REDMOND TAX
& Advisory

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THE RETROSPECTIVE COMMENCEMENT OF

UGANDA'S INCOME TAX (AMENDMENT) ACT, 2026

AND

EXCISE DUTY (AMENDMENT) ACT, 2026

FIFTY DAYS THAT DID NOT EXIST

This article builds on our 2026/27 Economic Outlook, highlighting the implications of the retrospective application of Acts that were not yet law when the Outlook was written. You can find the REDMOND TAX & ADVISORY 2026/27 Economic Outlook on our website.



A. The Issue

On 20 August 2026 the President assented to the Income Tax (Amendment) Act, 2026 and the Excise Duty (Amendment) Act, 2026. Section 1 of each Act reads: “This Act shall come into force on 1st July, 2026.”

Read those two sentences together and the problem states itself. For at least fifty days, 1 July to 19 August 2026, the rates, the withholding obligations and, in two cases, the excisable goods themselves did not exist in Ugandan law. On 20 August they were deemed to have existed all along.

This is not a drafting slip that can be waved away. It is a quantifiable exposure sitting in the July and August ledgers of every business that removed fuel, cement, sugar, cooking oil or cooking fat from a factory or bond; imported paint; first-registered a motorcycle; paid out a betting win; paid a performer; or serviced an offshore debenture. For most of those businesses, the money in question has already left the building, absorbed into a pump price, a bag price, or a payout to a buyer who is not coming back.

B. How the gap opened

The FY2026/27 tax package was not one event but two. On 18 May 2026 the President assented to five of the seven Bills, Value Added Tax, Stamp Duty, Tax Procedure Code, External Trade and Lotteries and Gaming. Those Acts commenced on 1 July 2026 in the ordinary way, with law preceding effect.

The Income Tax and Excise Duty Bills took a different route. On 14 July 2026 the Deputy Speaker informed the House that the President had returned both Bills for reconsideration under Article 91 of the Constitution. His principal objection was to clause 11 of the Income Tax Bill, which would have carved land-based casinos out of the new withholding tax on betting and gaming winnings; he argued the carve-out created unequal competition between gaming operators and an avenue for avoidance.

Parliament reconsidered and passed both Bills again, with amendments, on 4 August 2026. The Clerk to Parliament authenticated them on 7 August. The President assented on 20 August. What nobody did, at any point in that sequence, was amend the commencement clause. Section 1 of each Act still says 1 July 2026, a date that made sense when the Bills were drafted on the assumption of assent in May, and made no sense at all by the time they were signed.



C. Article 152(1) of the constitution and the authority to charge

Article 152(1) provides that no tax shall be imposed except under the authority of an Act of Parliament. Between 1 July and 19 August 2026 there was no Act of Parliament imposing UGX 1,750 per litre on petrol, UGX 750 per 50 kg on cement, UGX 500 per litre or kilogram on cooking fat, or 6% on payments to public entertainers. If duty was collected at those rates in that period, it was collected without the authority Article 152(1) requires. The Act of 20 August purports to supply that authority backwards.

Whether it can is the whole question. The orthodox answer is that Parliament, being sovereign within the Constitution, can legislate with retrospective effect if it says so clearly, and here it has said so clearly. The counter-argument is that Article 152(1) is not merely a formality but a constraint on when a charge may arise, and that a charge cannot arise at a moment when no Act existed to create it.

D. Construction is not the battleground

Retrospective application of a new law is often frowned upon. The common law presumption against retrospectivity that a statute is not to be given retrospective operation so as to impair an existing right or obligation unless that effect cannot be avoided without doing violence to the language is well settled in Uganda and repeatedly applied by our courts. But it is a presumption, and it yields to clear words. “This Act shall come into force on 1st July, 2026” is about as clear as drafting gets.

So the fight is not about what the words mean. It is about whether the words, meaning what they plainly mean, are constitutionally and administratively enforceable. That is a much harder and much rarer argument.



E. The distinction that actually determines your exposure, Weak and strong retrospectivity.

The single most useful analytical move for a finance team is to stop treating "retrospective effect" as one thing. It is two, and they behave completely differently.

Weak retrospectivity attaches new consequences to a period that has not closed. Strong retrospectivity attaches new consequences to a transaction that has already completed. Courts across the common-law world tolerate the first far more readily than the second, and the South African High Court's analysis in Pienaar Brothers turns on precisely this distinction.



Apply **weak and strong retrospectivity** to these two Acts and the picture separates sharply:

- Income tax on chargeable income. The Ugandan year of income runs 1 July to 30 June. The year of income 2026/27 opened on the very day the Acts purport to commence and was still open, nine months from closing when they were signed. Changing the rate structure applicable to a year of income that has not ended is weak retrospectivity.
- Withholding tax. The taxable event is the payment. A commission paid on 5 July 2026, a betting payout on 14 July, an artist's fee on 2 August; each of those was complete when it happened. Imposing a duty to have withheld from a payment already made is strong retrospectivity of the purest kind: it creates an obligation that was impossible to perform at the moment performance was required.
- Excise duty. The taxable event is removal from the factory or the point of import. It is instantaneous, it is complete, and critically, the duty is a component of the price at which the goods were sold. Backdating a rate increase does not adjust a future price; it claws back a margin that has already been passed to a customer.
- New excisable items. Cooking fat and paints, varnishes and lacquers were not excisable goods at all before this Act. For those, backdating is not a rate change. It is the retroactive creation of a taxable event. This is where the constitutional objection is strongest and where any challenge should be built.

Neither Act contains a savings or transitional provision addressing the window.

1. Worked exposures

The figures below use the enacted rates against the rates in force immediately before them. Volumes are illustrative and should be replaced with your own for the period 1 July to 19 August.

All amounts are Uganda Shillings unless stated.

The rate movements

Item	Rate before	Rate from 1 July 2026 (as enacted)	Movement
Motor spirit (gasoline)	1,550 per litre	1,750 per litre	+200 per litre
Gas oil (diesel, high-speed)	1,230 per litre	1,430 per litre	+200 per litre
Cement, adhesives, grout, white cement, lime	500 per 50 kg	750 per 50 kg	+250 per 50 kg
Cane or beet sugar, pure sucrose (solid)	100 per kg	200 per kg	+100 per kg
Cooking oil	200 per litre	400 per litre	+200 per litre
Cooking fat	Not excisable	500 per litre or kg	New item
Paints, varnishes, lacquers - local	Not excisable	3% or 50 per litre/kg, higher of	New item
Paints, varnishes, lacquers imported	Not excisable	10% or 2,000 per litre/kg, higher of	New item
Motorcycles, first registration	200,000	500,000	+300,000
Imported undenatured spirits below 80% ABV	80% or 1,700 per litre, higher of	80% or 3,500 per litre, higher of	+1,800 per litre floor
Specified plastics and granules	2.5% or USD 70 per tonne, higher of	2.5% or USD 70 per tonne, higher of	Scope restated; rate unchanged

Scenario 1 Fuel: the margin that has already gone

An oil marketing company clears 6,000,000 litres of petrol and 4,000,000 litres of diesel in the window. With an introduction of UGX 200 excise duty added;

Petrol: 6,000,000 × 200 = 1,200,000,000

Diesel: 4,000,000 × 200 = 800,000,000

Total incremental excise: UGX 2,000,000,000

2. The full two billion was priced out of the pump in July and August at the old rate. There is no customer to bill. The exposure lands entirely on the marketer's gross margin, and if URA treats the July and August excise returns as underpaid attracts interest under the Tax Procedures Code Act on top.

Scenario 2 Cement, sugar and cooking oil: the manufacturers

Three producers, each with a plausible fifty-day output: Then UGX 250, UGX 100, and UGX 200 excise duty introduced on each of them respectively;

Cement plant 1,500,000 bags of 50 kg × 250
= UGX 375,000,000

Sugar mill 6,000 tonnes (6,000,000 kg) × 100
= UGX 600,000,000

Edible oil refiner 1,500,000 litres × 200
= UGX 300,000,000

The difficulty is compounded by each of these being a distributor-priced product sold through long chains at list prices fixed in advance. None of the three can retrospectively reprice July stock that is already on a duka shelf in Mbarara.

Scenario 3 Cooking fat and paints: tax on goods that were not taxable

This is the sharpest case. A manufacturer of cooking fat sold 400,000 kg in the window. Cooking fat was not an excisable good. There was no line on the excise return for it, no rate to apply, and no duty component in the price. Then a UGX 500 is introduced.

A paints importer brought in 250,000 litres at a CIF value of UGX 12,000 per litre, UGX 3 billion. The duty is the higher of 10% ad valorem or UGX 2,000 per litre:

Ad valorem: 3,000,000,000 × 10% = 300,000,000

Specific: 250,000 × 2,000 = 500,000,000

Higher of: UGX 500,000,000

A local paint manufacturer with 800,000 litres of output at an ex-factory value of UGX 10,000 per litre pays the higher of 3% (UGX 240,000,000) or UGX 50 per litre (UGX 40,000,000), UGX 240,000,000.

In all three cases, the goods cleared customs or left the factory at a time when Ugandan law imposed no excise duty on them whatsoever. Therefore if there is a case to be brought, it is this one.

Scenario 4 Motorcycles: the dealer network

A dealer group first-registers 8,000 units in the window.

8,000 × 300,000 = UGX 2,400,000,000

The commercial reality behind that number is worth stating: most of those units are financed on hire-purchase to riders or through hire purchase intermediaries such as Tugende whose weekly instalment is already calibrated to the margin. A UGX 300,000 retrospective increase per unit is not absorbed by a dealer; it is either eaten or it becomes a dispute with 8,000 individual customers.

Scenario 5; Withholding tax: the obligation that could not be performed

Four new or restated withholding regimes bite from the backdated date.

Provision	Rate	Base
s.82(5) and Part V para 2A	5%	Interest on qualifying debentures paid outside Uganda to a non-resident
s.131 (substituted), Part XI	15%	Betting or gaming winnings pay-out less stake; national lottery excluded
s.133 (substituted), Part XIII	10%	Gross commission for telecom retail, mobile network and mobile money services
s.135B (new), Part XVI	6%	Gross payment to a public entertainer, including digital performers

Betting operator. Gross pay-outs of UGX 30 billion against stakes of UGX 24 billion in the window give a winnings base of UGX 6 billion.

6,000,000,000 × 15% = UGX 900,000,000

The money went to punters, in cash or to mobile wallets, and is unrecoverable. Note two things cutting in opposite directions: defining "winnings" as pay-out less stake is relieving compared with a gross-payout base, but the President's objection removed the land-based casino carve-out, so casinos that paid out in the window face a wholly new obligation.

Events promoter. UGX 2.4 billion paid to performers across the July- August season, on contracts written gross of tax.

Withholding due: 2,400,000,000 × 6% = UGX 144,000,000

If contracts were net of tax, grossed up: 2,400,000,000 ÷ 0.94 = 2,553,191,489; tax = UGX 153,191,489

Section 135B did not exist when those payments were made. The promoter had no duty to withhold, no mechanism to withhold, and in most cases no continuing relationship with the performer. A withholding agent who fails to withhold becomes personally liable for the tax. That liability is now being created after the fact.

Offshore debenture interest. A borrower pays a USD 4,000,000 coupon offshore in the window under a facility with a standard tax gross-up clause.

Grossed-up payment required: 4,000,000 ÷ 0.95 = USD 4,210,526

Withholding tax: USD 210,526 ≈ UGX 768,421,000

Because the gross-up clause makes the tax the borrower's cost, the entire amount is an unbudgeted charge, — and one that may itself trigger a change-in-law notice under the facility agreement.

Scenario 6 PAYE: retrospectivity that runs the other way

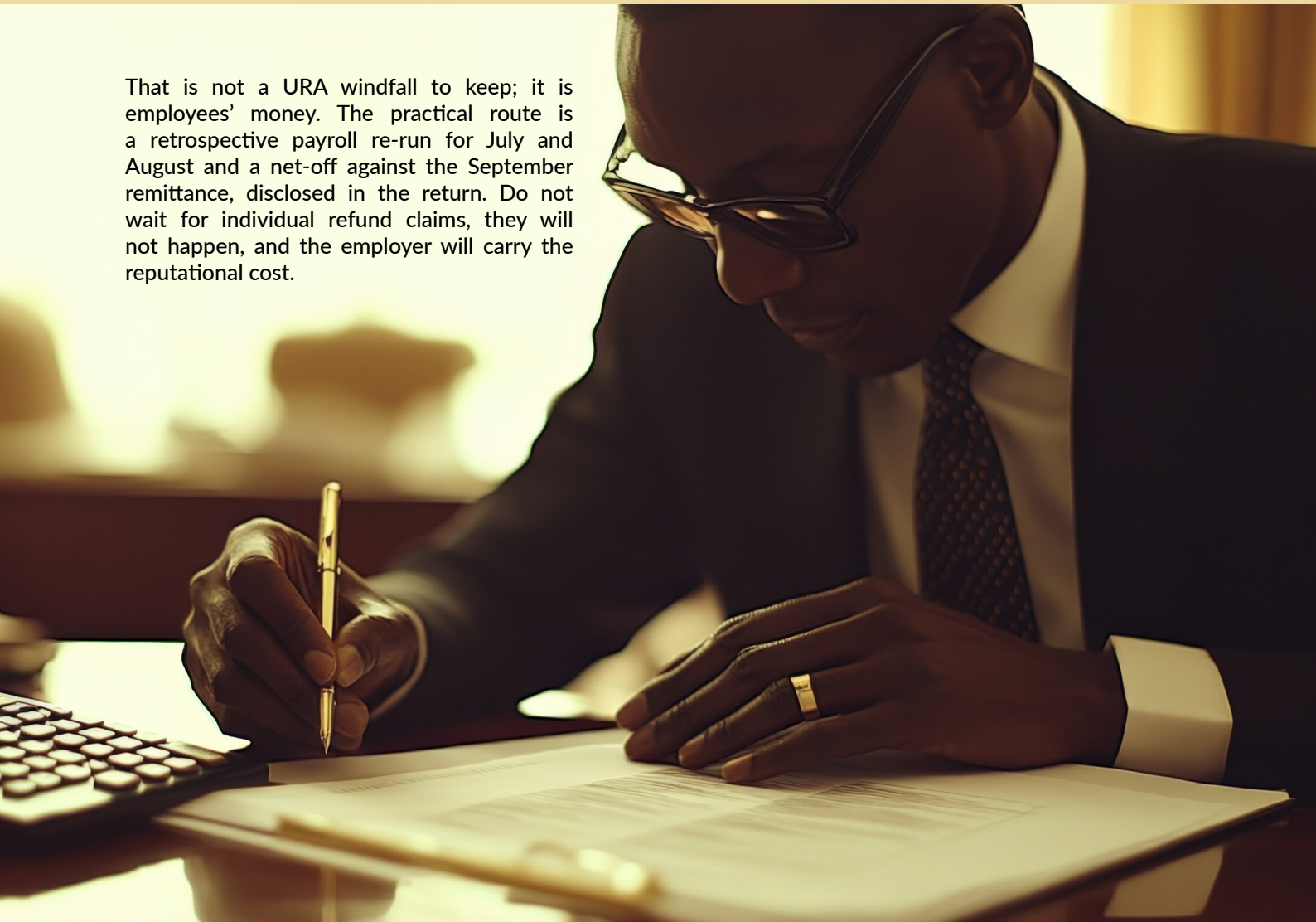
It is worth being even-handed about this. The new resident individual bands are lower, not higher. Above an annual chargeable income of UGX 5,820,000 (— UGX 485,000 a month), — the reduction is a constant.

Annual chargeable income	Old tax	New tax	Difference
4,020,000	120,000	Nil	−120,000
6,000,000	624,000	459,000	−165,000
12,000,000	2,424,000	2,259,000	−165,000
60,000,000	16,824,000	16,659,000	−165,000

Any employer who ran July and August payroll on the old Schedule 4 over-withheld UGX 13,750 per month for every employee earning above UGX 485,000.

600 employees × 13,750 × 2 months = UGX 16,500,000 over-withheld

That is not a URA windfall to keep; it is employees' money. The practical route is a retrospective payroll re-run for July and August and a net-off against the September remittance, disclosed in the return. Do not wait for individual refund claims, they will not happen, and the employer will carry the reputational cost.



What the courts have done with retrospective tax elsewhere

The comparative record is more discouraging for taxpayers than the instinctive sense of unfairness suggests. Where taxpayers have prevailed, it has usually been outside the courtroom.



a. The construction cases

Commissioner of Income Tax v Vatika Township (P) Ltd (2014), a Constitution Bench decision of the Supreme Court of India, is the leading modern statement. The court held that legislation imposing a new burden is presumed prospective, and that retrospective operation is legitimate where an amendment clarifies an ambiguity or corrects a procedural defect, but not where it imposes a fresh charge on closed transactions. Vatika is a construction case: it tells you how to read a statute that is silent or ambiguous. It does not tell you what to do with a statute that is explicit.

b. The constitutional challenges and why they failed

Pienaar Brothers (Pty) Ltd v Commissioner for SARS (2017) is the closest analogue in a comparable constitutional order. South Africa's Taxation Laws Amendment Act 2007 inserted section 44(9A) into the Income Tax Act and deemed it to have come into operation on 21 February 2007, catching completed share capital reductions. The taxpayer argued that applying legislation retrospectively to completed transactions violated the rule of law and the principle of legality. The Gauteng High Court held that the Constitution does not prohibit retrospective amendment of tax legislation, distinguished weak from strong retrospectivity, and dismissed the challenge.

R (Huitson) v HMRC [2011] EWCA Civ 893 concerned section 58 of the UK's Finance Act 2008, which retrospectively shut down an Isle of Man double-taxation arrangement. The taxpayer argued incompatibility with Article 1 of the First Protocol to the European Convention. The Court of Appeal held the retrospective provisions proportionate and compatible, and specifically rejected the argument that the absence of any impact assessment undermined proportionality. National & Provincial Building Society v United Kingdom (ECtHR, 23 October 1997) went further. Parliament passed retrospective legislation validating defective Treasury Orders and blocking parallel claims.

The pattern is consistent. Courts asked to strike down retrospective tax legislation on rule-of-law or property-rights grounds have, with striking regularity, declined.

c. Where taxpayers have actually won

India's 2012 retrospective amendment to the Income-tax Act taxing offshore share transfers back to 1962, in direct response to the Vodafone judgment, was not defeated in an Indian court. It was defeated in investor-state arbitration. In December 2020 a Permanent Court of Arbitration tribunal held that India had breached the fair and equitable treatment standard of the India–UK bilateral investment treaty and awarded Cairn Energy approximately USD 1.2 billion, rising with interest and costs to roughly USD 1.7 billion. Faced with global enforcement actions against sovereign assets, India enacted the Taxation Laws (Amendment) Act 2021, nullifying all demands raised on transactions before 28 May 2012 and refunding some money, conditional on withdrawal of the arbitration claims.

The lesson for Uganda is precise and limited. Retrospective taxation of a foreign investor with treaty protection is expensive in a way that retrospective taxation of a domestic cement plant is not. Uganda has bilateral investment treaties and a growing population of protected investors in energy, telecoms and extractives. The debenture-interest withholding tax and the plastics and paints measures are the ones most likely to touch that population.

Most past cases were brought individually, unlike the current situation where entire sectors are affected and poised to mount a collective contestation. This distinction provides the single strongest contrast, and the most encouraging grounds, for affected Ugandan taxpayers.

A regional caution

Kenya's Finance Act 2023 litigation is a warning about process challenges as a strategy. The Court of Appeal declared the entire Act unconstitutional on 31 July 2024. On 29 October 2024 the Supreme Court largely reversed, holding the Act constitutional. Fifteen months of uncertainty, an enormous cost, a headline victory, and then nothing. Anyone contemplating a constitutional petition in Uganda should price that outcome into the decision.

Ugandan courts may grant retroactive validation to avoid administrative collapse. If a petition threatens the core revenue-generation capabilities of the state, the state will deploy every legal and extra-judicial resource to protect it.

Our take as **REDMOND TAX & ADVISORY** and how this is likely to playout

We provide our assessment in descending order of likelihood:

1. Administrative accommodation by URA (most likely)

The cheapest resolution for everyone is a public notice or administrative position treating the increased and new rates as operative from a practical date, assent, gazette publication, or the start of September, and waiving penal tax and interest for the window. URA actually hashas stronger reasons to want this.

Assessing fifty days of retrospective excise across fuel, cement, sugar, oils, fats, paints and motorcycles would generate hundreds of objections, a wave of Tax Appeals Tribunal filings, and a live constitutional question it would rather not have answered. Under this approach we expect the practical answer to arrive as guidance rather than as law.

2. Objection and the Tax Appeals Tribunal

A taxpayer assessed for the window objects under the Tax Procedures Code Act and, on an adverse objection decision, applies to the Tribunal. The question put would be whether a commencement taxing clause can create a charge for a period during which no Act existed to impose it. This is the most probable route to a reasoned decision. While retrospective application is uncontroversial for beneficial clauses, retroactively enforcing a taxing provision introduces entirely different constitutional and legal complications.

3. Constitutional petition under Article 137

A petition grounded on Article 152(1), that no tax may be imposed except under the authority of an Act of Parliament, and that no Act existed during the window; supported by Article 26 on deprivation of property. On the comparative authority surveyed above, the odds are not good for a pure rate-increase challenge. They improve materially where the claim is confined to the retroactive creation of a new excisable item or a new withholding obligation.

4. The penal tax and interest question, which is winnable

Separate the principal from the penalties. Penal tax is punitive in character. Article 28(7) prohibits the imposition of a penalty for an act that was not an offence when it was done. A taxpayer who did not withhold under section 135B on 15 July 2026 did not fail to comply with anything, because there was nothing to comply with. Even a taxpayer who concedes the principal has a strong and separable argument that penal tax cannot attach to the window, and a good argument on interest, which is compensatory but presupposes a debt that was due and unpaid. This is the most winnable point in the whole package and it should be run first.

What to do in the next fortnight

1. This is obvious but check the Gazette the date of publication of both Acts. This determines whether your July–August payments were lawful when made.

2. Reconstruct the window. Quantify, by product line and by payment type, everything between 1 July and 19 August 2026 at both the old and the new rates.

3. Establish which of three positions you are in. You paid old rates (arrears exposure); you paid Bill rates); or a mix across product lines. Each has a different remedy.

4. For this quarters reporting purposes book the exposure and provide for the principal as a contingent liability with a note explaining the retrospective commencement.

5. Map every withholding payment in the window. For each, decide: recover from the payee under contract, gross up and absorb, or contest.

6. Run the PAYE true-up. Re-run July and August payroll on the new bands and net the credit off the September remittance. This is UGX 13,750 per employee per month owed to your staff.

7. Read your change-in-law clauses. Supply agreements, distribution agreements, power purchase agreements, facility agreements and tax gross-up provisions may be triggered by a backdated commencement, or may fail to be triggered, which is worse. Check whether "change in law" is defined by reference to enactment or to effect.

8. Request a written URA position. A ruling request is cheap and converts an argument into a documented position you can show a URA auditor.

9. Reprice forward. Whatever happens to the window, the new rates apply now. Fuel, cement, sugar, oils, fats, paints and motorcycle registration all need repricing, and the plastics scope has been restated, — check whether your product falls within one of the four statutory exclusions.

Conclusion

First, on the **law**:, the backdating is probably effective for the income tax rate changes, because the year of income was still open and the retrospectivity is weak. It is vulnerable but probably survivable for the excise rate increases, on the comparative authority of Pienaar Brothers, Huitson and National & Provincial Building Society. It is genuinely fragile where it creates an excise charge on goods that were not excisable, cooking fat and paints , and where it creates a withholding obligation, under section 135B, that was impossible to perform when performance fell due. Any challenge should be built narrowly on those grounds.

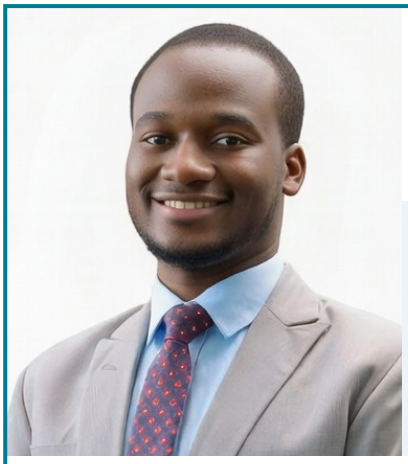
Second, on the **practicalities**,: the exposure is real, it is quantifiable, and it should be provided for now rather than argued about later. The most valuable move available to most businesses is not litigation but separately concede the principal where you MUST, otherwise contest the principal, penal tax and interest hard based on the discussion above, and get the PAYE credit back to your employees.

Third, on **policy**, Uganda has had a lawful mechanism for collecting tax between Budget Day and assent since 1963. The habit of backdating commencement clauses instead is a choice, not a necessity. It transfers the entire cost of a legislative delay onto businesses that could not have priced it,and gives them no statutory refund route when the enacted rate lands below the proposed one.,



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