

A SIMPLE GUIDE TO TERMINATION AND DISMISSAL OF EMPLOYMENT
CONTRACTS IN UGANDA

1. Introduction

For years, Ugandan employers, employees and even the courts of laws used the words "termination" and "dismissal" interchangeably which caused real confusion about what an employee was owed when a job ended. **The Employment (Amendment) Act, 2025** settles this by drawing a sharp distinction between the two concepts. This guide explains that distinction, the categories of dismissal, and the procedures the law requires before an employment relationship can lawfully end.

2. Termination vs. Dismissal

In **Atanasius Kakwemeire v National Medical Stores Labour Dispute Reference No. 011 of 2022**, the Industrial Court clarified that while all dismissals are terminations, not all terminations are dismissals.

A. Termination

Termination is a broad umbrella concept involving the lawful ending of employment without necessarily attributing any fault to the employee.

Section 12 of the **Employment (Amendment) Act, 2025**, expanded **Section 64** of the **Employment Act Cap. 226** to explicitly state that termination occurs through;

- ✓ Ending the contract by notice by the employer;
- ✓ Expiry of a fixed-term contract or task contract that is not renewed;
- ✓ Redundancy of the employee;
- ✓ Prolonged sickness lasting more than six months leaving employee unable to perform their duties; or
- ✓ Circumstances where continuous employment would breach a statutory obligation.

Note

- Before terminating for redundancy, the employer must prove either that it has ceased operating or that reorganisation, new labour-saving devices or a changed work pattern genuinely requires fewer employees, under **s.64(3)**.
- Before terminating for prolonged sickness, the employer must first obtain a medical doctor's opinion on the employee's condition, under **s.64(4)**.

B. Dismissal

Section 1(d) of the Employment (Amendment) Act, 2025 now defines dismissal from employment as the discharge of an employee at the initiative of the employer on one of the specific grounds set out in the newly inserted **Section 64A**; which are strictly limited to:

- ✓ Abscondment from duty i.e. absence from work without employer's permission or knowledge for more than 30 consecutive days.
- ✓ Presenting forged documents or lacking required qualifications at recruitment.
- ✓ Conduct adversely affecting the employer's business, whether inside or outside employment.
- ✓ Any other ground specified in the employment contract.

Note

Because Section 64A is an exhaustive list, dismissing someone for a reason outside it is, by definition, unlawful.

The law further categorises dismissals into three distinct categories:

i. Summary Dismissal.

This occurs when an employer dismisses an employee instantly, without notice or with less notice than legally required. Under **Section 68**, this is only justified where the employee's conduct amounts to a "fundamental breach" of their obligations under the contract. As noted in **Ebiju James v Umeme Ltd Civil Suit No. 0133 of 2012**, this is reserved only for serious, verifiable misconduct that destroys the employment relationship

ii. Unfair Dismissal.

Section 65A makes a dismissal unfair whenever the employer's real reason falls outside the **Section 64A** list.

Section 65C goes further and bars dismissal or any disciplinary penalty on discriminatory grounds including pregnancy or pregnancy-related reasons, taking lawful leave, union membership or activity, race, religion, political opinion, marital status, HIV status or disability.

iii. Wrongful Dismissal

Section 65B makes a dismissal wrongful where the employer fails to meet its procedural or contractual obligations while dismissing the employee for example, denying a fair hearing, ignoring the statutory **Disciplinary Code under Schedule 2**, or breaching the employer's own Human Resource manual.

3. How to effectively terminate employment

Where an employer simply wants to end the relationship without alleging any misconduct for instance, redundancy or expiry of a fixed term, no disciplinary hearing is required, but the following substantive and procedural steps must still be followed to avoid the separation being recast as an unfair dismissal:

- ✓ Confirm the reason falls strictly under **Section 64** e.g., redundancy, expiry of term, or standard notice, and for redundancy or sickness-based termination, that the extra proof requirements in **s.64(3)–(4)** are satisfied.
- ✓ Give the statutory notice period required under **Section 57**, or pay the employee's wages in lieu of that notice.
- ✓ Because no allegations of misconduct are made, the employer is not legally obligated to subject the employee to a disciplinary hearing. The justification for this was in **Stanbic Bank v Nassanga Civil Appeal No. 182 of 2021**, the Court held that paying the employee three months' salary in lieu of notice successfully fulfilled the legal requirement and that because no allegations of misconduct are made, the employer is not legally obligated to subject the employee to a disciplinary hearing

Note

An employer cannot use "termination with notice" to fire someone for a prohibited reason such as pregnancy. Courts will look past the notice and rule it an unfair dismissal under **Section 65C**

4. How to effectively dismiss

Where an employee has committed an offence, the employer must satisfy two separate legal tests i.e. procedural and substantive to avoid the dismissal being struck down as wrongful or unfair.

i. Avoiding a wrongful dismissal

Skipping the correct process makes a dismissal wrongful under **Section 65B**. The substituted **Section 65 of the Employment (Amendment) Act, 2025** and **Ebiju James v Umeme Ltd Civil Suit No. 0133 of 2012** sets the statutory minimum standard of fair hearing, the employer must meet:

- ✓ Give the employee clear written notice of the specific allegations, in a language the employee understands (**s.65(1)**);
- ✓ Allow the employee to have a person of their choice present during that explanation (**s.65(2)**);

- ✓ Hear and genuinely consider the employee's representations or those of their chosen representative before deciding (**s.65(3)**);
- ✓ Give the employee at least five working days to prepare those representations (**s.65(4)**).
- ✓ Permit the employee to appear before an impartial disciplinary committee.
- ✓ Allow the employee to be accompanied by a person of their choice and to cross-examine witnesses.

As the Court beautifully quoted in **Atanasius Kakwemeire v National Medical Stores (Labour Dispute Reference No. 011 of 2022)**, even in the Garden of Eden, God did not condemn Adam and Eve unheard despite overwhelming evidence. Every employee has a fundamental right to be heard.

ii. **Avoiding an unfair or unjustified summary dismissal**

Dismissing for a prohibited reason is an unfair dismissal; dismissing instantly, without notice, for a trivial offence is an unlawful summary dismissal. To be substantively sound, the employer must be able to show:

- ✓ The dismissal rests strictly based on grounds in **Section 64A** e.g., abscondment, forgery, adverse conduct and must never touch the prohibited grounds in **Section 65C** like pregnancy, union membership, etc.
- ✓ The decision is anchored in the statutory **Disciplinary Code (Schedule 2)** or an internal HR manual that clearly defines what amounts to gross misconduct.
- ✓ For summary dismissal under **Section 68**, the conduct must be so severe that it "fundamentally breaks" the employee's obligations.
- ✓ The employer bears the absolute burden to prove the reasons for dismissal, under **S. 67** and if the employer fails to prove it, the dismissal is deemed wrongful.
- ✓ The misconduct is proved on a balance of probabilities using objective evidence not on mere conjecture, bias, or personal discretion.

5. **Practical Advice For:**

a. **Employers**

- ✓ Categorise the separation correctly from the outset. If you are downsizing, pay the requisite notice, and part ways peacefully without a hearing.
- ✓ Never "auto-dismiss" an employee. In **Mugisa Nicholas v Equity Bank Labour Dispute Reference No. 281 of 2021**, the Industrial Court ruled that employers must hold a formal disciplinary hearing even if an employee is arrested, convicted, or confesses. The right to a fair hearing cannot be bypassed.

- ✓ Where an employee has committed an offence, use dismissal and follow the 5-day working notice rule and conduct an impartial disciplinary hearing.

Note

Under **Section 65(5)** of the **Employment (Amendment) Act, 2025**, failing to follow the hearing procedure automatically makes the employer liable to pay the employee four weeks' net pay, on top of any other damages the court may award for wrongful dismissal.

b. Employees

- ✓ Know the difference between being terminated and being dismissed.
- ✓ If you are terminated with proper notice, pay and no allegation of misconduct, the employer does not owe you a hearing.
- ✓ However, if you are accused of misconduct, you have a right to a fair hearing before any dismissal decision is made.
- ✓ If you are unlawfully dismissed, your remedies depend on which breach occurred:

For unfair / wrongful dismissal (Sections 76 & 77)

A Labour Officer or the Industrial Court can order:

- ✓ Reinstatement, and if it is not viable or wanted, compensation instead;
- ✓ A basic compensatory order of eight (8) weeks' wages increased from the original four weeks;
- ✓ Additional compensation of one to three months' wages, calculated by reference to length of service, financial loss and related factors.

For Unjustified Summary Dismissal (Section 69)

- ✓ Net wages you would have earned during your lawful notice period,
- ✓ Compensation for other losses caused by the abrupt dismissal.
- ✓ Severance allowance under Section 88 where you had six months or more of continuous service, calculated as one month's salary for every year worked.
- ✓ Four weeks' net pay under Section 65(5)) where the employer skipped the hearing or denied you the 5 days to prepare.
- ✓ General, aggravated and exemplary damages if court considers them warranted.

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