software" in the definition of royalties and software can be categorised as a digital service as such, double taxation is avoided.

*The Committee observed that the amendment intends to avoid double taxation by disapplying section 86 from income attributable to royalties.*

***The Committee recommends that Clause 10 be adopted.***

#### 4.13 Arm's length principle

Clause 11 of the Bill seeks to insert a new section 115A in the principal Act to provide for the arm's length principle in controlled transactions or a series of controlled transactions. "Controlled transaction" is defined in the Bill to mean transaction between associates.

According to the Ministry, the arm's length principle means that related parties must deal with each other as if they were independent, using market prices and terms. The amendment places a clear obligation on the taxpayer to demonstrate that their related party transactions meet this standard. Previously, some taxpayers relied on gaps in the law to avoid providing sufficient evidence, making it difficult for URA to assess whether transactions were fairly priced.

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*The Committee observed that the provision intends to require persons to account for controlled transactions. Section 116 only requires the Commissioner General to distribute, apportion or allocate income as well as deductions or credit between associates to reflect the chargeable income realised by the tax payer in an arm's length transaction.*

***The Committee recommends that Clause 11 be adopted.***

#### **4.14 Rental tax**

Clause 12 of the Bill seeks to amend section 124 of the Act to enable individual tax payers to furnish optional provisional returns of rental income on a monthly basis.

According to the Ministry, this allows individual rental taxpayers to file and pay rental tax on a monthly basis, if they choose to do so. Currently, individuals are required to declare and pay rental tax quarterly. The proposed amendment does not replace this system but introduces an optional alternative. Taxpayers may continue with quarterly filing where it is more convenient, or opt for monthly filing depending on their circumstances. This flexibility is intended to ease compliance by allowing taxpayers to align tax payments with their cash flows. The amendment applies only to individuals and does not extend to companies. Allowing monthly filing is also expected to reduce the build-up of large tax liabilities, as taxpayers can settle their obligations in smaller and more manageable amounts. This may improve compliance and reduce the risk of arrears.

*The Committee observes that since the proposed amendment is optional, it is giving tax payers an alternative of paying their tax and still ensuring compliance.*

***The Committee recommends that Clause 12 be adopted.***

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#### **4.15 Withholding tax by purchaser of asset**

Clause 13 of the Bill seeks to amend Section 130 of the Act which provides for withholding tax by purchaser of non-business asset. The proposal provides for the rate of a non-business asset which has been provided for under Clause 3 of the Bill. The proposed amendment seeks to provide for the withholding tax rate for purchases of a non-business asset as 6% of the gross payment as specified in Part X of Schedule 4.

*The Committee observed that Part X of Schedule 4 of the Act provides for a rate of 10% for purposes of section 130 (withholding tax for purchaser of an asset). The Committee recommended the deletion of Clause 3 of the Bill and as such this is a consequential amendment.*

***The Committee recommends that Clause 13 of the Bill be deleted following the deletion of Clause 3 of the Bill.***

#### **4.16 Withholding of tax on payments for winnings of betting or gaming**

Clause 14 of the Bill seeks to substitute section 131 to expound the provision for withholding of tax on payments for winnings of betting or gaming. The proposed amendment prescribes withholding tax on winnings at 15% under Part XI of Schedule 4 and defines winnings as the difference between the pay-out and the staked amount on the game or bet and further exempts winnings paid by a person licensed to conduct a National Lottery.

The Ministry stated that this amendment requires a betting or gaming company which pays out winnings from betting or gaming to withhold tax at a rate of 15%. "Winnings" are defined as the amount paid out to the player minus the amount they staked. This ensures that tax is applied only to the actual gain, not the total pay-out. Currently, withholding tax

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only applies to winnings from betting. This proposal extends withholding tax to gaming and defines what winnings are.

The proposal is expected to improve tax collection from the gaming sector, especially with the support of the Centralized Payment Gateway System, which enhances transparency and tracking of transactions.

*The Committee observed that;*

- i. the tax intends to include gaming which was not previously provided for;*
- ii. the definition of "winnings" provides clarity which will ease tax administration; and*
- iii. there is need to disapply withholding tax from winnings arising by playing card games and roulette.*

***The Committee recommends that Clause 14 be adopted with the proposed amendments.***

#### **4.17 Withholding tax on commission paid by telecommunications service providers**

Clause 15 of the Bill intends to substitute section 133 for withholding tax to apply to commission for telecommunication retail services and mobile network services and omits airtime distribution from the provision.

The Ministry informed the Committee that the proposed amendment expands this scope to include commissions earned by agents distributing other telecom products such as voice and data bundles. The tax is charged on the gross amount of the commission paid, making it easier to administer and enforce. The objective of this amendment is to widen the tax base and reduce tax avoidance within the telecommunications sector, where some commission income may not be fully declared. By extending withholding tax to a broader range of telecom services, the proposal aims to improve compliance and increase revenue collection.

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tax liability is imposed upon the tax payer in respect of the income to which the tax relates.

The Ministry informed the Committee that under the current law, withholding tax on insurance agents' commissions is creditable rather than final. This means that agents must still file tax returns and account for their income after the tax has been deducted. In practice, many insurance agents incur daily expenses that are informal and difficult to document, making accurate reporting challenging.

The proposed amendment simplifies this process by treating the 10% withholding tax as the final tax liability. This removes the need for further filing and reduces the administrative burden on agents.

*The Committee observed that;*

- i. *this is a consequential amendment arising from the amendment in section 130(3) and 133 which have been proposed for amendment in this Bill. Clause 17(a) (aa) in regard to section 130(3) was deleted as a consequential amendment from the deletion of clause 3 of the Bill; and*
- ii. *the amendment also seeks to include the payment of commission paid to an insurance agent as a final tax.*

***The Committee recommends that Clause 17 of the Bill be adopted with the proposed amendment.***

#### **4.20 Tax rate on income derived by resident individual from foreign source**

Clause 18 of the Bill seeks to provide for a new insertion of section 150A to provide that income derived by a resident individual from a foreign source shall be taxed at the same rate that applies to the same type of income sourced in Uganda.

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The Ministry informed the Committee that this reform aligns the treatment of foreign income with domestic income by taxing it according to its nature. Although Ugandan law already allows taxation of worldwide income for residents, enforcement has been limited due to difficulties in identifying such income. The adoption of Automatic Exchange of Information now enables Uganda to receive financial information from other countries, making it easier to detect income earned abroad.

*The Committee observed that the provision does not take into account cases where income was earned abroad based on tax exemption and bilateral international trade agreements.*

**The Committee recommends that Clause 18 be deleted.**

#### **4.21 Amendment of Schedule 2**

Clause 19 of the Bill seeks to amend Schedule 2 of the Act to provide for income tax exemption for the Arab Bank for Economic Development in Africa (BADEA) and Uganda Red Cross Society. Schedule 2 provides for listed institutions which are exempt from payment of Income Tax.

The Finance Ministry explained that the purpose of the amendment is to support development financing and humanitarian work. Exempting BADEA facilitates access to development funds, while exempting the Uganda Red Cross Society strengthens its ability to respond to emergencies and manage disasters.

*The Committee observed that the two entities are known for the purposes mentioned by MoFPED and as such should qualify for exemption.*

**The Committee recommends that Clause 19 of the Bill be adopted.**

#### **4.22 Amendment of Schedule 4**

##### **4.22.1 Pay as You Earn**

Clause 20(a) proposes to amend Schedule 4 by substituting Part I. Schedule 4 provides for rates of tax. Part 1 of Schedule 4 provides for rates of income tax for individuals.

The Finance Ministry informed the Committee that a key reform is the increase in the tax free threshold from UGX 2,820,000 per year to UGX 4,020,000 per year, equivalent to UGX 335,000 per month. The previous threshold, set in 2012, had not been adjusted for inflation, despite rising living costs. The purpose of this change is to reduce the tax burden on low income earners and improve fairness in the tax system. By raising the threshold, more individuals will either pay less tax or be removed from the tax net entirely. At the same time, the progressive structure ensures that higher income earners continue to contribute a larger share of tax revenue.

*The Committee observed that;*

- i. all salary bands stand to benefit from the proposed amendment;*
- ii. the tax free threshold has been increased from 235,000 per month to 335,000 per month moving low paid workers from the tax net entirely and providing meaningful disposal income; and*
- iii. it corrects the long standing erosion of tax free thresholds caused by inflation since 2012, restoring fairness for the lower segment of formal sector workers in line with Government's objective of protecting low income earners.*

***The Committee recommends that Clause 20(a) stands part of the Bill.***

#### **4.22.2 Withholding tax rates**

Clause 20(b) of the Bill proposes to amend the Income Tax Act in Schedule 4 by inserting Section 2A in Part V, to provide that the withholding tax rate on the interest paid by a resident company in

respect of debentures to a non-resident person under section 82 (5) is 5%.

Clause 20(c) of the Bill proposes to amend the Income Tax Act in Schedule 4 by inserting item 4 in Part X, to provide the withholding tax for section 130(3) as 6% of the gross payment.

Clause 20(d) of the Bill proposes to amend the Income Tax Act in Schedule 4 by substituting Part XI to provide withholding tax rate for winnings from betting or gaming as 15%.

Clause 20(e) proposes to amend the Income Tax Act in Schedule 4 by substituting Part XIII to provide for the rate of withholding tax on payment of commission paid by a telecommunications service provider for telecommunication retail services, mobile network services or provision of mobile money services at a rate of 10% of the gross amount of the payment.

Clause 20(f) provides for Part XVI which provides for withholding tax on payment made to a public entertainer of 6% of the gross payment.

*The Committee observed that;*

- i. the clause provides for withholding tax rates which have been provided for under the Bill; and*
- ii. clause 20 (c) should be deleted because it is a consequential amendment following deletion of clause 3.*

***The Committee recommends that Clause 20 of the Bill be adopted with the proposed amendments.***

## **5.0 CONCLUSION**

The Committee recommends that the Bill be passed subject to the proposed amendments.

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**PROPOSED AMENDMENTS TO THE INCOME TAX (AMENDMENT) BILL,  
2026**

**CLAUSE 3. AMENDMENT OF SECTION 20 OF PRINCIPAL ACT**

Delete clause 3.

**Justification**

- (i) Implementation of the tax will cause considerable administrative challenges as the traceability of transactions involving non-business assets will be difficult;
- (ii) Non-business assets are not used in trading or business and their disposal has no profit motive. Any gains from their disposal should therefore be exempt from tax;
- (iii) Further still, non-business assets are usually disposed of for personal reasons for instance payment of medical bills and these therefore should not constitute tax base.

**CLAUSE 4. AMENDMENT OF SECTION 21 OF PRINCIPAL ACT**

Clause 4 is amended in sub clause (a)(iii) by substituting for the word “five million United States Dollars”, the words “one million five hundred thousand United States Dollars”

**Justification**

To reduce the threshold for a citizen from five million United States Dollars to one million five hundred thousand United States Dollars.

**CLAUSE 8. AMENDMENT OF SECTION 36 OF PRINCIPAL ACT**

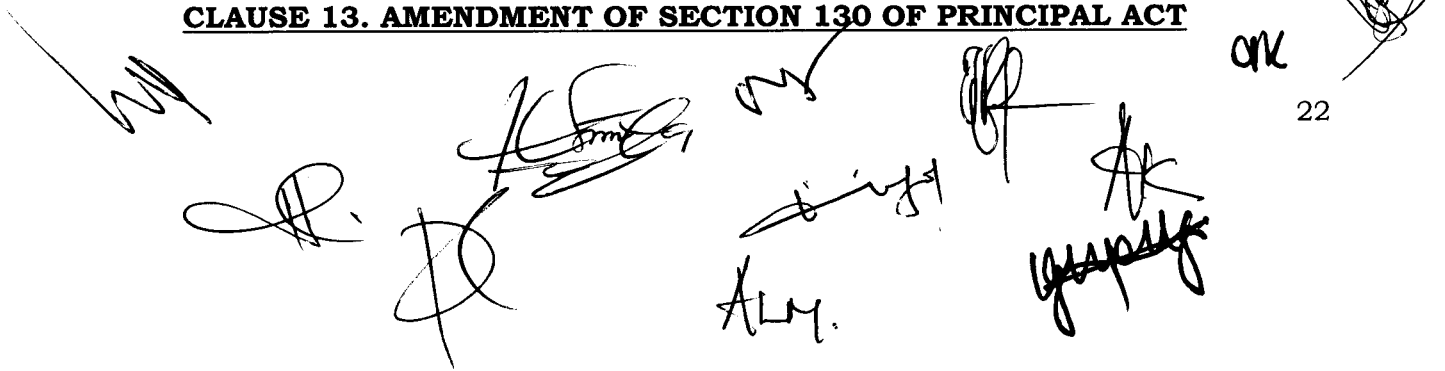
Delete clause 8.

**Justification**

- (i) The proposal contradicts the fundamental principal of taxing profits and not turn over;
- (ii) The proposal will make companies that are already making losses to face further financial strain and may lead to closure of businesses.

**CLAUSE 13. AMENDMENT OF SECTION 130 OF PRINCIPAL ACT**

OK



Delete clause 13.

**Justification**

To delete the proposal to tax non-business assets.

**CLAUSE 14. SUBSTITUTION OF SECTION 131 OF PRINCIPAL ACT**

Clause 14 is amended-

(a) in sub clause (2) by deleting the words “on the game or bet.”

(b) by inserting a new sub clause as follows-

“This section does not apply to winnings arising by playing card games an roulette.”

**Justification**

To disapply withholding tax from winnings arising by playing card games and roulette.

**CLAUSE 16. INSERTION OF SECTION 135B TO PRINCIPAL ACT**

Clause 16 is amended by numbering the existing clause as (1) and inserting a new sub clause as follows-

“For the purposes of this section, “Public entertainer” means 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.

**Justification**

To provide for the definition of public entertainer.

**CLAUSE 17. AMENDMENT OF SECTION 139 OF PRINCIPAL ACT**

Clause 17 is amended in paragraph (a) by deleting the proposed paragraph (aa).

**Justification**

It is a consequential amendment following the deletion of the proposal to tax the income derived from the disposal of a non-business asset.

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**CLAUSE 18. INSERTION OF SECTION 150A TO PRINCIPAL ACT**

Delete clause 18.

**Justification**

No proper studies were provided and the introduction of this provision is likely to enable tax planning and will thus erode the tax base.

**CLAUSE 20. AMENDMENT OF SCHEDULE 4 TO PRINCIPAL ACT**

Clause 20 is amended by deleting paragraph (c).

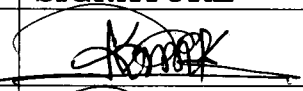
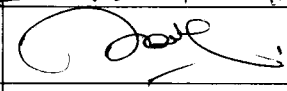
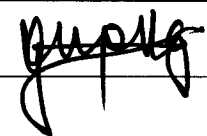
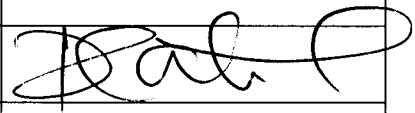
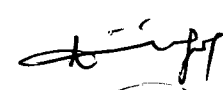

**Justification**

It is a consequential amendment following the deletion of the proposal to include the income derived from non-business asset as property income.

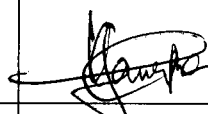
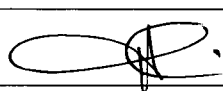
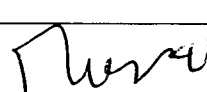
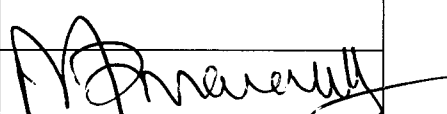
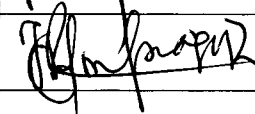
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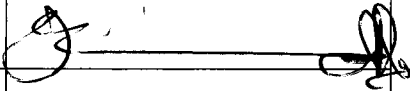
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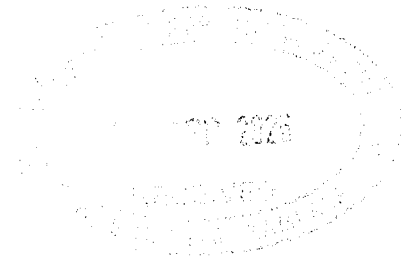
**ENDORSEMENT OF THE REPORT ON THE INCOME TAX (AMENDMENT) BILL, 2026**

NO	MEMBER	CONSTITUENCY	SIGNATURE
1	Hon. KANKUNDA AMOS	Rwampara County	
2	Hon. ALEPER MOSES	Chekwii County (Kadam)	
3	Hon. ACIRO PASKA MENYA	District Woman Pader	1
4	Hon. ADEKE ANNA EBAJU	District Woman Soroti	
5	Hon. AKOL ANTHONY	Kilak North County	
6	Hon. ASIIMWE ENOS	Kabula County	
7	Hon. ATIM AGNES APEA	District Woman Amolatar	
8	Hon. ATIMA LEE BUTI JACKSON	Arua Central Division	
9	Hon. AVUR PACUTO JANE	District Woman Pakwach	
10	Hon. AYUME CHARLES	Koboko Municipality	
11	Hon. BATARINGAYA BASIL	Kashari North County	
12	Hon. EKANYA GEOFFREY	Tororo North County	
13	Hon. KAMBALE FERIGO	Kasese Municipality	
14	Hon. KATESHUMBWA DICKSONS	Sheema Municipality	
15	Hon. KATWESIGYE KOYEKYENGA OLIVER	District Woman Buhweju	
16	Hon. KINSHABA NKUNDA PATIENCE	District Woman Kanungu	
17	Hon. KIWANUKA KEEFA	Kiboga East County	
18	Hon. KUGONZA EMELY	Buganda East County	
19	Hon. KYOOMA AKAMPURIRA XAVIER	Ibanda County North	



20	Hon. LUBEGA SSEMPA BASHIR	Mubende Municipality	
21	Hon. MASABA KARIM	Mbale Industrial Division	
22	Hon. MBABAZI JANEPHER KYOMUHENDO	District Woman Kagadi	
23	Hon. MPINDI BUMALI	PWD Representative	
24	Hon. MUWANGA KIVUMBI MUHAMMAD	Butambala County	
25	Hon. NABAGABE KALULE FLAVIA	District Woman Kassanda	
26	Hon. NABUKEERA HANIFA	District Woman Mukono	
27	Hon. NABUKENYA BRENDA	District Woman Luweero	
28	Hon. NAKUT FAITH LORU	District Woman Napak	
29	Hon. NANDALA MAFABI NATHAN	Budadiri County West	
30	Hon. NANGOLI GERALD	Elgon North County	
31	Hon. OCAN PATRICK	Apac Municipality	
32	Hon. OCHAI MAXIMUS	West Budama County North	OK
33	Hon. OCHWA DAVID	Agule County	
34	Hon. OGWAL MOSES	Dokolo North County	
35	Hon. OKOT JOHN AMOS	Agago North County	
36	Hon. OKOT MOSES JUNIOR	Kioga County	
37	Hon. OMARA PAUL	Otuke County	
38	Hon. OPOLOT ISIAGI PATRICK	Kachumbala County	
39	Hon. SSEMUJJU IBRAHIM	Kira Municipality	
40	Hon. TAYEBWA HERBERT	Kashongi County	

41	Hon. WAMAKUYU MUDIMI IGNATIUS	Elgon County	
42	Hon. WANDA RICHARD	Bungokho Central County	



PARLIAMENT OF UGANDA

**MINORITY REPORT ON THE INCOME TAX (AMENDMENT)  
BILL, 2026**

**APRIL, 2026**

AAE

## 1.0 INTRODUCTION

The Income Tax (Amendment) Bill 2026 tabled in Parliament on 1<sup>st</sup> April, 2026 proposes new taxes and tax exemptions.

Our disagreement is in the following areas

- i). Non-Compliance with the PFM Act,2015 regarding Cost estimates for the Bills
- ii). There Is No Comprehensive Taxation Policy in Uganda.
- iii). Bujagali Hydro Power Project tax exemption
- iv). Disposal of non-business Assets – clauses 3 & 13,
- v). Charging Mobile Money Commissions & telecom Commissions – clause 15.
- vi). Opposed to imposing a 0.5% tax on gross income tax on Companies that carry forward assessed losses after a period of seven consecutive years.
- vii). Opposed to imposing 40% tax on P.A.Y.E on income of workers earning more than 10m.

### 1.Non-Compliance with the PFM Act,2015 regarding Cost estimates for the Bills.

Section 76 of the PFM Act, 2015 was not adhered to, specifically Section 76(2), which states that the Certificate of financial implications issued under subsection (1) should outline the projections of revenue and expenditure. The Ministry of Finance, Planning and Economic Development failed to furnish the committee with the expenses and advantages associated with the proposed bill, and we find it difficult to overlook this violation of the law.

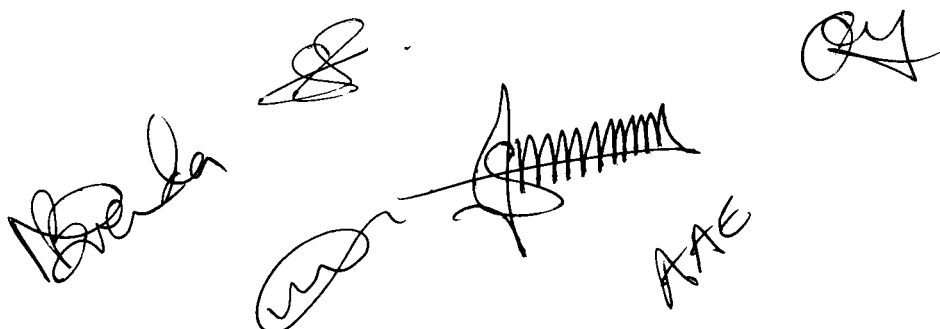
### 2.0. THERE IS NO COMPREHENSIVE TAXATION POLICY IN UGANDA.

**Rt.Hon. Speaker and Members**, Parliament adopted on May 5<sup>th</sup> 2022 a motion by Buyamba MP Hon. Gyaviira Ssemwanga demanding tabling of a comprehensive taxation policy in Uganda.

Sheema MP who served at URA as commissioner domestic tax was even more emphatic. We need to base our tax decisions on a structured policy rather than relying on ad-hoc negotiations, he advised while debating Gyaviira's motion.

Instead of tabling the policy, Hon. Kasaija has returned with tax proposals based on no known policy.

The lack of policy leads to unfair taxation that disproportionately burden the impoverished citizenry.



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Rt.Hon. Speaker, in the absence of such a Comprehensive Taxation Policy to-date, we argue this Parliament to reject these tax bills that are framed to exploit innocent citizens by subjecting them to excessive taxation.

### 3. Disposal of non-business Assets.

This law wants to make gains from the disposal of a non-business asset officially recognized as derived income and a person purchasing such an asset be compelled to withhold tax.

Rt. Hon. Speaker, we object to Government introducing a capital gains tax of 6% withholding tax **on private assets like private land, real estate or shares not tied to an active business, to personal home items like necklaces, Television sets, beds or furniture in homes.** This Bill once it becomes law will require the buyer to act as a tax agent and withhold 6% of the payment to remit to URA.

**Hon. Speaker, non-business assets are not used to generate income and are normally disposed of for purely personal reasons like settling medical bills, fees, and as such should not constitute a tax base.**

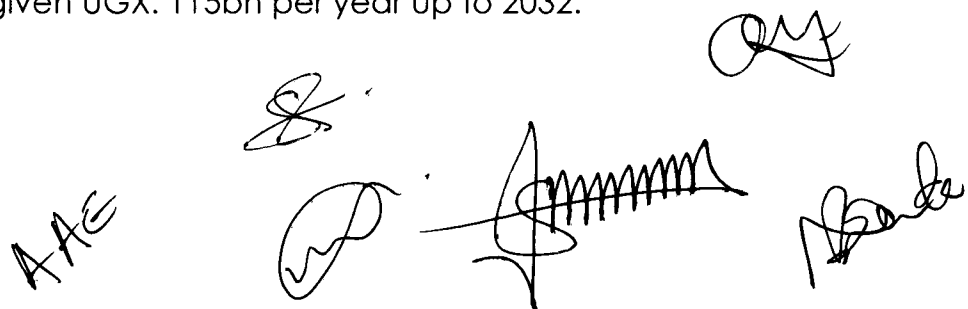
### 4. Charging Mobile Money Commissions & telecom Commissions.

We object to withdrawing tax on commissions paid for telecommunications retail, mobile network, or mobile money services. Doing so will directly hit mobile money agents and airtime vendors. The net take-home profit for small-scale mobile money agents will be affected. Consequently, the Mobile Money Agents will push the costs to consumers or close operation of mobile money kiosks.

### 5. Reject the proposed extension of Bujagali Hydro Power Project- 4 (ab)

Bujagali Tax exemption extension for 6 years to 30<sup>th</sup> June 2032 be rejected. The Bujagali tax exemptions is a matter that tests the integrity of this Parliament. While painfully giving a one-year extension this Financial Year, Parliament unanimously resolved that government renegotiates the power purchase agreement with the Bujagali owner. Parliament also ordered the Auditor General to audit Bujagali especially in relation to recommendations of an adhoc committee chaired by Hon. Kateshumba.

The 2023 Auditor General's Report mentions loss of government revenue through exemptions like this one amounting to approximately Ugx. 1.417 trillion in tax waivers. The proposed extension of Bujagali tax waiver is projected to result in additional revenue loss of Ugx. 690 bn for the next six years, considering that Bujagali will be forgiven UGX. 115bn per year up to 2032.



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We therefore reject the proposal because the project has benefited from repeated extensions through the annual or short term amendments. We agree with proposal to adopt a clear transition strategy to phase out the exemption, including renegotiating elements of the tariff structure where necessary, or replacing the tax holiday with targeted and transparent subsidies that support electricity affordability without undermining revenue mobilization.

On hotels, government is proposing to amend section 21 a(iii) which exempts income tax on businesses to include hotels and tourism facilities that meet the set thresholds for foreigners and citizens They are setting a threshold of five million united states dollars for citizens who are investing in hotel and tourism facilities, we believe this threshold is very high and will only cater for few rich who can afford this as not many will qualify for or meet this requirement

Under amendment 4, section 21 of the principal act, a(iii), this becomes a consequential amendment – we maintain \$500,000 for Upcountry hotel investments, and \$ 1,500,000 for urban settings.

**6. Opposed to imposing a 0.5% tax on gross income tax on Companies that carry forward assessed losses after a period of seven consecutive years.**

Imposing tax of 0.5% on the gross income implies that companies with nil chargeable income will be paying tax. Which is against the known principle that corporation income tax (CIT) is charged on chargeable income.

**Hon. Speaker and Members,** it is very unrealistic to tax already struggling businesses making losses. Government must appreciate that, despite such companies making losses in the medium term, they do provide jobs, contribute revenue to URA through PAYE. Imposing this unpopular tax will definitely affect investment.

Section 8 of the Bill trying to amend section 34 of the principal act be deleted. Uganda Airlines is loss making Government entity making losses since inception to date. If you charged it for its losses carried forward, it would never have any hopes of breaking even.

**7. Opposed to imposing 40% tax on PAYE on income of workers earning more than 10m.**

Current Monthly Chargeable income (UGX)	Tax	Proposed Monthly Chargeable income (UGX)	Proposed Tax rate
0-235,000	0%	0-335,000	NIL
235,000-335,000	10%	335,000-410,000	NIL
335,000-410,000	20%	410,000-485,000	25%

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410,000-10M	30%	485,000-10m	30%
Over 10 m	40%	Over 10m	40%
		Propose Over 17.4M	40%

**Hon. Speaker and Members**, the growth in consumer price index between July 2012 and February 2026 which is about 74%, the equivalence of the tax-free of Ugx. 235,000 threshold adjusted for inflation would be Ugx. 408,384 while that of UGx. 10 m would be Ugx. 17.4 M.

Hon. Speaker and Members, to arrive at 74% cumulative growth rate is by compounding the annual inflate rates over the specified period 2012 to 2026. The average Annual Inflation between 2012 and 2016 is between 3% and 6%. By compounding effect, if you assume an average annual inflation rate of approximately 4.1% over the 13.6 years between July 2012 and February 2026, the cumulative increase in price levels reaches approximately 74%

Hon. Speaker, it is important to adjust tax brackets for inflation on annual basis based on the Consumer Price Index published by Uganda Bureau of Statistics at the end of each year.

**We reject 40% on income over 10m to 40% on income over Ugx. 17.4M per month.**

**Clause 13 proposing to amend section 130 of the principal act be deleted, because it is a consequential amendment.**

**Clause 18 that is inserting in section 150A be deleted or put a threshold of Ugx. 120m.**

#### **8. Amendment of section 82 of the principal Act.**

Rt.Hon. Speaker, the Income Tax (Amendment) Bill 2026 proposes to amend Section 82(5) of Uganda's principal Income Tax Act. It would require a resident company paying interest on debentures to withhold tax on the gross amount of interest at the rate specified in Part V of Schedule 4, only if the following three conditions are all met:

- (a) The debentures were issued by the company outside Uganda to raise a loan outside Uganda;
- (b) The debentures were widely issued for raising funds for use in the company's business in Uganda, or the interest is paid to a bank or public financial institution; and
- (c) The interest is paid outside Uganda.

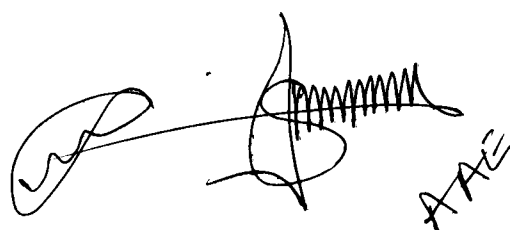
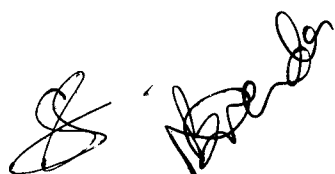
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In simple terms, the amendment seeks to impose Ugandan withholding tax on interest payments made by Ugandan resident companies on foreign-issued debentures/loans that are ultimately used for business activities in Uganda (or paid to banks/financial institutions), even when the funds are raised and interest is paid abroad.

### **We Reject the Proposal due to Its Likely Impact on Borrowing in Uganda.**

This amendment should be rejected outright. It represents a harmful expansion of Uganda's tax jurisdiction over cross-border financial transactions and will have several negative consequences for the economy:

1. **Increased Cost of Borrowing:** By imposing withholding tax on gross interest (without allowing deductions for expenses), the effective cost of foreign debt financing rises significantly. Foreign lenders/investors will demand higher interest rates to compensate for the tax, or they will simply avoid Ugandan borrowers altogether. This directly raises the cost of capital for Ugandan companies.
2. **Deterrence of Foreign Capital Inflows:** Uganda already faces challenges attracting sufficient long-term debt and equity capital. Extending withholding tax to debentures issued and paid outside Uganda sends a strong signal that Uganda is becoming more aggressive in taxing offshore arrangements. This will discourage international bond issuances, syndicated loans, and other foreign financing mechanisms that companies use to fund domestic projects (infrastructure, manufacturing, agriculture, etc.).
3. **Violation of International Tax Norms and Double Taxation Risks:** Many double tax treaties (DTTs) and standard international practices limit source-country taxation on interest to cases where the payer is resident and the debt is effectively connected to the source country in clearer ways. This proposal risks creating overlapping tax claims (Uganda + the foreign jurisdiction), leading to double taxation, costly disputes, and reduced attractiveness under existing treaties.
4. **Damage to Business Competitiveness:** Companies seeking to expand or modernize operations in Uganda will find it harder and more expensive to access global capital markets. Local banks alone cannot meet the scale of financing needs in a growing economy. This amendment would particularly hurt large-scale projects in energy, transport, agro-processing, and other key sectors.
5. **Broader Economic Impact:** Reduced access to affordable foreign borrowing will slow investment, job creation, and economic growth. It may also encourage



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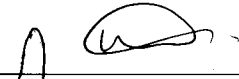
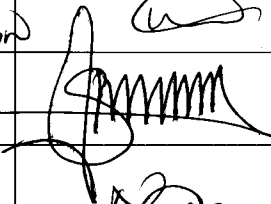



companies to shift financing structures or relocate activities to more tax-friendly jurisdictions in the region (e.g., Kenya, Rwanda, or further afield).

Recommendation: The amendment should be deleted from Bill No. 6. Uganda needs policies that facilitate rather than obstruct the inflow of foreign capital. Maintaining a competitive and predictable tax regime for cross-border debt is essential for sustainable economic development. Broadening the tax base in this manner at the expense of investment and growth is counterproductive.

If this provision is enacted, it risks doing more harm to Uganda's borrowing environment and overall investment climate than any marginal revenue it might generate.

**I submit.**

**Members of the Committee on Finance, Planning and Economic Development  
Dissenting from the views of the Majority.**

SN	MEMBER	SIGNATURE
1	NABUKEERA HANIFA HUSSAIN	
2	Ssemujju Dorhina	
3	Brenda Nabukanya	
	Adeke Anna Ebaju	
	KARIM MASABA	
	Ekyey George	