APPENDIX I

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

ICPAU TAX POLICY PROPOSALS FOR FY 2027/28 NATIONAL BUDGET

SEPTEMBER 2026

ICPAU TAX POLICY PROPOSALS FOR FY 2027/28 NATIONAL BUDGET

The Paper highlights the Tax Policy Measures proposed by the Institute of Certified Public Accountants of Uganda (ICPAU). We give the Current provisions of the law, where applicable, the Challenge(s) arising from the current status, and the Proposed Measure(s). Below are the Tax Measures listed within the Paper:

A. INCOME TAX ACT, CAP. 338

1. Expand the Definition of "Exempt Organization' to include Environmental Conservation
2. Reinstate WHT Tax on Agricultural Supplies
3. Review Employer-Employee Benefit Amount Not Subject to Tax
4. Consider Tax Exemption of Employer-Sponsored Wellness Activities
5. Consider a Review of the Presumptive Tax Thresholds
6. Tax Considerations for REITs and Corporate Bonds
7. Review the Exemption on Income of Savings and Credit Cooperative Societies

B. VAT ACT, CAP. 344

8. Review the Cash Basis Accounting Threshold
9. Reform Tax Expenditures Framework

C. TAX PROCEDURES CODE ACT, CAP. 343

10. Establish Criteria for WHT Exemption
11. Provide for Companies Deregistered by URSB
12. Provide for URA's Tax Ledger System

D. TAX APPEALS TRIBUNALS ACT, CAP. 341

13. Align Appeal to Alternative Dispute Resolution and TAT Timelines

E. OTHER ADMINISTRATIVE MEASURES

14. Consider Providing Compliance Tax Credits
15. Publish a Single Annual Tax-Changes and Implementation Guide
16. Adopt Proportionate, Taxpayer-centered Digital Tax Administration
17. Protect Taxpayer Rights in the Use of Third-party Data

A. THE INCOME TAX ACT (CAP. 338)

1. EXPANSION OF THE DEFINITION OF "EXEMPT ORGANIZATION' IN THE INCOME TAX ACT

Issue	**Expand the Definition of "Exempt Organization' in the Income Tax Act to include "Environmental Conservation"**
Current Law	N/A
Challenge(s)	We note with concern the increasing effects of climate change, including shorter, erratic rainy seasons and reduced crop yields; short, intense cloudbursts that overwhelm poor drainage and degraded wetlands which trap commuters, submerge informal slum dwellings, and spike waterborne disease outbreaks like diarrhea and dysentery (Kasese floods displaced over 1,000 people); frequent fatal landslides in Bududa, Mbale, and Bundibugyo districts (collectively killing over 1,000 people over past decades) destroying homes, schools, and local water points; increase in malaria cases recorded in areas like Mbarara, plus cholera and typhoid spikes following destroyed rural sanitation infrastructure; and lower water yields in basin inflows impacting water levels and downstream hydroelectric reliability. All this impacts the livelihoods of vulnerable populations. The implications are increased vulnerabilities and disparities in incomes, loss of livelihoods for the population, and reduced GDP growth rates. Climate change mitigation and environmental management are critical to the achievement of increased household incomes and improvement of the quality of life of the population[1].
Proposed Measure(s)	As a measure to achieve the objectives of SDG 13 (which is to limit and adapt to climate change) and NDP III *(2020/21 – 2024/25*) program on Climate Change, Natural Resources, Environment, and Water Management (that aims to stop and reverse the degradation of Water Resources, Environment, Natural Resources as well as the effects of Climate Change on economic growth and livelihood security), we propose that organizations that are formed solely to fight for environmental protection should be given preferential treatment by exempting their income. We therefore propose: a. Amend S.2(bb)(i) to ***include a body incorporated solely to protect the environment***. b. Amend S.21(1) to exempt the income of these organizations solely there to protect the environment. S.21(1)

	c. Introduce tax incentives/ credits for organizations investing in sector-specific adaptation initiatives (e.g., climate-smart agriculture, urban drainage engineering, and green infrastructure), among others.
Justification	1. To align with the country's environmental and climate commitments, as well as the SDG 13 ESG Agenda. 2. The proposals support the country's climate goals and attract ESG-focused investors.

[1] THIRD NATIONAL DEVELOPMENT PLAN (NDP III) 2020/21 – 2024/25

2. REINSTATE WHT TAX ON AGRICULTURAL SUPPLIES

Issue	**Reinstate Withholding Tax on Agricultural Supplies**
Current Law	N/A
Challenge(s)	The agricultural sector remains largely untaxed and contributes very little (less than 1% of total tax revenue) to the overall tax burden in Uganda - statistics from UBOS FY19/20. The Sector also enjoys a multitude of subsidies and tax exemptions, which have limited tax revenue. Cognizant of the fact that agriculture is largely practiced by the rural populace (85% of whom are poor), we also know that supplies in this sector are very large and there are large-scale commercial farming operations that record significant profits but contribute limited taxes. In 2018/19, when a 1% withholding tax was introduced on agricultural supplies in excess of UGX 1 million, it raised over UGX 32.6 billion (USD 8.6 million) in tax revenue—almost twice that collected in income tax from all agricultural taxpayers. However, the amendment was abolished the following year as the tax became politicized, and all efforts to reinstate it have repeatedly failed. In these current trying times, where the government is looking for alternative sources of funding to reduce foreign funding and borrowing, thinking domestically will be imperative. We agree that while the Agricultural sector is very crucial to the survival of many Ugandans, a small tax rate of between 1%-2% of the gross amount of payment can contribute towards revenue generation.

Proposed Measure(s)	1. We propose to insert immediately after section 119 (1)(b), the following: ***Section 119(1)(c) – for Agricultural Supplies*** 2. Amend Part VIII by inserting immediately after clause 1 the following clause and renumbering the rest accordingly. ***Part VIII -Withholding Tax Rate for Goods and Services Transactions*** ***1) -------*** ***2) The withholding tax rate applicable for supplies under Section 119 (1)(c) is 2%.***
Justification	a. This is an effective way to tax the agricultural sector, which will also lead to increased formalization of the agricultural sector. The measure also contributes to the growth of the tax register, as many unregistered taxpayers will be added to the tax register. b. This will generate additional tax revenue for the government.

3. REVIEW THE EMPLOYER-EMPLOYEE BENEFIT AMOUNT NOT SUBJECT TO TAX

Issue	**Review the Amount of Benefit not subject to Tax in the Act**
Current Law	S.19(2)f) of the ITA provides that any benefit granted by the employer to the employee during a month whose total value is less than ten thousand shillings is not subject to tax.
Challenge(s)	We believe that the spirit behind this provision was to provide some relief to the employees, where these benefits are given to staff on an equal basis. In 1997, when the ITA came into force, the value of UGX 10,000 was quite significant. However, the purchasing power of UGX 10,000 in 1997 and the UGX 10,000 today are miles apart. This renders this provision in the law practically redundant today.
Proposed Measure(s)	We propose to increase the benefits relief under section 19(2)(f) to UGX 100,000 from UGX 10,000. The amended S.19(2)(f) would then read as follows; *"Any benefit granted by the employer to the employee during a month, where the total value of the benefits provided by the employer to the employee for the month is less than* ***one hundred thousand shillings";***

Justification	This will align the purpose of this provision in the law with current economic realities.

4. CONSIDER TAX EXEMPTION ON EMPLOYER-SPONSORED WELLNESS ACTIVITIES

Issue	**Tax Exemption on Employer-Sponsored Wellness Activities**
Current Law	The Income Tax Act (Cap. 340) establishes a valuable precedent under Section 19(2) by exempting from tax certain staff benefits such as meals provided by an employer to all employees on equal terms. This policy effectively encourages businesses to invest equitably in employee welfare without imposing a tax burden that would deter participation or provision.
Challenge(s)	• In today's modern workforce, the focus on employee well-being has expanded to include preventative health measures. Employers are increasingly offering access to wellness activities such as gym subscriptions, swimming, aerobics, spinning, and dance classes to enhance physical and mental health, boost immunity, and reduce the risk of lifestyle diseases like diabetes, hypertension, and chronic back pain. • However, unlike the provision of meals to all staff, which is expressly exempt from tax, the provision of wellness activities is not clearly recognized as exempt or as an allowable expense for the employer. This gap in the law has led to inconsistent treatment, with some employers applying different interpretations while others have opted not to provide such benefits altogether.
Proposed Measure(s)	• We propose a tax exemption on employer-sponsored wellness. Therefore, we propose an amendment to Section 19(2) of the Income Tax Act (Cap. 340) to include a new paragraph expressly exempting employer-provided wellness benefits that are offered to all employees on equal terms. ***The new clause would read as follows:*** ***Section 19(2)(i) "<u>the value of any employer-provided wellness benefits offered to all employees on equal terms</u>"*** • In addition, we recommend that Section 23 be amended to expressly allow the employer to deduct the related expenditure as an allowable expense. • ***The revised clause would read as follows:***

	Section 23 *"A deduction is allowed for expenditure incurred by a person in providing meals, refreshments, entertainment, or* ***wellness benefits*** *in the production of income included in gross income….*

5. REVIEW OF THE PRESUMPTIVE TAX THRESHOLDS

Issue	**Review of the Presumptive Tax Thresholds**
Current Law	Section 4(5) states that if a resident taxpayer's gross turnover from business is below UGX 150 million, their income tax is determined using the specific rates outlined in the Second/Third Schedules of the Act.
Challenge(s)	a) The majority of businesses (SMEs) earn less than UGX 100m in turnover annually, with net profits averaging 4% (UGX 4m), close to the PAYE threshold. Tax burdens discourage formalization. b) While the VAT thresholds were increased to 300 million Ugandan shillings, the law is silent about the thresholds for presumptive tax. c) Presumptive tax is also very expensive to collect compared to other tax heads.
Proposed Measure(s)	Increase the starting amount for presumptive taxpayers from the current UGX 10,000,000 to at least UGX 55,000,000, and also increase the higher band from 150,000,000 to at least 300,000,000.
Justification	• Equity: Protects low-income SMEs, providing some relief by exempting businesses with turnover ≤ UGX 55M. • SME growth: Exemptions reduce tax burdens, encourage reinvestment, and align with PAYE thresholds. • Consumption & indirect taxes: By leaving cash with SMEs, households consume more goods and services, boosting VAT and excise collections while improving quality of life. This will allow taxpayers on the presumptive tax regime some extra cash to work with amidst increasing inflation.

6. CORPORATE BONDS REITs

Issue	A. Corporate Bonds: Remove The Sovereign Tax Preference
Current Law	Under the present framework, interest on Government securities is subject to final withholding tax, including a 10% rate for Government securities with a maturity of at least ten years. Interest on corporate bonds is generally subject to 15% withholding tax as an advance tax and, for a taxable corporate investor, ultimately bears the 30% corporate income tax rate. The effective tax burden is materially higher.
Background	• The corporate bond market in Uganda is extremely thin. As of mid-2025, no corporate bonds are currently listed on the USE. The only active bond historically listed was from Kakira Sugar Limited, which raised UGX 75.4 billion at a rate of 14.70% with a 10-year tenor, listed in December 2013. Cumulatively, the corporate bond market has mobilised approximately UGX 290 billion. • The tax treatment for interest income from these instruments is as follows: - Withholding Tax on Interest: Interest paid is generally subject to a 15% withholding tax. - Infrastructure Bond Exemption: To encourage long-term investment, interest on listed bonds (including corporate bonds) with a maturity of at least 10 years is exempt from withholding tax, effective from July 2019. - Government Securities: For context, interest from government securities with a maturity of 10 years or more is taxed at a reduced rate of 10%, while those with a shorter maturity are taxed at 20%
Challenge(s)	At the same 16% gross yield, a qualifying long-dated Government bond returns 14.4% after 10% final tax, while a corporate bond returns 11.2% after 30% income tax. The Government bond therefore delivers an after-tax yield about 28.6% higher before accounting for its superior credit standing. A corporate issuer must pay an excessive pre-tax premium merely to equalize investor outcomes.
Proposed Measure(s)	a. Final-tax treatment. Amend section 139 of the Income Tax Act (the renumbered successor to former section 122) so that withholding tax on interest from a qualifying corporate bond is final tax for all investors, except where an investor is statutorily exempt. b. Maturity-based rate. Amend section 127 and Part V of the Third Schedule so that interest on a qualifying corporate bond with an original maturity of at least ten years is subject to 10% final withholding tax. Retain 15% final withholding tax for shorter-dated qualifying corporate bonds. This provides exact long-term parity without worsening the current rate for shorter issues.

	c. Define a qualifying issue. Limit the relief to debt securities approved by CMA and listed or admitted to trading on the Uganda Securities Exchange or another CMA-approved platform; issued on arm's-length terms; and subject to prospectus, disclosure, trustee, and continuing-reporting requirements. Related-party or privately placed intra-group debt should not qualify unless specifically approved. d. Apply to existing issues and review. Apply the reform to interest accruing after commencement on both new and outstanding qualifying bonds. Require a five-year review of issuance volumes, investor participation, pricing and revenue impact.
Justification	The reform would: a. Reduce Government-induced crowding out, b. Lower the cost of long-term private financing, c. Broaden the investable universe for institutional investors and d. Support the Government's objective of expanding alternative financing instruments.
Issue	**B. REITs: Establish Complete Vehicle-Level Tax Neutrality**
Current Law	Uganda adopted the Collective Investment Schemes (Real Estate Investment Trusts) Regulations in 2017, but the framework has not yet produced an operational domestic REIT. Section 21(1)(t) of the Income Tax Act exempts the income of a collective investment scheme to the extent distributed to participants. That provision is helpful but incomplete for REITs: it does not, with sufficient precision, neutralise the taxes and interpretive uncertainty arising when property is contributed, held through special-purpose companies, transferred from a development REIT to an income REIT, and ultimately distributed to unit holders.
Background	• Uganda established a legal framework for REITs in 2017, but not a single REIT has been listed on the Uganda Securities Exchange (USE) to date. • The primary obstacle is a 1.5% stamp duty imposed on the transfer of property into a REIT trust. This tax is due immediately upon transferring the asset, even though no cash has changed hands yet, creating a significant upfront cost for developers. Tax experts and the Capital Markets Authority (CMA) are in discussions with the Uganda Revenue Authority (URA) to resolve this, but no solution

	has been reached. • The intended tax framework, once operational, is designed to be a "pass-through" entity: - Corporate Tax Exemption: A REIT that distributes at least 80% of its income to unit-holders is not taxed on that distributed income at the corporate level. - Distribution Requirement: Income REITs (I-REITs) are required to distribute at least 80% of their realized income to investors
Proposed Measure(s)	1. Express REIT pass-through. Amend section 21 to confirm that the income of a CMA-authorised I-REIT or D-REIT is exempt at vehicle level to the extent that at least 80% of distributable income is paid to unit holders within the prescribed period. Tax should arise once, at the unit-holder level, through final withholding tax, while existing exemptions for retirement funds and other exempt investors are preserved. 2. Extend treatment to controlled SPVs. Extend the exemption to income flowing through a wholly owned, CMA-disclosed REIT investee company where the company holds qualifying real estate solely for the REIT, observes the same distribution rule and has no unrelated business. This prevents a corporate tax layer beneath an otherwise exempt trust. 3. Property contribution rollover. Defer income tax on a gain arising when qualifying property is transferred to a REIT solely in exchange for REIT units. The transferee should inherit the transferor's tax cost, with tax crystallizing when the units or property are ultimately disposed of outside the qualifying structure. This is a rollover, not forgiveness of accrued gain. 4. Stamp-duty neutrality. Amend the Stamp Duty Act to exempt instruments transferring qualifying real property or beneficial interests into a CMA-authorised REIT, including the transfer of stabilised assets from a D-REIT to an I-REIT. The exemption should also cover the issue or transfer of REIT units where equivalent securities transactions are not charged. 5. VAT neutrality and certainty. Provide that an in-specie contribution of a qualifying rental business or property to a REIT in exchange for units is treated as a transfer of a going concern or otherwise does not trigger irrecoverable VAT, subject to continuity of use and input-tax adjustment rules. Ordinary taxable supplies made by the REIT should remain within the VAT system. 6. Competitive final withholding tax. Apply a 10% final withholding tax to taxable distributions by a qualifying REIT, with no withholding from exempt retirement funds and other exempt persons. The law should state clearly whether each distribution represents rental income, interest, realised gains or return of capital, and prevent a second tax at trust and investor levels.

Justification	The relief should be conditional on continuing CMA authorisation, independent valuation, audited financial statements, beneficial-ownership disclosure, arm's-length related-party transactions, a prescribed leverage ceiling and the minimum distribution test. Relief should be clawed back for abusive transfers or loss of qualifying status within a defined period. MoFPED, URA, CMA, URBRA, USE and ICPAU should jointly develop the implementing language and an administrative practice note before the first transaction.

7. REVIEW EXEMPTION OF INCOME OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES

Issue	**Review the Exemption on Income of Savings and Credit Cooperative Societies**
Current Law	Section 21 of the Uganda Income Tax Act defines exempt income
Challenge(s)	• In 2017, the Income Tax Act, Cap. 340, was amended in Section 21 by exempting income of Savings and Credit Cooperative Societies from taxation for ten years. • This exemption was interpreted differently by SACCOs; while most SACCOs understood it to apply to corporation tax (30% of surplus) only, others extended it to members and stopped deducting withholding tax (15% of amount paid) on dividends, bonuses and interest paid to the members. • This ambiguity was resolved by the Attorney General in 2024, who guided that following the doctrine of mutuality, the exemption granted to Savings and Credit Cooperative Societies in 2017 applied to their members as well.
Proposed Measure(s)	Amend Section 21 of the Income Tax Act by rephrasing it as follows: ……Income of Savings and Credit Cooperative Societies, ***including dividends, bonuses and interest paid by the Savings and Credit Cooperative Societies to their members*** for ten years.
Justification	The proposed amendment seeks to remove ambiguity and make the exemption more precise.

B. VALUE ADDED TAX ACT, CAP.344

8. REVIEW THE CASH BASIS ACCOUNTING THRESHOLD

Issue	The Cash Basis Accounting Threshold under Section 26(1) of the VAT Act
Current Law	Section 26(1) of the VAT Act applies to taxable persons whose annual value of taxable supplies does not exceed five hundred million shillings and suppliers of goods and services to the government.
Challenge(s)	The drive for the above-deemed and cash-based accounting was the lack of focus on paying taxes by the Government departments as they fall due, yet they are the beneficiaries.
Proposed Measure(s)	We propose the following: a) To increase the threshold to UGX 2 billion from UGX 500 million. The proposed new subsection 26(1)(a) that reads as follows: ***'…… does not exceed 2 billion shillings.'*** b) Repeal the cash accounting for Government supplies as it distorts the value chain since the provision only helps with VAT, but leaves other tax liabilities due, like income tax, which is on an accrual basis. c) Introduce a requirement for Government departments to make tax payments their key priority since the same money comes back to them to finance their activities.
Justification	This will improve the accountability and visibility of the said projects in tax accounting without causing distortion.

9. REFORM TAX EXPENDITURE FRAMEWORK

Issue	Reform Tax Expenditure Framework
Current Law	Section 19 of the Act

Observation(s)	The objective should not simply be to eliminate exemptions; instead, Government should distinguish between exemptions with a clear social or economic justification; incentives that demonstrably generate investment, employment or exports; exemptions that generate little measurable public benefit; and exemptions that create distortions or opportunities for tax avoidance.
Proposed Measure(s)	The Government could consider a three-tier exemptions framework: Category A — Essential consumption Maintain or consider zero-rating for genuinely essential goods and services where taxation would disproportionately affect lower-income households. Category B — Socially important services Evaluate a reduced VAT rate, potentially 5%, for carefully defined public goods and services where complete exemption creates undesirable input-tax distortions. Potential areas for evaluation include: • selected medical services; • selected education services; • basic passenger transport; and • other clearly defined socially important services. Category C — Ordinary commercial consumption Retain the standard VAT rate of 18%. The distinction between zero-rating and exemption is important because a zero-rated supplier can generally recover qualifying input VAT, while an exempt supplier generally cannot. Accordingly, the policy should avoid simply converting every exemption into a reduced rate without first modelling the effects on Government revenue, service providers and consumers. The Tax-expenditure test - Every significant tax exemption or incentive should periodically answer four questions: 1. What public policy objective does it achieve? 2. How much revenue does Government forego? 3. What measurable economic or social benefit is generated? 4. Could the objective be achieved more efficiently through direct expenditure or another policy

	instrument? We also recommend that Government publish an annual Tax Expenditure Statement showing: a. revenue forgone by major exemptions; b. beneficiary sector; c. policy objective; d. measurable investment, e. employment or social outcomes; and f. Government's decision to retain, modify or remove the incentive.
Justification	Incentives that cannot demonstrate measurable benefits should be candidates for phased removal. This is in line with the 2026 IMF recommendations for Uganda.

C. TAX PROCEDURES CODE ACT, CAP. 343

10. ESTABLISH CRITERIA FOR WHT EXEMPTION

Issue	**Establish Criteria for WHT Exemption**
Current Law	Section 5(4) of the TPCA.
Challenge(s)	The Tax Procedure Code Act does not provide criteria or a list of persons whom the Commissioner General is satisfied have regularly complied with obligations imposed under the Act, Sections 129(2) and 136(5) of the Income Tax Act. There is no definite criterion for determining which people can be added to the list or not. This leaves a lot of discretion to URA to determine which taxpayers can be included on the list. The current practice by URA is not supported by Law, for example, requiring taxpayers to pay 100M, or 50M in a tax period.
Proposed Measure(s)	We propose an amendment to the TPCA to provide for a list of checks that URA considers to add or remove taxpayers from the WHT and VAT-WHT exemption lists.

Justification	• This allows for a fair and transparent procedure for adding or removing taxpayers from the exemptions list. • It also stops URA from acting arbitrarily and denying taxpayers an opportunity to be included on the exemptions list without justifiable cause.

11. COMPANIES DEREGISTERED BY URSB

Issue	**Companies deregistered by URSB**
Current Law	Section 18 of the TPCA provides for the power of the Commissioner General to require tax returns in certain cases. The section was included to make it mandatory for taxpayers to file returns where they are either out of business or cease to exist (death), or become bankrupt.
Challenge(s)	We know of scenarios where the registrar of companies at URSB can strike a company off the register of companies because the company has not filed annual URSB returns for 5 consecutive years. Once a company is struck off the register of companies, it becomes non-existent and cannot be held liable for any subsisting liabilities. It is neither bankrupt, wound up nor in liquidation. This means that the current section 18(1) of the TPCA doesn't apply to these companies. In 2023, 18,600 companies were struck off the register following a notice by URSB. Companies that seek to avoid accounting for taxes are likely to remain dormant and not file annual returns at URSB with the hope of being deregistered without undergoing the ordinary insolvency procedures.
Proposed Measure(s)	We propose the following: *Amend Section 18(1)(b) of the TPCA to include:* *(b) The taxpayer has become bankrupt, wound up, or has gone into liquidation,* ***or has been deregistered by URSB****.*
Justification	To cover companies that have been deregistered by URSB so that they can be required to file tax returns the moment URSB strikes them off the register.

12. PROVIDE FOR URA'S TAX LEDGER SYSTEM

Issue	**Provide for URA's Tax Ledger System**
Current Law	**N/A**
Challenge(s)	URA's ledger system was introduced in 2009. However, the law does not provide for it, and it is applied without legal backing. Because no law governs it, URA normally adjusts, allocates, reallocates, and adds tax liabilities without the taxpayer's input. URA further bases its assessment, collection, or even rejection of WHT applications on the ledger. Whereas the ledger provides information about a taxpayer's tax position, it does not provide accurate information for some taxpayers. Including the ledger system in the law and providing for the governing procedures will help both taxpayers and URA to have accurate information in the system. In Manju vs URA (Misc Cause No. 0184 of 2022), a taxpayer challenged the implementation of the tax ledger without any legal backing. The ledger has not been implemented in tax laws to date.
Proposed Measure(s)	We propose introducing a provision for the tax ledger system, its operations, and the procedure for amending or correcting it. ***New section xx - Establishment of a tax ledger system*** 1. *The Commissioner shall establish and maintain a tax ledger system for the recording, management and administration of taxpayers' tax liabilities, payments, credits and other relevant tax information.* 2. *The tax ledger system shall be maintained in such form and manner as the Commissioner may prescribe.* 3. *The Commissioner may, on the application of a taxpayer or on his or her own initiative, amend or correct an entry in the tax ledger system where the entry is erroneous, inaccurate, incomplete or otherwise requires correction.* 4. *An amendment or correction made under subsection (3) shall be recorded in the tax ledger system together with the reason for the amendment or correction and the date on which it was made.*

Justification	To provide for the tax ledger system, its operations, and the procedure for amending or correcting it.

D. TAX APPEALS TRIBUNALS ACT, CAP. 341

13. ALIGN APPEAL TO ALTERNATIVE DISPUTE RESOLUTION AND TAT TIMELINES

Issue	**Align Appeal to Alternative Dispute Resolution and TAT Timelines**
Current Law	Regulation 4(1) provides that: "A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within seven days after being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure."
Challenge(s)	Currently, because the ADR process does not freeze the timelines for lodging a TAT Application for review, taxpayers make the TAT application alongside the ADR Application not to lose out on the opportunity to apply to TAT in case the ADR outcome is not positive. This dual application is not an efficient process as the taxpayer incurs more costs while URA and TAT resources are also made to address the same matter. There is also confusion for the taxpayers as to when to start counting the days as whether when they receive an email or a physical copy of the letter of the tax decision has been delivered to them. A taxpayer who chooses to apply for the alternative dispute resolution procedure should be able to freeze the time within which to apply to the Tax Appeals Tribunal for review of the objection decision. We have also observed that in practice, URA is rarely able to review the ADR application and conclude on it prior to the expiry of the TAT timelines of 30 days from the date of the objection decision. Sometimes, the URA will handle two ADRs under TAT mediation and the normal ADR process; and sometimes, the URA will decline to handle an application via ADR if the taxpayer has applied to TAT as well.

Proposed Measure(s)	We propose aligning the appeal to Alternative Dispute Resolution and TAT timelines: • Amend Regulation 4(1) of the ADR Regulations to provide for applications to ADR to be made within 14 days and not 7 days. • Freeze the time for application for review of the objection decision by the TAT where a taxpayer applies for ADR. We therefore recommend the following amendments to read as follows: • ***"A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within 14 days after being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure.*** • ***For the avoidance of doubt, a taxpayer is served with a tax decision when the tax decision is delivered to the taxpayer or their representative in person or when a tax decision is sent by registered mail or email to the taxpayer's known address.***
Justification	a. This will help to avoid the duplication costs incurred when taxpayers make dual applications to ADR and TAT. b. This proposal also aligns with the purpose for which ADR was set up. 14 days provide a taxpayer with enough time to decide to proceed with ADR. This is because the current 7 days disadvantage a taxpayer who intends to apply for ADR, especially where the decision is not served on the taxpayer.

E. OTHER ADMINISTRATIVE MEASURES

14. COMPLIANCE TAX CREDIT

Issue	**INTRODUCE A COMPLIANCE TAX CREDIT**
Current Law	N/A

<table>
<tr><td>Observation(s)</td><td>We note that there is no provision in the law providing for tax credits to taxpayers for compliance.</td></tr>
<tr><td>Proposed Measure(s)</td><td>Government should consider introducing a Compliance Tax Credit under which taxpayers with a demonstrable record of full and timely compliance receive a limited tax benefit. The credit should be available against the taxpayer’s annual income-tax liability, rather than being paid out as a cash refund. The policy could initially provide a credit of up to 2% of qualifying annual income-tax liability, subject to an absolute monetary cap.

The credit should be structured as:
Compliance Tax Credit = the lower of (a) the applicable compliance percentage of annual qualifying income-tax liability, or (b) the prescribed absolute annual cap.
This is important because applying a percentage without an absolute ceiling could result in disproportionately large tax benefits for very large corporations. For example, a taxpayer with UGX 50 billion in annual income-tax liability should not automatically receive a UGX 1 billion credit simply because it achieved a 2% compliance score. The Government should therefore establish an absolute maximum annual credit per taxpayer, with the actual ceiling determined through fiscal modelling and policy consultation. The cap could subsequently be reviewed periodically, but should not automatically increase merely because the taxpayer’s tax liability increases.

Verified compliance level -Illustrative credit
<table><tr><td>90–94%</td><td>0.5%</td></tr><tr><td>95–97%</td><td>1.0%</td></tr><tr><td>98–99%</td><td>1.5%</td></tr><tr><td>100%</td><td>Up to 2.0%</td></tr></table>
The maximum benefit would be subject to absolute annual monetary cap. The percentages and cap would require detailed fiscal modelling before implementation.

What should qualify as compliance? Eligibility should be based on objective criteria, including:
• timely filing of all applicable tax returns;</td></tr>
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	• timely payment of assessed taxes; • no material undisclosed tax liabilities; • consistency between tax returns, financial statements and relevant digital transaction records; • satisfactory results from risk-based compliance verification; • appropriate use of EFRIS and other prescribed systems where applicable; and • absence of serious tax offences, fraud or deliberate misrepresentation. The taxpayer should also have a satisfactory compliance record over a defined period rather than being rewarded solely for compliance in one tax period. Audit should verify — not create — the reward. The proposal should not be interpreted as a policy where every taxpayer receiving a 100% audit automatically receives a 2% refund. Instead, the audit or compliance review should verify whether the taxpayer has satisfied the statutory criteria. The reward is therefore for demonstrated compliance, not for merely being audited.
Justification	Uganda is increasingly investing in digital tax administration, data matching and broader taxpayer identification. The next logical step is to complement enforcement with a positive incentive. The taxpayer who consistently complies should receive a measurable economic benefit from that compliance. This could encourage voluntary compliance, improve the quality of taxpayer records, and potentially reduce the need for repeated intensive audits of taxpayers who demonstrate a sustained low-risk profile.

15. PUBLISH A SINGLE ANNUAL TAX-CHANGES AND IMPLEMENTATION GUIDE

Issue	**Publish a Single Annual Tax-Changes and Implementation Guide**
Current Law	N/A
Challenge(s)	Taxpayers and advisers can face uncertainty where legislation, commencement dates, regulations, forms, system changes and explanatory material are released at different times. This increases differences in interpretation and avoidable filing errors.
Proposed Measure(s)	• Require publication of a consolidated FY 2027/28 Tax Changes and Implementation Guide before each measure takes effect. It should set out final legal references, effective dates, transitional rules,

	worked examples, forms, key definitions, responsible contacts and any system-readiness requirements. Material changes should ordinarily have a reasonable implementation lead time, except where an urgent and clearly justified anti-abuse measure is necessary. • Consider a 'Provisional Collection Order' following Parliament's approval of the tax laws to allow the collections to start based on this order pending the President's assent. In the alternative, provide for a lead time from the time a law is passed, published and effective date. We suggest a period of at least 3 months.
Justification	• This will allow time for taxpayers to prepare for the changes; system, processes, people affected by the changes. • This clarity would reduce inadvertent non-compliance and professional uncertainty, improve implementation quality and allow URA to focus enforcement on deliberate or repeated non-compliance.

16. ADOPT PROPORTIONATE, TAXPAYER-CENTERED DIGITAL TAX ADMINISTRATION

Issue	**Adopt proportionate, Taxpayer-Centered Digital Tax Administration**
Current Law	N/A
Challenge(s)	E-invoicing and data-led administration can strengthen compliance, but smaller or less digitally capable taxpayers may encounter connectivity, onboarding, reconciliation, and support costs that are disproportionate to their tax risk.
Proposed Measure(s)	a. Provide a low-cost, interoperable EFRIS pathway for small taxpayers, including mobile and offline functionality where feasible, simple onboarding, accessible help channels, and documented correction/reversal workflows that preserve audit trails. b. Apply graduated enforcement - education and remediation for first-time or demonstrable system-related errors, while retaining strong sanctions for fraud, tampering, and persistent non-compliance.
Justification	a. A proportionate approach could expand formal participation and improve data quality without treating technical difficulty as equivalent to deliberate evasion.

	b. It would also support more efficient, risk-based enforcement.

17. PROTECT TAXPAYER RIGHTS IN THE USE OF THIRD-PARTY DATA

Issue	**Protect Taxpayer Rights in The Use of Third-Party Data**
Current Law	N/A
Challenge(s)	Integration of taxpayer information with banking, utility, and other records may improve risk detection, but inaccurate data matching or automated classification can impose costs on compliant taxpayers and reduce confidence in the tax system.
Proposed Measure(s)	a. Establish clear statutory and administrative safeguards for data use: defined purposes, role-based access controls, audit trails, data-quality checks, taxpayer notice before material adjustments where appropriate, and a practical right to inspect and correct relevant records. b. Risk flags should be subject to human review before adverse action, with accessible objection and escalation channels.
Justification	Sound safeguards would make data integration more reliable and defensible, support voluntary disclosure, and protect revenue collection from disputes arising from avoidable data errors.

Appendix II

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2027/28 NATIONAL BUDGET

The Institute of Certified Public Accountants of Uganda (ICPAU) successfully held its 14th CPA Economic Forum from 15 – 17 July 2026 under the theme: "***Powering Uganda's 500Billion US Dollar Future***". The Forum took place at the Imperial Resort Beach Hotel, Entebbe, and online via the Zoom Platform.

The discussions were framed around Uganda's ambition to transition to a USD 500 billion economy by 2040, commonly referred to as the Ten-Fold Growth Strategy. Presentations and plenary discussions focused on sectors considered critical to achieving this goal, particularly critical minerals, agriculture, tourism, services and industry, and the role of professionals in national development.

The Forum emphasized the need to move from primary production to value addition, strengthen governance and accountability, increase domestic resource mobilization, promote sustainable investment, and build resilient institutions. From the theme, 7 topics were selected for discussion, namely:

1. Maximising Value from Uganda's Critical Minerals for Economic Development.
2. Maximising Rewards from the Agricultural Sector for Economic Development.
3. Harnessing the Tourism Sector as a Key Driver for the Tenfold Growth Strategy.
4. Building Skilled and Adaptive Human Capital for Economic Development.
5. Enhancing Budget Effectiveness and Efficiency.
6. Growing Returns from Business Enterprises: Insights from Public and Private Sector Entities.
7. Financing Uganda's US$500 Billion Economy.

ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2027/28 NATIONAL BUDGET

Maximizing Value from Uganda's Critical Minerals for Economic Development

Observation (s)	Proposed Policy Recommendations
Critical minerals have become strategic resources driving the global economy, energy transition, and technological advancement. Uganda possesses significant deposits of rare earth elements, graphite, phosphates, lithium, copper-cobalt, and other strategic minerals, and it has explored only a small proportion of its mineral potential, largely because exploration requires substantial financing. However, its economic transformation will depend not merely on mineral extraction but on value addition linking its mineral resources' wealth to its industrialization agenda to reduce imports and stimulate manufacturing.	ICPAU recommends the following: 1. Government should undertake detailed and comprehensive resource estimation and quantification that satisfies global standards. This will enable the country to understand the exact worth of minerals and the attendant exploitation and value addition. This will require contextualizing its critical minerals beyond the international classifications. For example, iron ore and phosphates are critical minerals, given their use in infrastructural developments and agriculture as fertilizers, respectively. Long-term investment in geological exploration, mineral resource estimation, and local capacity development is therefore essential. 2. The government should establish an independent, technically competent minerals regulator with adequate enforcement powers, say a Minerals Commission that regulates licensing and compliance independently. The minerals sector will benefit from a well-developed governance framework to ensure transparency in resource estimates, robust regulation, standards, and compliance. A strong legal and regulatory framework provides investment certainty - stable mining legislation, transparent licensing systems, secure property rights, and efficient dispute resolution- which enable sustained long-term mining investment. 3. The government should undertake formalization efforts for artisanal miners for harmonized development. Artisanal miners are the biggest contributors to the industry – contributing about 80% of mineral

	development revenues (about 6,000 Ugandans are involved in this industry). 4. Grow the GDP contribution of minerals from the current 1.5BN to 15BN. This is possible if the government is able to link industrialization to its mineral resources. Over 95% of the raw material requirements in manufacturing & infrastructural projects are currently being imported. The situation would change if the country established processing plants for some of these requirements.
Maximizing Rewards from Uganda's Agriculture Sector for Economic Development	
Observation (s) Agriculture remains the backbone of Uganda's economy, contributing significantly to GDP, exports and employment. Agribusiness also offers the quickest pathway towards Uganda's ambition of building a USD 500 billion economy. Significant opportunities exist across agricultural value chains including coffee, cocoa, tea, fish and avocado. Global demand for many of these agricultural products exceeds current supply, presenting substantial export opportunities. **Challenge (s)** However, we are also aware that weak research, poor-quality inputs, inadequate market organization, and climate change currently constrain agricultural productivity. Unlocking Uganda's agricultural potential therefore requires a more enabling investment environment.	**Proposed Recommendations** 1. Sustained public investment in Agricultural Research & Development should help generate improved crop varieties and climate-smart agricultural technologies, such as irrigation infrastructure to support food security. 2. Promote organized agricultural markets and value chains – such as strong producer organizations, contract farming, and export-oriented value chains to increase farmer incomes and competitiveness. 3. Strengthen the Ministry of Agriculture to be able to provide farmer support programmes, including: a. Coordinating extension workers b. Improving quality control of agricultural inputs by establishing strict certification systems for seeds, fertilizers and pesticides to improve productivity, reduce counterfeit inputs and ensure quality exports. 4. Expand value addition across agricultural commodities - processing agricultural commodities domestically would increase export

	earnings, employment and support agro-based industry development. 5. Affordable financing to support agricultural value chains. The government should provide concessional credit, guarantee schemes and value-chain financing to farmers and agribusinesses to increase agricultural investment and productivity. 6. Strengthen technical agricultural education to be able to produce highly skilled extension workers, agronomists and agribusiness professionals to support the sector.
Harnessing the Tourism Sector as a Key Driver for the Ten-Fold Growth Strategy	
Observation(s) Uganda possesses exceptional natural, geographical, and cultural assets that remain underutilized despite their enormous economic potential. Her unique attractions are globally recognized, including rich biodiversity, the River Nile, mountain ranges, diverse cultures, favorable climate, two planting seasons, waterfalls, wetlands, a rich cultural diversity, and world-class wildlife attractions. Uganda's tourism potential remains significantly underexploited due to limited marketing, infrastructure gaps, skills shortages, and a narrow range of tourism products. Recent improvements in tourist arrivals and tourism earnings demonstrate that sector growth is achievable with sustained investment. Tourism should be viewed as a strategic economic sector capable of significantly contributing to Uganda's Ten-Fold Growth Strategy as it is a major contributor to foreign exchange earnings, employment creation and inclusive economic growth.	**Proposed Policy Recommendations** 1. The Government should undertake a comprehensive valuation of its tourism and natural resource assets to appreciate their true economic value and inform conservation priorities, tourism planning and investment decisions. 2. Develop innovative tourism products to diversify the tourism offering into areas such as adventure tourism, cultural tourism, eco-tourism, conferences, sports tourism, and wellness tourism to increase visitor numbers and spending. The country needs to shift from relying solely on natural attractions to developing competitive tourism products and experiences. 3. Increase investment in tourism marketing at both national and international levels. Tourism marketing should be considered an investment rather than an expenditure. Aggressive global branding campaigns, destination marketing, and improved communication and publicity should strengthen global visibility and competitiveness, broadening access to domestic and international tourism markets. 4. Improve tourism-supporting infrastructure. Investments in airports,

	roads, public transport, and visitor facilities will improve accessibility and visitor satisfaction. 5. Strengthen skills development and professional training for tourism workers. Hospitality training institutions should be supported to produce highly skilled tourism professionals and improve service quality. Skills development and professional training are essential for improving service quality and competitiveness in the tourism sector. 6. Establish sustainable financing mechanisms for tourism, including partnerships with financial institutions such as the Uganda Development Bank. The government should partner with the development bank and other financial institutions to provide concessional finance, guarantees, and investment incentives for tourism enterprises. There is a need for specific tourism financial support from the Government's financing mechanisms. The Ministry can work with Uganda Development Bank to tailor tourism-specific funds and tax waivers. At the moment, the Ministry does not have a specific tourism Development Fund. 7. Strengthen tourism regulations and quality standards - accreditation systems, licensing, and quality assurance to enhance visitor confidence and service standards.
Building Skilled and Adaptive Human Capital for Economic Development	
Challenge(s) Human capital is Uganda's most valuable economic asset. Investment in education, skills development, continuous learning, leadership development, and workforce productivity is fundamental to economic transformation. Human capital development should be regarded as a strategic investment rather than a recurrent expenditure.	**Proposed Policy Recommendations** 1. Government should fast-track and improve the ongoing public service reforms. These include: Professionalization of all cadres; Human Resource Planning; Digital Transformation; Knowledge Management; Pay Reforms; Performance Management Reforms; Strategic Partnerships with Universities; National Skills Inventory; and Continuous learning and re-skilling. Public service reforms are

Skills mismatch remains a major obstacle to economic growth. Uganda continues to experience significant gaps between labour market needs and available skills. Challenges include inadequate practical training, weak quality assurance, poor governance, underfunding of training, limited digital competencies, and insufficient industry participation in skills development. Digital transformation requires investment in people as much as technology. Successful digital transformation depends not only on ICT infrastructure but also on developing People's digital competencies and innovation.	critical for national development. These reforms will strengthen service delivery, improve productivity, and accountability. 2. Government, through the responsible entities, should fast-track priority TVET Reforms. These include: • Quality Assurance and Standards; • TVET Qualifications Framework; • Recognition of Prior Learning; • Industry-led Training; • Inclusion, Access and Equity; • Sustainable TVET Financing; and • TVET Act. 3. Modernize curricula to emphasize practical competencies, entrepreneurship, digital literacy, critical thinking, innovation and problem-solving. Modern learning systems should produce graduates with practical competencies, digital skills, innovation capabilities, entrepreneurial abilities, and adaptability to emerging technologies. 4. Collaborate closely with education institutions to ensure training programmes respond to labour market needs. Curriculum design should be done together with education institutions, employers, and government.
Enhancing Budget Effectiveness and Efficiency	
Observations/ challenges Budget efficiency is essential for achieving Uganda's Ten-Fold Growth Strategy. Economic transformation is not merely about larger budgets, but allocating public resources to priority sectors, maintaining fiscal discipline, improving accountability, and ensuring value for money throughout the budget cycle.	**Proposed Policy Recommendations** 1. Strengthen fiscal discipline and ensure public resources are consistently allocated to national development priorities under the Ten-Fold Growth Strategy. 2. Enhance procurement efficiency to reduce implementation delays, minimise cost overruns and improve budget absorption.

Budget effectiveness is equally critical in national development. It is the ability to translate national development plans into tangible development outcomes. Poor implementation of public financial management reforms in Uganda is evidenced by procurement delays, weak planning, low budget absorption, project implementation delays, corruption, inadequate monitoring, and cost overruns, which continue to undermine budget performance.	3. Intensify anti-corruption initiatives, strengthen internal audit functions and improve governance of State-Owned Enterprises. The responsible Government entities should implement the recommendations from the Office of the Internal Auditor General and Auditor General (OAG) Reports. 4. Accountability institutions are essential for fiscal sustainability. Reports from the Office of the Auditor General (OAG) provide valuable evidence for strengthening accountability, reducing waste and improving public expenditure management. The findings in the OAG reports should be acted upon systematically to improve budget performance. 5. Improve domestic revenue mobilisation while ensuring efficient utilisation of public resources.
Growing Returns from Business Enterprises: Insights from Public and Private Sector Entities	
Challenge(s) Enterprise growth is the engine of sustainable economic transformation. The prosperity of businesses directly determines the country's ability to create jobs, expand production, generate tax revenue, and improve household incomes. Sustainable development requires balancing energy security with environmental responsibility. Uganda should pursue a balanced approach by developing its oil and gas resources responsibly while respecting environmental sustainability.	**Proposed Policy Recommendations** 1. Clearing domestic arrears is an immediate economic stimulus. Government payment delays significantly constrain private sector liquidity. When suppliers are not paid on time, businesses struggle to meet operational costs, repay loans and invest in expansion. Prompt settlement of verified domestic arrears would inject liquidity into the economy, strengthen business confidence and stimulate investment without creating new government programmes. 2. Uganda requires long-term ("patient") capital to finance transformation. Achieving the Ten-Fold Growth Strategy will require financing mechanisms that support long-term productive investments rather than short-term consumption. Government should mobilise domestic savings, attract international investment, develop innovative financing instruments and build a pipeline of bankable

	projects capable of attracting long-term investors. 3. Uganda's oil and gas resources should catalyse industrial transformation. Government should implement deliberate industrialisation policies that maximise domestic value addition across the oil and gas value chain rather than relying primarily on crude exports. Instead, they should catalyze industrialisation by stimulating manufacturing, petrochemicals, logistics, construction and other downstream industries that generate employment, technology transfer and sustainable economic growth. 4. State-owned enterprises should be granted greater commercial autonomy, strengthened corporate governance and clear performance targets to enhance their contribution to national development. State-owned enterprises can become engines of economic transformation when granted commercial autonomy, professional governance and operational flexibility. Successful public enterprises require strong partnerships with the private sector, innovation, accountability and performance-based management rather than excessive political control. 5. Public-private partnerships are essential for unlocking investment. No single institution can finance Uganda's industrialisation agenda. There is a need for strategic partnerships involving joint ventures, equity participation, export credit financing and trade finance to mobilise capital, transfer technology and share risks across the oil and gas value chain. 6. Industrialisation should be regionally integrated. Uganda should be clustered into industrial corridors based on regional comparative advantages. Such corridors would support integrated value chains, reduce production costs, improve logistics and position Uganda as a diversified regional production hub serving both domestic and export markets.

	7. Infrastructure investment reduces the cost of doing business. Competitive enterprises depend on efficient infrastructure. Investments in roads, electricity, logistics, digital connectivity and efficient public services reduce production costs, improve productivity and increase business competitiveness. 8. Human capital is the foundation of productivity. Investment in education, technical skills and workforce productivity transforms public expenditure into economic output. Skilled workers improve enterprise efficiency, innovation and profitability, which in turn create more employment opportunities and higher tax revenues. 9. Government should prioritise growth-oriented economic policies. Fiscal policy should encourage business expansion instead of imposing excessive tax burdens. Rather than increasing tax rates, government should broaden the tax base by supporting enterprise formalisation, business growth and increased productivity.
Financing Uganda's US$500 Billion Economy	
Observation(s) Uganda possesses significant potential to mobilize long-term domestic and foreign investment through a deeper and more diversified capital market. The country's strong regional ranking in financial market development demonstrates its attractiveness to investors, but this potential remains underutilized. Achieving a US$500 billion economy requires a well-articulated growth strategy supported by adequate private sector financing. Uganda's private sector credit remains low relative to comparator countries, limiting business expansion and economic	**Proposed Policy Recommendations** 1. Deepen Uganda's capital markets by encouraging more private companies and State-Owned Enterprises to list on the Uganda Securities Exchange. 2. Encourage pension investment to enable greater investment in productive sectors of the economy. Pension funds represent an important source of long-term development finance and should invest more broadly across productive sectors instead of concentrating predominantly in government securities.

transformation. Governance, policy, and regulatory certainty are essential for attracting both domestic and international investors. Agriculture, tourism, mining and science, technology and innovation (STI) require tailored financing solutions because of their capital requirements. SMEs remain central to Uganda's economic transformation but face limited access to finance because many lack reliable financial records and formal business documentation.	3. Develop innovative financing instruments such as Sovereign Sukuk, infrastructure bonds, securitisation, tokenisation and digital assets to finance national development. 4. Borrowing should focus on financing productive investments, while ensuring efficient utilisation of borrowed resources. Excessive government borrowing from the domestic market can crowd out private sector investment and should therefore be carefully managed. 5. Increase nationwide financial literacy and public awareness of capital market products. 6. Improve tax collection efficiency before increasing tax burdens, through improved tax administration, digital tax systems, taxpayer education and compliance rather than relying primarily on higher tax rates. Strengthen tax incentives that encourage investment through collective investment schemes and private equity. 7. Promote public-private partnerships to mobilise investment into strategic sectors. Mobilising private capital for infrastructure, including roads, hospitals and schools. 8. Develop climate finance products and innovative financing mechanisms that support sustainable investment - green bonds, sustainable finance, and climate-focused investment- successfully mobilising capital for renewable energy, green infrastructure, and low-carbon development