



CERTIFICATE OF FINANCIAL IMPLICATION

(Made under Section 76 of the Public Finance Management Act, 2015)

THIS IS TO CERTIFY that the Bill entitled, the Income Tax (Amendment) Bill (No 2) 2025, has been examined as required under Section 76 of the Public Finance Management Act, 2015 (as amended). I wish to report as follows: -

1) That the Bill has the following objective:

Specific objectives of the bill are:

- (i) To exempt Startup Businesses in order to encourage entrepreneurship, support small and medium enterprises (SMEs), and stimulate innovation.
- (ii) To extend the Bujagali Hydro Power Project Tax Exemption until 30th June 2032.
- (iii) To list the International Atomic Energy Agency (IAEA) as a Second Schedule exempt entity.
- (iv) To clarify that the exemption in Section 21(1)(ae)(vii) of the Income Tax Act for chemical manufacturers applies only to chemicals intended for agricultural and industrial use.
- (v) To exclude related-party transactions from the Digital Service Tax such that the withholding tax applies to them.

2) That it is expected to achieve the following outputs:

Stimulate Growth and Support Start-ups: The amendments aim to foster the growth and sustainability of start-up businesses in Uganda, promoting increased employment opportunities and boosting economic production.

Maintain Affordable Electricity Tariffs: By extending the Bujagali Energy Limited tax exemption, the anticipated increase in the generation tariff from US cents 8.31 to US cents 9.60 per unit will be averted, stabilizing the end-user tariff at an average of UGX 459.8 per unit instead of rising to UGX 481.7 per unit.

Facilitate International Atomic Energy Agency Operations: The inclusion of the International Atomic Energy Agency as a listed

Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

institution will ensure its smooth functioning in Uganda, free from tax compliance burdens.

Enhance Legal Clarity and Reduce Tax Disputes: The amendments provide greater clarity on tax exemption provisions, minimizing disputes and improving tax administration.

Ensure Proper Tax Treatment of Related-Party Transactions: The proposed changes will ensure that related-party transactions are consistently subjected to the correct tax rate of 15%, enhancing compliance and fairness in taxation.

3) Impact on the economy

The revenue yield from the Bill will be allocated to areas that generate economic output, which will contribute to sustainable economic growth from 6.4% in FY 2024/2025 to 7.0% in FY 2025/2026 and to at least 7.0% over the medium term.

In nominal terms, the size of the economy will increase from Shs. 222.50 trillion by end of FY 2024/25, to Shs. 250.00 trillion by the end of FY 2025/26.

The impact of the proposed changes in the Income Tax (Amendment) Bill will on business, consumption and welfare will be positive.

4) That the expenditure plan by major components for the next two years.

Since these are amendments to the existing tax provisions, there is no expenditure plan specifically different from the overall allocation of Shs 732.55 Billion for FY 2024/25 and Shs. 764.40 billion for FY 2025/26 to Uganda Revenue Authority.

5) That the funding and budgetary implications are the following:

Funding is going to be through overall Government budgetary allocations to Uganda Revenue Authority.

6) Expected savings and/or revenue to Government:

Revenue loss expected from the Bill is estimated to be **Shs 70 billion** annually.

Submitted under my hand this **25th March, 2025**


Matia Kasaija (MP)
MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT.

Received by

Date.....

