

Revenue at what cost? A student's view on Uganda's new tax proposals

The Ministry of Finance has proposed new tax reforms aimed at raising at least Shs 4.8 trillion in FY 2026/27. These include a mix of tax reliefs, increases, exemptions, and administrative changes. The big question is, are these taxes fair? Who will bear the final burden of the Shs 4.8 trillion that these proposals will impose on Ugandans?

As a student of economics, I understand that periodic tax reforms are important in any country's fiscal policy. The problem arises when tax reforms place a heavier burden on the poor, especially through taxes on essential goods like fuel and sugar, while offering exemptions elsewhere.

Public sector economics tells us that all taxes, whether on companies or assets, are ultimately borne by people in the form of increased prices to households, reduced wages to workers or reduced profits to entrepreneurs. If most of this burden falls on the poor or targets the same people instead of expanding the base, then these proposals become unfair and increase inequality.

For example, increasing indirect taxes like excise duty on fuel increases the cost of living. The additional fuel taxes of Shs 200 per litre on petrol and diesel are expected to rise transport costs, which leads to higher prices for goods and services.

Similarly, taxes on essential commodities like sugar, cooking oil, and construction materials are likely to strain household budgets, especially among low-income groups who spend a larger proportion of their in-

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comes on these goods. This makes these proposals regressive as they will disproportionately affect poorer households.

In the property market, the doubling of stamp duty on land transfers from 1.5 percent to 3 percent is expected to increase the cost of property ownership.

This may slow down real estate transactions and make land ownership less accessible, particularly for middle-income earners. Similarly, new taxes on motor vehicle and motorcycle registration increase the cost of asset ownership, affecting transport opera-

tors such as boda boda riders.

On a positive note, there are some long-term benefits, for instance, the removal of certain import levies on medicines and vaccines, which is expected to lower healthcare costs and improve access to essential medical services.

Environmental taxes on plastics and older vehicles are also intended to promote sustainability and public health. The move to tax new sectors like digital services, gaming, and foreign income will help broaden the tax base.

Additionally, improvements in tax administration, such as digital systems like EFRIS, expansion of the taxpayer registration, are expected to enhance efficiency, reduce tax evasion, and enhance compliance, leading to increased revenue collection that enables the government to invest in human capital, infrastructure, and public services, which ultimately benefits citizens at large.

The government should shift focus from increasing tax rates to expanding the tax base, particularly by targeting the large informal sector and reducing unnecessary exemptions. Otherwise, these reforms risk raising revenue at the expense of fairness, with the same taxpayers continuing to carry the heaviest burden.

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