



BILLS
SUPPLEMENT No. 2

27th March, 2026

BILLS SUPPLEMENT

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Bill No. 6

Income Tax (Amendment) Bill

2026

THE INCOME TAX (AMENDMENT) BILL, 2026

MEMORANDUM

The object of this Bill is to amend the Income Tax Act, Cap. 338 to provide for withholding tax on interest paid by a resident company to a foreign financial institution, on commissions paid for telecommunication retail services, mobile network services or provision of mobile money services, on winnings under gaming or betting, on payment for the purchase of non-business assets and on payments to public entertainers; to exempt the income of the Bujagali Hydro Power Project and the income of a developer of a hotel or tourism facility from tax; to amend Schedule 2 to provide for the Arab Bank for Economic Development in Africa (BADEA) and the Uganda Red Cross Society as listed institutions; to amend Schedule 4 to the Act to revise certain tax rates and for related matters.

MATIA KASAJJA (MP),

Minister of Finance, Planning and Economic Development.

THE INCOME TAX (AMENDMENT) BILL, 2026

Arrangement of Clauses

Clauses

1. Commencement
2. Amendment of Cap. 338
3. Amendment of section 20 of principal Act
4. Amendment of section 21 of principal Act
5. Amendment of section 24 of principal Act
6. Amendment of section 25 of principal Act
7. Amendment of section 34 of principal Act
8. Amendment of section 36 of principal Act
9. Amendment of section 82 of principal Act
10. Amendment of section 86 of principal Act
11. Insertion of section 115A to principal Act
12. Amendment of section 124 of principal Act
13. Amendment of section 130 of principal Act
14. Substitution of section 131 of principal Act
15. Substitution of section 133 of principal Act
16. Insertion of section 135B to principal Act
17. Amendment of section 139 of principal Act
18. Insertion of section 150A to principal Act
19. Amendment of Schedule 2 to principal Act
20. Amendment of Schedule 4 to principal Act

A Bill for an Act

ENTITLED

THE INCOME TAX (AMENDMENT) ACT, 2026

An Act to amend the Income Tax Act, Cap. 338 to provide for withholding tax on interest paid by a resident company to a foreign financial institution, on commissions paid for telecommunication retail services, mobile network services or provision of mobile money services, on winnings under gaming or betting, on payment for the purchase of non-business assets and on payments to public entertainers; to exempt the income of the Bujagali Hydro Power Project and the income of a developer of hotel or tourism facility from tax; to amend Schedule 2 to provide for the Arab Bank for Economic Development in Africa (BADEA) and the Uganda Red Cross Society as listed institutions; to amend Schedule 4 to the Act to revise certain tax rates and for related matters.

BE IT ENACTED by Parliament as follows:

1. Commencement

This Act shall come into force on 1st July, 2026.

2. Amendment of Cap. 338

The Income Tax Act, in this Act referred to as the principal Act, is amended in section 2 in the definition of the word “royalty” in paragraph (a) (i), by inserting the word “software,” immediately after the word “model.”

3. Amendment of section 20 of principal Act

Section 20 of the principal Act is amended in subsection (1) by inserting immediately after paragraph (b) the following—

“(ba) income derived from the disposal of a non-business asset”;

4. Amendment of section 21 of principal Act

Section 21 of the principal Act is amended—

(a) in subsection (1)—

(i) by substituting for paragraph (ab) the following—

“(ab) the income of Bujagali hydro power project, up to 30th June, 2032.”

(ii) by deleting the word “for” appearing between the words “and” and “diapers” in paragraph (ae) (vii);

(iii) by inserting immediately after paragraph (ag) the following—

“(ah) income of a developer of a hotel or tourism facility whose investment capital is at least ten million United States Dollars, in the case of foreigner or five million United States Dollars in the case of a citizen who, subject to availability, uses at least seventy percent of locally sourced raw materials and employs at least seventy percent of its employees being citizens earning an aggregate wage of at least seventy percent of the total wage bill.”

(b) in subsection (7), by substituting the definition of “infrastructure bond” the following—

“infrastructure bond” means all bonds, notes or other similar securities used to raise funds for public

infrastructure and other social services, if those bonds have a maturity period of at least ten years.”

5. Amendment of section 24 of principal Act

Section 24 of the principal Act is amended-

- (a) in subsection (2) (b), by inserting immediately after the words “financial institution” the words “, microfinance deposit taking institution or tier 4 microfinance institution”;
- (b) in subsection (2) (c), by inserting immediately after the words “financial institution” the words “, microfinance deposit taking institution or tier 4 microfinance institution”; and
- (c) in subsection (3) (b), by inserting immediately after the words “financial institution” the words “, microfinance deposit taking institution or tier 4 microfinance institution”; and
- (d) in subsection (3) in the definition of the phrase “debt claim”, by inserting immediately after the words “financial institution” the words “ or microfinance deposit taking institution”;

6. Amendment of section 25 of principal Act

Section 25 of the principal Act is amended by substituting for subsection (5) the following-

““dormant” means a person other than an individual that is not doing business and does not have an accounting transaction in a year of income;

“group” means persons other than individuals-

- (a) with at least fifty one percent interest of the common underlying ownership; and

- (b) excluding any member of the group that is dormant;

“tax earnings before interest, tax, depreciation and amortisation” means the sum of—

- (a) gross income less allowable deductions other than brought forward losses, and does not include a deduction under subsection (1);
- (b) depreciation; and
- (c) amortisation.

7. Amendment of section 34 of principal Act

Section 34 of the principal Act is amended in subsection (1) by substituting the words “class 4” with the words “class 3”.

8. Amendment of section 36 of principal Act

Section 36 of the principal Act is amended by inserting immediately after subsection (6) the following—

(6a) In addition to subsection (6), a taxpayer 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 taxpayer or the tax charged under section 4 (1), whichever is higher.

9. Amendment of section 82 of principal Act

Section 82 of the principal Act is amended by substituting for subsection (5) the following—

“(5) A resident company which pays interest in respect of debentures shall withhold tax on the gross amount of the interest paid at the rate prescribed in Part V of Schedule 4 to this Act, where the following conditions are satisfied—

- (a) the debentures were issued by the company outside Uganda for the purpose of raising a loan outside Uganda;

- (b) the debentures were widely issued for the purposes of raising funds for use by the company in the business carried on in Uganda or the interest is paid to a bank or financial institution of a public character; and
- (c) the interest is paid outside Uganda.”

10. Amendment of section 86 of principal Act

Section 86 of the principal Act is amended by inserting immediately after subsection (6) the following-

“(7) This section shall not apply to income attributable to royalties.”

11. Insertion of section 115A to principal Act

The principal Act is amended by inserting immediately after “PART XI- ANTI-AVOIDANCE” the following-

“115A. Compliance with arm’s length principle

(1) Where a person has entered into a controlled transaction or a series of controlled transactions, the person shall account for the transaction or account for the series of transactions in a manner that is consistent with the arm’s length principle.

(2) For purposes of subsection (1) controlled transaction means transaction between associates.”

12. Amendment of section 124 of principal Act

Section 124 of the principal Act is amended by inserting immediately after subsection (1) the following-

“(1a) Notwithstanding subsection (1), an individual required to pay rental tax under section 5 may furnish a provisional return of rental income on a monthly basis.”

13. Amendment of section 130 of principal Act

Section 130 of the principal Act is amended by inserting immediately after subsection (2) the following—

“(3) A person who purchases a non-business asset shall withhold tax at a rate specified in Part X of Schedule 4 to this Act.”

14. Substitution of section 131 of principal Act

The principal Act is amended by substituting for section 131 the following—

“131. Withholding of tax on payments for winnings of betting or gaming

(1) A person who makes payment for winnings of betting or gaming shall withhold tax on the winnings at the rate prescribed in Part XI of Schedule 4 to this Act.

(2) For purposes of subsection (1) “winnings” means the difference between the pay-out and the staked amount on the game or bet.”

(3) This section does not apply to winnings paid by a person licenced to conduct a national lottery under section 23 of the Lotteries and Gaming Act.

15. Substitution of section 133 of principal Act

The principal Act is amended by substituting for section 133 the following—

“133. Withholding tax on commission paid by telecommunications service providers

(1) A telecommunications service provider who makes a payment of a commission for telecommunication retail services, mobile network services or provision of mobile money services shall

withhold tax on the gross amount of the payment at the rate prescribed in Part XIII of Schedule 4 to this Act.

(2) For purposes of subsection (1) a telecommunication service provider means a person licensed to offer telecommunication service under the Uganda Communications Act.”

16. Insertion of section 135B to principal Act

The principal Act is amended by inserting immediately after section 135A the following –

“135B. Withholding tax on public entertainer

A person who pays a public entertainer shall withhold tax on the gross payment at the rate prescribed in Part XVI of Schedule 4.

17. Amendment of section 139 of principal Act

Section 139 of the principal Act is amended–

(a) by inserting immediately after paragraph (a) the following–

“(aa) tax has been withheld under section 130 (3) on the payment for purchase of a non-business asset;

(ab) tax has been withheld under section 134 on a payment of commission paid to an insurance agent;”;

(b) by substituting for paragraph (b) the following–

“(b) tax has been withheld under section 133 on a payment of a commission for telecommunication retail services, mobile network services or provision of mobile money services to a resident individual;”

18. Insertion of section 150A to principal Act

The principal Act is amended by inserting immediately after section

150 the following—

“150A. Tax rate on income derived by resident individual from foreign source

Subject to the provisions of this Act, 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.”

19. Amendment of Schedule 2 to principal Act

The principal Act is amended in Schedule 2—

- (a) by inserting immediately after “Aga Khan Foundation” the following—

“Arab Bank for Economic Development in Africa (BADEA);

- (b) by inserting immediately after “Swedish International Development Agency (SIDA)” the following—

“Uganda Red Cross Society”

20. Amendment of Schedule 4 to principal Act

The principal Act is amended in Schedule 4—

- (a) by substituting for Part 1 the following—

*“Part 1
Rates of income tax for individuals*

The income tax rates applicable to resident individuals are—

Chargeable income	Rate of tax
Not exceeding Ushs. 4,020,000	Nil

Exceeding Ushs. 4,020,000 but not exceeding Ushs. 4,920,000	20% of the amount by which chargeable income exceeds Ushs 4,020,000
Exceeding Ushs. 4,920,000 but not exceeding Ushs. 5,820,000	Ushs 180,000 plus 25% of the amount by which chargeable income exceeds Ushs 4,920,000
Exceeding Ushs. 5,820,000 but not exceeding Ushs. 120,000,000	Ushs 405,000 plus 30% of the amount by which chargeable income exceeds Ushs 5,820,000
Exceeding Ushs.120,000,000	(a) Ushs 405,000 plus 30% of the amount by which chargeable income exceeds Ushs 5,820,000; and (b) where the income of an individual exceeds Ushs.120,000,000 an additional 10% charged on the amount by which chargeable income exceeds Ushs.120,000,000.

(b) in *Part V* by inserting immediately after paragraph 2. the following—

“2A. 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%”.

(c) In *Part X* by inserting immediately after item 3 the following—

“4. The withholding tax rate for purposes of section 130 (3) is 6% of the gross payment.”

(d) by substituting for Part XI the following—

“Part XI

Section 131

Withholding tax rate for winnings from betting or gaming
The withholding tax rate applicable to winnings from betting or gaming is 15%”

- (e) by substituting for Part XIII the following—

Section 133

“Part XIII

*Rate of withholding tax on commission paid by
telecommunications service providers*

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 is 10% of the gross amount of the payment.”

- (f) by inserting immediately after Part XV, the following—

Part XVI

Section 135B

Withholding tax on public entertainer

The rate of withholding tax on the payment made to a public entertainer is 6% of the gross payment.

Cross Reference

Lotteries and Gaming Act, Cap. 334

Uganda Communications Act, Cap. 103