

**PRIVATE SECTOR POSITION PAPER ON THE TAX POLICY
PROPOSALS FOR CONSIDERATION IN THE FY2026/27
NATIONAL BUDGET**

SUBMITTED

**TO THE
MINISTRY OF FINANCE PLANNING & ECONOMIC DEVELOPMENT**



Business growth is our business

BY

**MR. STEPHEN ASIIMWE
CHIEF EXECUTIVE OFFICER
PRIVATE SECTOR FOUNDATION UGANDA**

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1.0 Introduction

The **Private Sector Foundation Uganda (PSFU)** commends the **Ministry of Finance, Planning and Economic Development (MoFPED)** for its continued collaboration with the private sector in shaping Uganda's national budget. This partnership has yielded tangible results, with **over 85% of PSFU's proposals** integrated into the FY 2025/26 budget, including several pivotal tax policy reforms.

In fulfillment of its mandate, PSFU has conducted **evidence-based studies** across key economic areas, including the **impact of digital tax stamps, contract farming, excise duty on internet-related jobs, cost drivers in manufacturing, and border efficiency for agricultural competitiveness**. These studies informed consultations across **12 strategic sectors**—manufacturing, agriculture, tourism, construction, trade, oil and gas, human capital, financial services, creative industries, logistics, professional services, and ICT.

The resulting proposals have been harmonized across sectors, ensuring **policy coherence and economic relevance**. For instance, PSFU's analysis revealed that the **12% excise duty on internet data** contributed to the loss of **over 132,600 jobs**, while Uganda's insurance penetration remains at **39%**, far below Kenya's **49%** and Rwanda's **45%**. These insights underscore the urgency for targeted tax reforms to unlock Uganda's growth potential and enhance competitiveness.

2.0 General Tax Policy issues - Cross Cutting areas

Uganda's private sector is the engine of economic transformation. To unlock its full potential, we urge policymakers to consider the following strategic tax reforms aligned with **NDP IV, export promotion, and import substitution** goals.

- i. **Promote a Stable and Predictable Tax Regime**; A consistent tax environment fosters investor confidence and long-term planning. Taxes currently account for **45–55% of final product prices**, undermining competitiveness. We commend the government for maintaining tax policy stability over the past **five years**. Future tax measures must be evaluated for their impact on macroeconomic stability and enterprise growth.
- ii. **Strengthen Tax Administration**; Presumptive taxes disproportionately burden MSMEs, pushing them into informality. URA's limited capacity hampers effective enforcement. We propose licensing **private tax experts** through **Public-Private Partnerships (PPPs)** to conduct audits and assessments. This will:
 - a) Reduce tax leakages
 - b) Generate reliable data (e.g., in real estate)
 - c) Expand the tax base
 - d) Increase revenue collection
- iii. **Support Innovation Through Excise Duty Reform**; Introduce **tiered excise duty rates** for new products using local agricultural inputs. Lower rates during the product introduction phase will offset sunk costs (e.g., R&D), encourage innovation, and stimulate value chain development.
- iv. **Reorder Import Clearance Procedures**; Amend tax policy to prioritize **UNBS standards clearance (M17)** before **URA tax payment (M14)**. This prevents double losses on rejected goods and paid taxes, protecting traders and improving efficiency.
- v. **URA Staff Identity Verification App**; Develop a **web-based app** with **facial recognition** to verify URA staff identities. This will curb impersonation, reduce fraud, and protect traders during import and tax procedures.

- vi. **Streamline Border Clearance**; Automate clearance processes and establish **deconsolidation centers** to reduce delays (currently **18–36 hours**) and paperwork for consolidated cargo at borders, warehouses, and bonds.
- vii. **Harmonize Taxes on Edible Oil**; Processors face **UGX 200/litre excise duty, 18% VAT**, and local fees. This triple taxation raises costs and discourages investment. Harmonization will improve competitiveness and attract investment.
- viii. **Suspend CESS Levy on Tea Transport**; The **KES 7,000 levy per truck** in Mombasa disrupts Uganda’s tea trade. We urge suspension and harmonization of county taxes to protect regional logistics and trade flows.
- ix. **Reform Timber Taxation**; Blanket bans hurt compliant firms. Introduce **compliance-based tax incentives** and differentiated rates based on sustainability to protect forests and promote responsible investment.
- x. **Expand the Tax Base**; Implement targeted reforms to stimulate growth and formalize key sectors:
 - a) **Construction Industry SPV**: Boost private sector procurement from **30% to 60%** in 2 years, creating **13,000 jobs** and generating **USD 3 billion** in VAT and corporate tax.
 - b) **Real Estate Agency Bill**: Formalize over **1 million unregistered actors**, increasing corporate tax revenue.
 - c) **Scrap Industry Regulation**: Prevent infrastructure vandalism and tax evasion; improve VAT compliance through Customs oversight.
 - d) **Anti-Illicit Trade Enforcement**: Uganda loses **USD 15 billion annually** to illicit trade (USD 7B beer, USD 4B cigarettes, USD 2B cosmetics, USD 1B steel/electronics). Partner with PSFU to enforce laws.
 - e) **Contract Farming Bill 2023**: Formalize over **70% of Ugandans in agriculture**, integrating them into the tax base.

The tax proposals in this paper are categorized under the following laws: **Income Tax Act, Value Added Tax (VAT) Act, Withholding Tax (WHT) provisions, Excise Duty Act, East African Community Customs Management Act (Import Duty), Stamp Duty Act, Tax Procedures Code, and the Local Governments Act.**

3.0 Specific Tax Proposals on the Different Tax Acts (Arranged by alphabetical letters)

No.	Issue	Proposal	Justification
A			
Income Tax Act			
1	Ambiguity in Employment Definition under Section 2 of the Income Tax Act : The Act defines employment based on fixed remuneration but lacks clarity on consultants engaged via BPO firms , leading to inconsistent application of PAYE and Withholding Tax .	Amend Section 2 of the Income Tax Act to clearly distinguish between contracts of service (employment) and contracts for service (consultancy) . Include provisions for consultants working through BPO firms .	A clear definition will ensure fairness , reduce classification disputes , and align with Uganda’s Domestic Revenue Mobilization Strategy . It will also improve URA enforcement and tax compliance in the growing gig and digital economy.

No.	Issue	Proposal	Justification
2	Tax Ambiguity for Consultants via BPO Firms: Consultants working through BPOs are not clearly classified, creating confusion in tax treatment.	Introduce a new clause to define consultant income under BPO arrangements as non-employment income , subject to Withholding Tax and corporate tax where applicable.	This will ensure consistent tax application , reduce loopholes , and support Uganda's outsourcing and digital services sector , which is projected to grow by 12% annually .
3	No Income Tax Relief for Collective Management Organizations (CMOs): CMOs like UPRS, URRO, UFMI face VAT, Income Tax, WHT, and PAYE on royalties. UPRS holds UGX 200 million in arrears , affecting artists' earnings.	Grant Income Tax relief to CMOs and waive UGX 200 million arrears for UPRS. Exempt CMOs from corporate tax on royalties collected on behalf of artists.	Tax relief will boost royalty payouts by up to 30% , enhance financial sustainability , and support Uganda's creative sector , which contributes 2.8% to GDP and employs over 50,000 creatives .
4	Uganda's Film Industry Lacks Competitive Tax Incentives: The last major foreign production was in 2016 . Current taxes include 10% import duty, 18% VAT, 15% WHT, and 1.5% infrastructure levy , making Uganda less attractive.	<ul style="list-style-type: none"> • Introduce a 35% cash rebate for qualifying foreign and local productions. • Exempt film equipment from import duty and VAT. • Establish a National Film Fund under UCC or MoICT. 	Uganda's film industry employs 5,000 directly and 10,000 indirectly , contributing 3.5% to GDP . Countries like South Africa earned USD 106.7 million from foreign productions in 2023. Attracting 3–5 productions annually could generate USD 10–15 million , create 500–1,000 jobs , and build local capacity
5	Outdated PAYE Tax-Free Threshold	Increase the PAYE tax-free threshold from UGX 235,000 to UGX 500,000 per month	The current threshold of UGX 235,000 , unchanged since 2012 , is far below Uganda's current cost of living . Inflation has eroded its value, making it regressive. Raising it to UGX 500,000 (approx. \$141) will provide relief to low-income earners and align Uganda with Kenya's \$160 and Tanzania's \$108 thresholds
6	Double Taxation on Real Estate Developers: Developers pay 30% Corporate Tax on property sales and an additional 30% Rental Income Tax (on 50% of	Revise the Rental Income Tax regime: <ul style="list-style-type: none"> • Raise individual allowable deductions from UGX 2.82M to UGX 5M. 	Uganda faces a 2.4 million housing unit deficit . Reducing tax burdens will stimulate real estate development, improve housing affordability, and attract FDI . The proposed changes align with the 10-

No.	Issue	Proposal	Justification
	rental income) if they retain units. This creates income source separation and discourages investment.	<ul style="list-style-type: none"> Permit companies to deduct up to 75% of gross rental income. Reduce rental income tax rate from 30% to 19% for non-individuals. 	Fold Growth Strategy and recent tribunal clarifications on allowable deductions
7	High Corporate Tax Rate: Uganda's 30% corporate tax rate exceeds the global average of 23.51% , reducing profit margins and deterring investment.	<ul style="list-style-type: none"> Reduce Uganda's corporate tax rate from 30% to 23.5%, aligning with global averages. Introduce tax exemptions for companies providing free or subsidized healthcare to low-income communities. 	Lowering the rate will enhance Uganda's competitiveness, attract FDI , and improve liquidity for reinvestment. Tax incentives for healthcare provision will support SDG 3 (Good Health and Well-being) and reduce public health burdens
8	Misclassification of Biological Assets in Floriculture: Section 2 of the Income Tax Act misclassifies mother plants, leading to inflated taxable income and compliance issues.	Amend the Income Tax Act to: <ul style="list-style-type: none"> Classify mother plants as inventory. Apply IAS 41 fair value accounting. Issue sector-specific guidelines in consultation with horticulture stakeholders. 	Rose plants have a lifespan of up to 5 years , and mother plants cycle every 20–22 weeks . The current 4-year depreciation model is inaccurate. Aligning with IAS 41 ensures fair valuation, accurate taxation, and supports Uganda's growing cut-flower export industry .
9	No tax incentives for R&D and technology upgrading	Amend Income Tax Act, Cap 340 – Section 21 to introduce tax credits for R&D expenditure and accelerated depreciation for technology upgrades	Only 49.6% of firms invest in R&D due to cost constraints. Tax incentives will promote innovation, improve competitiveness, and increase capacity utilisation
10	No tax incentive for DTS compliance costs (Tax Type: Corporate Income Tax ; Act: Income Tax Act – Section 22 (Deductions))	Amend Income Tax Act – Section 22 (Deductions) to allow full deductibility of DTS compliance costs as an allowable expense	DTS compliance costs (installation + stamps) average UGX 575 million upfront , disproportionately affecting SMEs and reducing profitability
B	Value Added Tax (VAT)		
11	Delayed VAT Refunds Due to Lengthy URA Audits: Section 42(1) requires refunds within 1 month , but URA audits often delay refunds for over 12	Amend Section 42 of the VAT Act to mandate that URA completes refund audits within 12 months of the due date.	Timely refunds will improve cash flow , enhance business productivity , and stimulate investment . This aligns with

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	months, restricting cash flow and investment.		Uganda's Private Sector Growth Strategy and supports SMEs.
12	Low VAT Refund Threshold for Exporters: Section 42(2)(a) sets the refund offset threshold at UGX 5 million , limiting recovery for exporters.	Raise the VAT refund threshold from UGX 5 million to UGX 50 million and allow continuous monthly offsets for exporters.	This will improve competitiveness in global markets, enhance cash flow , and support Uganda's export-led growth agenda .
13	Outdated Interest Exemption Threshold on Refund Variance: Section 44(3) exempts interest if URA's confirmed refund exceeds the taxpayer's claim by UGX 50,000 , a threshold set in 1996.	Amend Section 44(3) to raise the threshold to UGX 3 million and exclude non-taxpayer errors from interest exemption.	This will incentivize URA to expedite refund processing , reduce disputes, and ease cash flow burdens on compliant taxpayers.
14	Low VAT Registration Threshold: Businesses with turnover above UGX 150 million must register for VAT, burdening small enterprises.	Raise the VAT registration threshold from UGX 150 million to UGX 500 million.	This will reduce tax pressure on small businesses , promote formalization , and support private sector growth , especially for MSMEs.
15	Limited VAT Deferment Access for Startups: VAT deferment applies to machinery imports over USD 4,000 , but startups often fall below the UGX 150 million VAT registration threshold .	<ul style="list-style-type: none"> • Lower VAT deferment threshold to USD 2,000. • Reduce VAT registration threshold to include startups. 	This will enable early-stage businesses to access essential machinery without upfront tax burdens, fostering industrial growth and job creation .
16	Exclusion of Spare Parts from VAT Deferment: Regulation 4 of the 2013 VAT Deferment only covers machinery, excluding spare parts .	Amend Regulation 4 to include spare parts in VAT deferment for plant and machinery.	Including spare parts will reduce operational costs , improve equipment maintenance , and enhance productivity across sectors.
17	Unclaimable 18% VAT on Residential Housing Inputs: Developers incur 18% VAT on construction inputs but cannot claim it, raising housing costs.	Amend the VAT Act to allow developers to claim input VAT on construction services and materials for residential housing .	This will lower development costs , expand affordable housing , attract FDI , and support Uganda's housing deficit reduction strategy.
18	Limited VAT Deeming in Oil & Gas Supply Chain: Section 24(5) of the VAT Act only applies VAT deeming to	Expand VAT deeming provisions to cover entire oil and gas supply chain , including downstream	Extending VAT deeming will ease liquidity pressure , promote financial sustainability , and attract investment across the EACOP and

No.	Issue	Proposal	Justification
	upstream contractors. Downstream suppliers face cash flow constraints due to VAT remittance obligations.	contractors and service providers	Tilenga projects , aligning with Uganda's Petroleum Revenue Management Strategy
19	Double VAT on BPO Salary Disbursements: URA applies VAT on total cost (salary + management fees) , unlike regional peers who tax only management fees. This creates double taxation and makes Uganda the most expensive BPO destination in East Africa.	Amend VAT policy to apply VAT only on management fees for BPO firms, aligning with Kenya, Rwanda, Tanzania, Burundi, and South Sudan.	Eliminating double taxation will reduce BPO costs by up to 25% , enhance Uganda's regional competitiveness , and attract outsourcing investments , supporting the Digital Uganda Vision
20	18% VAT on Cassava Flour and Starch: This tax raises production costs, making Ugandan cassava products uncompetitive against imports from Thailand and Egypt.	Zero-rate VAT on cassava flour and starch under Section 19 of the VAT Act. Provide tax credits for investments in cassava processing, storage, and industrialization.	Cassava is a priority agro-industrial value chain under NDP IV. Zero-rating will boost competitiveness in EAC, COMESA, and AfCFTA , create 10,000+ jobs per factory , and support food security and climate resilience
21	High VAT on ICT equipment like routers and Mobile devices like Smartphones and routers (18%): This increases device costs, limiting access and digital inclusion.	Zero-rate VAT on smartphones, routers, and ICT hardware under the Third Schedule of the VAT Act	Reducing VAT lowers entry-level smartphone prices to UGX 180,000 , moving toward NDP IV's UGX 60,000 target. Higher penetration boosts ARPU to \$1/month , generating \$3.67/year tax per user , offsetting initial revenue loss. Current high taxes keep tele-density at 63% ; reducing device taxes expands connectivity, digital literacy, and economic inclusion.
22	Uganda's VAT on Edible Oils (18%) is higher than Kenya (16%) and Tanzania (15%) , reducing regional competitiveness.	Reduce VAT on edible oils from 18% to 15% to align with regional standards.	Lowering VAT will boost affordability , enhance regional exports , and support nutrition and agro-processing under Uganda's Ten-Fold Growth Strategy
23	EFRIS Flower Valuation by Kilograms: Flowers are traded by stem count , not weight. Current EFRIS setup distorts value and tax reporting.	Add "number of stems" field in EFRIS for floriculture transactions.	Uganda exports 1.17 billion chrysanthemum cuttings annually , supplying 80% of the Dutch market. Accurate stem-based valuation will ensure fair taxation , improve compliance , and support floriculture exports

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24	URA-KRA Invoice Format Mismatch: Differences in invoice formats and units cause customs delays, disputes, and rejected entries.	Align URA and KRA invoice formats and units. Issue a joint URA-KRA statement to harmonize cross-border VAT and customs documentation.	Harmonization will reduce trade delays, improve regional integration, and support EAC Customs Union protocols
25	Tax burden on cooperative-owned agro-processing equipment	Amend Value Added Tax Act – Section 19 and EAC Customs Management Act – Schedule 2; Extend exemptions to cooperative-owned dryers, graders, and packaging units	Value addition could raise farmer incomes by 20–25% and unlock UGX 3–4 trillion annually
26	High VAT and import duties on irrigation and agro-processing equipment (Value Added Tax Act, Cap 349 – Section 19; EAC Customs Management Act – Schedule 2)	Zero-rate VAT and reduce import duties on irrigation kits and agro-processing machinery	Less than 2% of arable land irrigated; mechanization could cut post-harvest losses by 50% and boost competitiveness
27	VAT on certified seeds and fertilizers (Value Added Tax Act, Cap 349 – Second Schedule)	Add certified seeds and fertilizers to exemption list	Counterfeit inputs reduce yields by 30%; exemptions would incentivize compliance and improve productivity
28	High taxation on agricultural insurance premiums and contract enforcement services (Tax Type: VAT; Act: Value Added Tax Act, Cap 349 – Second Schedule)	Exempt agricultural insurance premiums and legal contract registration fees from VAT	Insurance costs (UGX 60,000–160,000 per acre) discourage uptake; exemption would promote risk mitigation and compliance with contract farming
29	High taxes on construction equipment imports (EAC Customs Management Act – Schedule 2; VAT Act, Cap 349 – Section 19)	Reduce or zero-rate import duties and VAT on construction equipment	High equipment costs limit indigenous firms' competitiveness and ability to bid for large projects; tax relief would enhance firm capabilities and growth
30	VAT on construction insurance premiums (VAT Act, Cap 349 – Second Schedule)	Exempt construction insurance premiums from VAT	Insurance is mandatory for performance bonds (10–15% of contract value); VAT increases costs for indigenous firms, limiting their

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			ability to meet procurement requirements
31	VAT charged on DTS stamps	Amend VAT Act, Cap 349 – Schedule 3 to zero-rate DTS stamps for VAT purposes	VAT on DTS stamps creates a cash flow burden for manufacturers, especially SMEs. Zero-rating will reduce financial strain and encourage compliance
C	Withholding Tax (WHT)		
32	High Tax Burden on Imported Services for Farmers: Farmers pay 15% Withholding Tax (WHT) and 18% VAT on imported services, which are non-reclaimable , increasing operational costs and reducing profitability.	Exempt farmers from 15% WHT on non-resident payments and allow VAT recovery on imported services used in agriculture.	Agriculture employs over 70% of Ugandans . Tax relief will reduce costs, improve cash flow , and support food security and export competitiveness . It aligns with proposed VAT reforms to accelerate refunds and support SMEs
33	Uncompetitive Taxation of Fish Maw: Uganda imposes 8% export levy , US\$11/kg import duty , and 6% WHT , while Kenya has no export tax and Tanzania charges only US\$2.69/kg .	<ul style="list-style-type: none"> • Reduce export levy to US\$2.69/kg to match Tanzania. • Eliminate US\$11/kg import duty. • Adjust 6% WHT to a lower rate for fish maw traders. 	Uganda's fish maw exports dropped from 701,607 kg to 305,964 kg , despite revenue rising to UGX 9.1 billion . Lower taxes will curb smuggling, boost legal trade, and restore Uganda's regional competitiveness
34	Double Taxation on Kenyan Tea Brokers: Uganda taxes Kenyan brokers twice, violating EAC Common Market Protocol , and harming Ugandan tea farmers.	Implement a bilateral tax agreement with Kenya to ensure single taxation for tea brokers	Aligning taxation with EAC integration goals will reduce costs for farmers, promote fair trade, and support Uganda's UGX 41 billion tea export industry
35	6% WHT Burden on Real Estate and Construction Firms: URA requires firms to act as tax agents, increasing financial and administrative strain .	Remove or reduce the 6% WHT obligation for real estate and construction firms.	The sector contributes significantly to GDP but faces low compliance and high costs . Reform will promote formalization, reduce project delays, and support affordable housing
36	WHT Exemption Challenges in Oil & Gas Sector: Current UGX 2 billion capital requirement for exemption is too high for smaller players.	Introduce an industry-specific checklist and reduce capital threshold to UGX 500 million for WHT exemption eligibility.	Uganda expects US\$10 billion investment in oil by 2025. Lowering barriers will attract more players, support infrastructure development, and align with EACOP exemption policies
37	6% WHT on Imports Increases SME Costs:	Exempt first-time importers or set a	SMEs contribute 80% of private sector employment . Exemption will

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	Combined with 18% VAT and 25% import duty , this forces SMEs to borrow, raising consumer prices.	minimum threshold for WHT to support SME growth.	improve liquidity, reduce consumer costs, and promote formal
38	No Import Duty on Hatching Eggs: This undermines local poultry breeders and exposes Uganda to biosecurity risks .	Introduce a phased import duty of 15–25% on hatching eggs.	A phased levy will protect domestic investment , enhance biosecurity , and align Uganda with EAC peers who already impose such duties
D	Excise Duty Tax		
39	High Cost of Internet Access Due to 12% Excise Duty and 18% VAT: Combined, these taxes result in a 32% total tax burden on internet data. Exemptions for education and health are rarely applied due to unclear criteria.	<ul style="list-style-type: none"> • Reduce excise duty on internet data from 12% to 6%. • Differentiate mobile vs desktop data pricing. • Clarify and enforce exemptions for education and health sectors. 	Uganda's internet costs range from \$1.50 to \$2.50/GB , compared to \$0.50–\$1.00 in Kenya . A PSFU study shows 132,600 jobs lost due to the 12% duty. Lowering the rate will boost digital access for 11–13 million smartphone users , enhance productivity, and support NDP IV digital transformation goals .
40	Excise Duty on RTD Beverages Misaligned with Alcohol Content: RTDs (ABV ≤ 8%) are taxed like spirits (ABV ≥ 35%), despite being closer to beer.	Amend Excise Duty Act to introduce Clause 3(C)(iii): <ul style="list-style-type: none"> • Imported RTDs: 80% or UGX 1,700/litre. • RTDs with <75% local content: 60% or UGX 2,050/litre. • RTDs with ≥75% local content: 30% or UGX 650/litre. 	RTDs are packaged like beer and have similar ABV (1–8%). A UGX 24 billion UBL investment in RTD production is running at 25% capacity . Tax harmonization would unlock 75% growth , double industrial sugar use , and boost local fruit sourcing
41	Increased Excise Duty on Fuel: Petrol rose from UGX 1,550 to UGX 1,650/litre , diesel from UGX 1,230 to UGX 1,380/litre , raising costs for construction and logistics.	Introduce sector-specific fuel excise relief for construction and logistics industries.	Fuel price hikes cause 8–12% cost increases across sectors. Relief will support infrastructure development, reduce inflationary pressure, and sustain growth in Uganda's UGX 4.5 trillion construction sector .
42	High Tax on Mobile Money Transactions: Uganda imposes 0.5% tax on withdrawals and 15% excise duty on transaction fees , increasing costs for users.	<ul style="list-style-type: none"> • Eliminate 0.5% withdrawal tax. • Reduce 15% excise duty on transaction fees to 5%. 	Mobile money is vital for financial inclusion . Reducing taxes will improve affordability, increase adoption, and support 2.3 million ICT jobs
43	Excise Duty on Digital Financial Transactions Limited to Mobile Money:	<ul style="list-style-type: none"> • Expand scope to include all digital-to-cash channels. 	Agency banking cash-outs rose 4x in 2022/23 . Tax modeling shows UGX 820B revenue at 0.25% , compared

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	Agency banking and wallet-to-bank (W2B) transfers remain untaxed, creating loopholes.	<ul style="list-style-type: none"> Reduce rate to 0.25%, capped at UGX 5,000 per transaction. 	to UGX 318B at 0.5% on mobile money alone
44	Wallet-to-Bank Transfers Used to Evade Mobile Money Tax: High-value transfers (UGX 4–5M) bypass withdrawal tax.	Include W2B transfers in excise duty scope to ensure same-service, same-rules taxation.	Closing this loophole could recover UGX 1B+ in lost revenue and promote fairness in digital taxation
45	10% Excise Duty on Fish Exports to Kenya: Kenya exempts Ugandan fish imports, but Uganda taxes outbound fish, undermining EAC trade.	Remove 10% excise duty on fish exports to Kenya.	Uganda's fish exports to Kenya fell from US\$14.16M to US\$1.62M , an 88.6% drop . Removing the duty will restore competitiveness and strengthen regional trade.
46	Lack of Differentiated Tax Rates for Mobile vs Fixed Internet (Tax Type: Excise Duty; Act:)	Amend Excise Duty Act – Schedule 2 to Introduce progressive tax rates: lower for mobile data, higher for corporate broadband	Current uniform tax structure burdens low-income users; differentiated rates would promote equity and affordability for vulnerable groups
47	High DTS costs with no recovery mechanism	Amend Excise Duty Act, Cap 340 – Section 4 Introduce a provision allowing offset of DTS costs against excise duty payable in monthly returns	DTS costs constitute 15.5% of LED payments , increasing operational costs and reducing competitiveness. Offsetting will ease compliance and prevent closures
48	No allowance for stamp wastage and process losses	Amend Excise Duty Act – Section 4 & Regulations Introduce a process loss provision allowing up to 1% wastage similar to Kenya's legislation	Manufacturers face penalties for damaged or lost stamps during production, leading to excess excise duty payments and unfair compliance costs
E	East African Community Customs Management Act (Import Duty)		
49	Unequal Import Duty Exemptions: International oil companies and Tier 1 entities enjoy up to 100% exemptions , while local firms receive only up to 25% , creating unfair competition.	Implement uniform import duty exemptions of up to 100% on capital goods for local companies and extend benefits to Tier 2 and Tier 3 firms via Customs Procedure Codes (CPCs) in ASYCUDA.	Equalizing exemptions will reduce cost disparities, enhance local competitiveness , and support Uganda's Buy Uganda Build Uganda (BUBU) policy. It aligns with the 2025 Tax Amendment Bill promoting inclusive growth for SMEs .

No.	Issue	Proposal	Justification
50	High Import Duty on Electric & Hybrid Vehicles: Duty increased from 0% to 25% , raising prices (e.g., Nissan Leaf up by UGX 51M). Imports dropped despite Uganda's 90% renewable energy mix .	Reinstate 0% import duty on electric and hybrid vehicles and motorcycles. Maintain age limit of ≤15 years , with incentives for vehicles ≤8 years .	In FY 2023/24, EV imports rose from 17 to 420 units under 0% duty. Reinstating this will promote green mobility , reduce fuel dependence, and support Uganda's 2030 electrification goals
51	25% Import Duty on Goods Vehicles (HS Code 8704.22.90): A UGX 50M truck attracts UGX 12.5M in duty , raising transport costs.	Reduce import duty from 25% to 15% for goods vehicles (5–20 tons).	Lowering duty will reduce logistics costs, enhance regional trade competitiveness , and support Uganda's transport and trade infrastructure
52	10% Import Duty on Entry-Level Smartphones (HS Code 8517.13.00): Raises device cost to UGX 232K , limiting access.	Apply 0% import duty on entry-level smartphones to align with EAC peers.	Uganda's tele-density is 69% , compared to Kenya's 116% . Removing duty will boost digital inclusion , support e-learning , and enhance mobile-based service delivery
53	Low Import Duty on Refined Edible Oils (10–15%): EAC peers apply 25–35% , disadvantaging local processors.	Increase import duty to 25% on refined edible oils, excluding sunflower and cottonseed oils.	Uganda imports 55% of its cooking oil , despite having 52 processing machines . Raising duty will protect local processors , promote oilseed farming , and align with EAC standards
54	Informal levies and roadblock charges on cross-border trade	Amend EAC Customs Management Act – Enforcement provisions to Prohibit unauthorized roadblocks and strengthen penalties for informal charges	NTBs cost Uganda USD 16.7M annually ; eliminating them could cut trade costs by 30% and unlock USD 300–400M in exports
F	Stamp Duty Act		
55	High Stamp Duty on Motor Third-Party (MTP) Insurance: The UGX 35,000 flat stamp duty on policies like MTP insurance significantly raises premiums. For example, a UGX 6,000 motorcycle premium attracts a stamp duty over 5x the premium , discouraging uptake.	Reform the Stamp Duty Act by adopting a 1% premium-based stamp duty or a UGX 5,000 flat fee for motorcycles , aligning with Kenya, Tanzania, and Rwanda .	Uganda's insurance penetration is 39% (700,000 of 1.8 million vehicles), compared to 49% in Kenya, 40% in Tanzania, and 45% in Rwanda . A lower, scalable stamp duty will make insurance more affordable, especially for low-income earners, and increase uptake.

No.	Issue	Proposal	Justification
56	Low Insurance Sector Contribution to GDP: Uganda's insurance sector contributes only 1% to GDP, while Kenya contributes 3.2% and Rwanda 1.8%.	Introduce targeted stamp duty exemptions for low-premium policies and digitize stamp duty collection to reduce administrative barriers and improve compliance.	Lowering stamp duty and simplifying compliance will expand insurance coverage, especially in informal sectors like boda bodas and small businesses, supporting financial inclusion and domestic revenue mobilization .
57	Flat Stamp Duty Model Penalizes Group Insurance: The current law applies UGX 35,000 per policy, regardless of the number of beneficiaries, raising costs for employers offering group health insurance.	Amend the Stamp Duty Act to apply stamp duty per group policy , not per beneficiary, and exempt renewal endorsements from duty.	Codifying this will reduce costs for employers and expand access to affordable health insurance for workers.
58	Regional Disparity in Stamp Duty Models: Uganda's flat fee model contrasts with percentage-based models in neighboring countries, creating a non-competitive insurance environment .	Harmonize Uganda's stamp duty structure with EAC standards by adopting a tiered percentage-based model (e.g., 1% for general insurance, 0.5% for microinsurance).	Harmonization will support cross-border insurance operations , reduce compliance costs, and promote Uganda's integration into the East African insurance market , boosting regional competitiveness and sector growth.
G	Tax Procedures Code Act		
59	No Re-order Threshold for Tax Stamps: Regulation 4 of the Tax Procedures Code mandates tax stamp procurement but lacks a re-order threshold , disrupting inventory planning and compliance.	Amend Regulation 4 to include a re-order threshold mechanism (e.g., 120% of monthly usage) to trigger automatic restocking.	Manufacturers using 10,000 stamps/month would benefit from a 12,000-stamp threshold , ensuring continuity, reducing delays, and avoiding penalties. This supports efficient production cycles and compliance stability .
60	No Allowance for Process Losses in Tax Stamp Usage: Regulation 9 lacks provisions for wastage or damage , penalizing manufacturers unfairly.	Add Subsection 9(6) to allow a 1.5% wastage allowance for damaged or unaccounted excise stamps.	Kenya's DTS model includes process loss allowances . Uganda's beverage and bottling firms (UBL, NBL, Crown Beverages) face breakage-related losses . This amendment ensures fair tax treatment and operational realism .
61	Unclear Amendment Rights Post-Investigation: Section 23 of the TPCA does not clarify if taxpayers can amend returns after investigations conclude .	Amend Section 23(3)(a) to allow taxpayers to apply for return amendments within 3 years post-investigation, with prior	This ensures fairness for taxpayers cleared after investigations. Without this provision, businesses risk permanent financial loss due to uncorrectable errors.

No.	Issue	Proposal	Justification
		notification to the Commissioner.	
62	Excessive Tax Burden in Tourism Sector: Tourism operators face 25–27 different taxes and licenses , including hotel, liquor, swimming pool, and conference hall fees.	Streamline tourism taxes by merging overlapping levies into a single composite tax or sector-specific tax code .	President Museveni recently called for hotel tax reform , recognizing tourism as an export service . Simplification will reduce costs, improve compliance, and support Uganda’s goal of USD 4 billion in annual tourism receipts by 2030 .
63	Monopoly in DTS supply leading to high stamp prices under the Excise Duty compliance cost	Amend Tax Procedures Code Act – Section 19 procurement regulations to allow multiple DTS providers and competitive pricing	Uganda’s DTS prices are 34.8% higher than regional average , creating market imbalance and increasing cost of doing business
Local Governments Act			
64	Duplicative local government licensing fees and levies (Local Governments Act, Cap 243 – Section 80)	Harmonize and cap agricultural trade-related fees; introduce single-window licensing	Compliance costs increase by 15–20% annually; Uganda loses UGX 210B through informal trade partly due to high fees

4.0 Conclusion

The private sector strongly believes that implementing these targeted tax reforms will directly **stimulate business growth, strengthen value chains, and expand employment**, thereby increasing **domestic revenue** and advancing Uganda’s vision of **prosperity for all**. We appreciate the continued support of the **Parliament of Uganda**, whose engagement has enabled over **85% of PSFU proposals** to be adopted in the national budget. By enacting these reforms, Uganda will build a **robust, inclusive, and sustainable tax system** that empowers the private sector, enhances competitiveness, and drives national development.

For God and My Country.