

BILLS SUPPLEMENT

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Bill No. 7 *Income Tax (Amendment) (No. 2) Bill* **2025**

THE INCOME TAX (AMENDMENT) (No. 2) BILL, 2025

MEMORANDUM

The object of this Bill is to amend the Income Tax Act, Cap. 338 to provide for the exemption of startup businesses established by a citizen for a period of three years from tax; to extend the tax exemption of Bujagali hydro power project up to 30th June, 2032; to amend Schedule 2 to the Act to prescribe the International Atomic Energy Agency as a listed institution and for related matters.

MATIA KASAIJA, (MP)

Minister of Finance, Planning and Economic Development.

A Bill for an Act

ENTITLED

THE INCOME TAX (AMENDMENT) ACT, 2025

An Act to amend the Income Tax Act, Cap. 338 to provide for the exemption of startup businesses established by a citizen for a period of three years from tax; to extend the tax exemption of Bujagali hydro power project up to 30th June, 2032; to amend Schedule 2 to the Act to prescribe the International Atomic Energy Agency as a listed institution and for related matters.

BE IT ENACTED by Parliament as follows:

1. Commencement

This Act shall come into force on 1st July, 2025.

2. Amendment of the Income Tax Act

The Income Tax Act, in this Act referred to as the principal Act, is amended in section 21—

- (a) by substituting for subsection (1) (ab) the following—

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

(b) by inserting immediately after paragraph “z” the following-

“(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.”

(c) in paragraph (ae) (vii), by inserting immediately after the words “agricultural use” the word “or”;

3. Amendment of section 76 of principal Act

Section 76 of principal Act is amended in subsection (4), by substituting for paragraph (a) the following-

“(a) a transaction in which a person transfers their assets to another person, other than an individual controlled by the transferor or the shareholders following which the stock of the transferee is distributed;”

4. Amendment of section 86 of principal Act

Section 86 of principal Act is amended by inserting immediately after subsection (4), the following—

“(5) This section shall not apply where a non-resident person is deriving income from providing digital services in Uganda to an associate in Uganda.

(6) Notwithstanding subsection (5), section 82 or 84 of this Act shall apply to the income of a non-resident person derived from providing digital services in Uganda to an associate in Uganda.”

5. Amendment of Schedule 2 to principal Act

Schedule 2 to the principal Act is amended by inserting immediately after “Independent Regulatory Board of the East African Power Pool” the following-

“International Atomic Energy Agency (IAEA)”

