

Opinion on Tax Bills 2025

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Introduction



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Birungyi, Barata & Associates acknowledges the Government’s efforts to enhance domestic revenue through the 2025 tax bills.



Birungyi, Barata & Associates’ Written Memorandum on the Tax Bills 2025

Birungyi, Barata & Associates (BBA) is a leading legal and tax consultancy firm, with experience of over 20 years navigating the Uganda tax landscape.

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On March 25th, 2025, the Ministry of Finance, Planning and Economic Development proposed various tax amendment bills for the financial year 2025/2026. These were; the Value Added Tax (Amendment) Bill 2025, the Excise Duty (Amendment (No.2) Bill 2025, the Tax Procedure Code (Amendment) Bill 2025, the Income Tax (Amendment (No.2) Bill 2025, the Stamp Duty (Amendment) Bill 2025.

Birungyi, Barata & Associates has thoroughly reviewed the proposed tax bills and is in agreement with most of the amendments. However, there are specific aspects of these proposals that we believe require further consideration and refinement, which we highlight below.

Our Opinion

Bill	Implication	Comments	Recommendation
The Value Added Tax [VAT] (Amendment) Bill, 2025. Section 2; <i>“Amendment of Value Added Tax Act the Value Added Tax Act, in this Act referred to as the principal Act, is amended in section 47, by inserting immediately after subsection (1) (a), the following—</i> <i>“(ab) an importer imports goods under separate consignments, which if aggregated would qualify the importer to be registered under this Act;”</i>	The Bill seeks to amend Section 47 of the VAT Act to introduce an anti-fragmentation provision targeting importers who intentionally split shipments to evade VAT registration requirements. The Amendment is intended to grant the Commissioner the authority to aggregate such shipments and treat them as a single transaction for VAT purposes. This change is intended to capture tax importers who are not registered for VAT and evade registration into the VAT bracket which requires a turnover of 150,000,000shs per year. It is assumed that tax payers deliberately make imports in small consignments so as to appear as if they have not attained the VAT threshold	Our opinion is that section 8(6) of the VAT Act allows the Commissioner General to compulsorily register any person required to apply for registration but has failed to do so. Accordingly, the Commissioner General who identifies that an importer has several consignments is able to aggregate the value of the different consignments and register the taxpayer without the requirement for further amendments of the law. The attempt to aggregate transactions for purposes of tax expedience when there are enough provisions to arrive at this is unnecessary and is likely to distort business.	Defer Amendment

The Income Tax (Amendment) Bill 2025

“(za) the income derived from a business established by a citizen after 1st July 2025, for a period of three years where the —

(i) business is registered with an investment capital not exceeding five hundred million shillings;

(ii) citizen or their associate has not previously benefited

from the exemption; and

(iii) citizen files a tax return including business information return referred to in section 147 of this Act in the format prescribed by the Commissioner General.”

The bill introduces a three-year tax exemption for start-ups owned by Ugandan Citizens. To qualify for this exemption, the start-up must have an initial investment not exceeding UGX 500 million, must not have previously benefited from the exemption, and must comply with tax return filing requirements.

Our opinion is that this provision to be effectively utilized by taxpayers, it is necessary to do the following;

Should be adopted with modifications.

i) Define what a “start-up” is

ii) Determine how persons will be excluded from the exemption by virtue of having previously benefited from “the” exemption.

iii) Determine in which form the 500,000,000shs will be evaluated

iv) Define registered person

v) Expound on whether start-ups are to be registered and if so what are the requirements.

Tax Procedures Code (Amendment) Bill.

Section 4;

Tax identification number

(1) For tax purposes, the following shall be used as tax identification numbers—

(a) a national identification number issued by the National Identification

Registration Authority under the Registration of Persons Act, in the case of an individual;

(b) a registration number issued by the Uganda Registration Services Bureau, in the case of a person who is a non- individual; and (c) a tax identification

The Bill intends to provide for the use of the National Identification Numbers (NINs), Company registration numbers for businesses as tax identification numbers, and a tax identification number issued by a foreign tax authority

This shift seeks to simplify tax registration by integrating it with national and business registration frameworks, ensuring automatic tax compliance without a separate TIN application. Unlike previously where taxpayers were identified by a TIN, if a taxpayer doesn't have a TIN, at least they must have a NIN.

There should be a gradual transitional period all aimed at having seamless digital information convergence.

It is important for the regulations to be reviewed.

However, this raises concerns about whether TINs are now redundant and whether URA's independent tax registration system was ever necessary.

number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.

(2) The Uganda Registration Services Bureau shall establish and maintain a centralised register of all non-individuals registered,

incorporated or carrying on business in Uganda.

(3) A person shall state his or her national identification number in the case of an individual, or registration number in the case of a non-individual, or tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information, on any return, notice, communication or other document furnished, lodged or used for the purposes of a tax law.

(4) A local authority, Government institution or regulatory body shall not issue a licence or any form of authorisation necessary for purposes of conducting any business in Uganda to any person who does not have a national identification number, in the case of an individual, or a registration number in the case of a non-individual, or a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.

There are also risks of data mismatches between URA, NIRA, and URSB, which could lead to administrative challenges.

While this approach could expand the tax base, it may also exclude informal business owners that do not have NINs or any formal registration.

The amendment reflects a shift away from URA's standalone tax system, suggesting that the previous TIN model was ineffective in capturing all taxpayers, but questions remain on whether this new approach will solve compliance issues or create new enforcement challenges.

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There should be a gradual transitional period all aimed at having seamless digital information convergence.

(5) *A local authority, Government institution or regulatory body shall not register an instrument required to pay stamp duty under the Stamp Duty Act, unless the person lodging the instrument for registration has a national identification number, in the case of an individual or a registration number in the case of a non-individual or a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.”*

(6) *The Minister shall, by regulations, prescribe the procedure and requirements for registering and issuing registration numbers to non-individuals.*

Section 93 of the principal Act is amended—

(a) *in subsection (1), by substituting for the words “tax due on the goods or services, or four hundred currency points, whichever is higher.”, the words “double the tax due on the goods or services.”; and (b) in subsection (2), by substituting for the words “tax due on the goods or services or three hundred currency points, whichever is higher.” the words “double the tax due on the goods or services.”.*
non-individuals.

The proposed amendment seeks to increase the penalty from; an equivalent of the tax due on goods or services to double the tax due.

The existing provision imposes a penalty to tax payers equivalent to the tax due on goods or services, or four hundred currency points (8,000,000/=) whichever is higher. It further specifies that a tax payer that does not issue an e-invoice or e-receipt for goods or services, or one that tampers with an electronic fiscal device, is liable to pay a penal tax equivalent to tax due on the goods or services or three hundred currency points (6,000,000/=), whichever is higher.

Rather than hiking penalties, the policy makers should focus on tackling the root causes of non-compliance. Instead of making penalties harsher; the enforcer [URA] should could consider developing more proactive, constructive solutions. These could include, simplifying the systems for use of electronic fiscal devices and issuing e-receipts or e-invoices, increased sensitization and support to businesses, a tiered penalty

Whereas the amendment appears to harmonize the punishment into one provision which is doubling the tax the effect on the taxpayers with the liability in excess of 8,000,000/= will be much graver. If a taxpayer has a liability of 10,000,000/= you will be a penalty of 20,000,000/= which totals up to a tax liability of 30,000,000/=.

system based on the severity and frequency of non-compliance, incentivizing compliance through tax reductions or exemptions.

In the alternative the penalties should be similar.

The amendment therefore will not have served its intended purpose.



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Other Proposals

Section 22(3) of the Income Tax Act;

“Except as otherwise provided in this Act, no deduction is allowed for – (l) any expenditure above five million shillings in one transaction on goods and services from a supplier who does not have a tax identification number, ...”

This means that a tax payer who deals with a supplier that does not have a TIN for a transaction that involves expenditure above five million shillings cannot claim a deduction under this section. This position is confirmed in *Africa Broadcasting v. URA* TAT No. 111 of 2021, the tribunal contended that the Applicant was not entitled for a deduction under section 22(3) of the Income Tax Act as they had dealt with a supplier with no TIN.

Much as Section 22(3) of the Income Tax Act is intended to encourage registration for tax purposes, it raises several concerns as highlighted below.

01

When you are importing goods, can you ensure that your supplier, in another country has a TIN?

02

What happens when you have multiple transactions that fall below five million shillings but total above five million with the same supplier? Are they treated as one transaction?

03

This means that a tax payer who deals with a foreign supplier without a TIN cannot not to successfully claim a deduction.

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Our opinion is that this provision needs modification to tackle the issues raised.

Conclusion

The Tax Amendment Bills 2025 introduce significant changes aimed at enhancing tax compliance, streamlining administrative processes, and promoting economic growth. While they seek to expand the tax base and encourage investment, their impact will depend on implementation and enforcement. Businesses and taxpayers must adopt to these reforms to navigate potential challenges and maximize available benefits. It is a delicate balance between raising revenue and protecting the public. How all this is implemented will make all the difference.

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