THE TAX AMENDMENTS FOR THE FINANCIAL YEAR 2026/2027

THEIR IMPLICATIONS ON THE OPERATIONS OF FINANCIAL INSTITUTIONS.

INTRODUCTION

On 1st April, 2026 proposed tax amendments for the financial year 2026/2027 were tabled before the Parliament of Uganda. The same were debated and passed by the Parliament on the 23rd day of April, 2026 and they are set to commence on the 1st day of July, 2026.

This tax alert analyses the amendments contained in the Income Tax (Amendment) Act, 2026, the Tax Procedure Code (Amendment) Act, 2026 and the Stamp Duty (Amendment) Act, 2026, their implications on the operations of financial institutions and how they can ensure compliance.

OBJECTIVE OF THE TAX AMENDMENTS:

The primary objective of these Tax Amendments, 2026 is to widen the tax base, enhance revenue collection, and strengthen tax administration for the 2026/2027 financial year. The reforms are designed to capture untaxed income streams, plug compliance loopholes, and reduce tax evasion.

KEY AMENDMENTS AND THEIR EFFECT ON FINANCIAL INSTITUTIONS:

1. The Stamp Duty (Amendment) Act, 2026.

a) The amendment imposes an obligation on financial institutions like banks to file stamp duty monthly returns at Uganda Revenue Authority. Failure to comply with the filing of stamp duty monthly returns, the amendment imposes a 2% simple interest on the duty payable for every month of continued default.

This is going to cause an additional compliance workload and increased reporting and auditing responsibilities on financial institutions.

b) The amendment provides for a five (5) year record retention period for documents relating to dutiable transactions.

The amendment imposes the need to enhance record management and storage facilities for financial institutions and the risk of exposure during URA audits if the records are not properly kept or in case of incomplete records.

Financial Institutions will have to review and improve their record retention policies and facilities to ensure full compliance with the new statutory requirement.

c) The Bill had also proposed an increment in the applicable stamp duty on transfers from the current 1.5% to 3% of the total value. However, this proposal was rejected by the Parliament of Uganda during the debate.

d) The Stamp duty (Amendment) Act, 2026 further imposes a stamp duty on registration or transfer of motor vehicles, tricycle or quadricycle at Uganda Shillings 50,000/= and Uganda Shillings 200,000/= for any other motor vehicle.

This is likely to affect financial institutions indirectly, as Banks that finance fleets of vehicles for businesses, could see higher acquisition and registration costs passed on to borrowers, vehicle financing is likely to become slightly expensive as the borrowing clients will have to factor in the extra transfer and registrations cost. Customers taking loans secured by vehicles are likely to face high transaction costs in the process of registrations and transferring ownership. All this may lead to a drop in the borrowing rates and a raise in loan payment defaulters.

2. The Income Tax (Amendment) Bill, 2026.

Despite the Income Tax (Amendment) Bill, 2026 being passed by the Parliament of the Republic of Uganda, the Bill is pending presidential assent.

a) The Bill extends the availability of bad debt deductions to Microfinance Deposit- Taking Institutions and Tier 4 Microfinance Institutions under Section 24 of the Income Tax Act Cap 340.

Microfinance deposit- taking institutions and Tier 4 microfinance institutions have a positive impact as the amendment permits the institutions to claim deduction for bad debts and related provisions in line with regulatory requirements, aligning their tax treatment with that of the other licensed financial institutions.

b) The Bill amends Section 21 (7) of the principal Act by expanding the definition of an infrastructure bond beyond listed instruments to include all bonds, notes, or securities issued to finance public infrastructure and social services that are exempted from tax.

This amendment enhances banks' role in infrastructure financing by expanding tax-efficient investment and advisory opportunities thus boosting tax free income but also increases compliance complexity and shifts operations towards more sophisticated capital market activities.

3. The Tax Procedure Code (Amendment) Act, 2026.

a) The Act waives any tax including penal tax and interest thereon, owed by a taxpayer as at 30th June, 2016 and still outstanding as at 1st July, 2026.

The current law provides for waivers limited to penal tax and interests outstanding as at 30th June, 2024 where the principal tax is paid by 30th June, 2026.

This amnesty is likely to improve financial health of bank customers, leading to a higher probability of loan repayment through reducing non-performing loans and loan restructuring cases.

b) The Act amends Section 93 of the principal Act by introducing a penal tax for specified taxpayers who fail to use an Electronic Fiscal Device (EFD) or fail to issue an e- invoice or e- receipt, equivalent to double the tax due on the goods or services or Uganda Shillings 200,000/= or whichever is higher.

The introduction of penalties for non-use of EFDs and e-invoicing increases compliance obligations for banks while accelerating digital financial transactions and improving transparency; however, it also raises operational costs and exposes banks to higher credit risk from non-compliant clients.

RECOMMENDED MEASURES.

i) Financial Institutions will have to invest more to enhance their tax reporting systems and staff trainings on the continued tax reforms in order to ensure compliance.

ii) We recommend automating reporting systems, establishing strict filing schedules, strengthening internal controls, assigning clear responsibility, and conducting regular internal audits to ensure compliance with the filing timelines.

iii) Reviewing and improving record retention policies and facilities to ensure full compliance with the new statutory requirement.

iv) Integrating automated tax systems with URA platforms, strengthening internal controls, training staff, and continuously monitoring transactions, thereby minimizing errors, avoiding penalties, and enhancing operational efficiency to ensure compliance with the Electronic Fiscal Device and e-invoicing requirements.

v) Financial Institutions can ensure compliance with the proposed stamp duty on motor vehicle registration and transfer by integrating payment verification into loan processing, strengthening internal controls, automating systems, and enforcing strict documentation and credit policies, thereby minimizing legal and regulatory risks.

CONCLUSION.

In conclusion, these Tax Amendments of 2026 represent a significant shift in Uganda's revenue regulatory and compliance framework, aimed at broadening the tax base, enhancing revenue collection, and strengthening compliance mechanisms. The amendments, particularly in relation to Stamp Duty, Income Tax, and the Tax Procedure Code, impose new obligations on financial institutions, including banks, while also creating opportunities for increased participation in infrastructure financing and the formal economy.

Overall, while theses Tax Amendments enhances tax administration and economic formalization, there success from a banking perspective will largely depend on the ability of financial institutions to effectively adapt their operations to meet the new legal and regulatory demands.