

The difference between economic activities and tax revenue remains a concern

TAX PROPOSAL

Experts have proposed reforms to fix Uganda's low tax revenue from agriculture and mining, despite their major economic contribution.

By Ivan Tibenkana

Experts in the agricultural and mining sectors have drafted proposals to undo the persistent tax to GDP imbalance dragging the two sectors, with extra caution having been raised in the latest audit report. The fix contrasts with the hope Uganda places in both sectors as the country tends towards the anticipated qualitative leap.

The structural imbalance between economic activities and tax revenue for key sectors remains among the unfixed macro-economic challenges. Although sectors like agriculture contribute significantly to the country's GDP, it offers relatively little to tax revenue, as Government remains heavily reliant on trade and manufacturing receipts.

The latest audit report indicates inherent gaps and the need to broaden the tax base, enhance compliance in high-GDP but low-tax sectors, and rebalance the tax burden to align revenue collection with the economic structure through the tax policy.

For agro-industry, amid debate, advocates insist that agriculture should not be treated primarily as a tax base. However, for the mining industry, the intent is to see effective co-ordination between the Directorate of Geological Survey and Mines and Uganda Revenue Authority (URA), citing how the silo operations have entrenched revenue loss, for instance between sh12.5b and sh62.5b in 2017, with a further leakage of sh59.6b in 2019.

TAX REVENUE AT A GLANCE

Despite the International Monetary Fund stipulating that developing countries should maintain a tax-to-GDP ratio of at least 15% to ensure presence of investment funds and achieve sustainable economic growth, Uganda's performance is still stuck below the benchmark, at 13.4%, and still below the 18.6% Sub-Saharan average.

However, the country's tax revenue ambitions have been progressive over time with the 2026/27 financial year set at sh41.5 trillion, up from sh37.227 trillion in 2025/26.



Trucks loaded with containers of canned pineapple. Experts in the agro-mining industry have proposed tax reforms

EXPERTS PROPOSE FIXES FOR AGRO-MINING TAX IMBALANCE



Tinned pineapple slices bound for China, recently

URA data shows that among the top five tax heads between 2020 and 2024, Pay As You Earn ranked the as the highest source of tax revenue.

According to URA, the upthrust responds to different factors including economic growth and a widening tax base.

Audit data shows that just 20% of URA's expanded tax register (5,251,874 tax payers) at the end of the 2024/25 financial year is active. Meanwhile, the register has recorded a 153.5% change between the 2020/21 financial year and 2023/24.

From 1,783,493 taxpayers to 4,522,497.

Furthermore, URA data shows that among the top five tax heads between 2020 and 2024, Pay As You Earn (PAYE) ranked the as the highest source of tax revenue, rising from sh3b to sh4.75b, followed by value added tax, withholding tax, income tax and excise duty. Extra revisions across the tax group including

cap for PAYE and excise duty where diesel, petrol, cement and plastics hold revised taxes, anticipate extra revenue in the upcoming financial year.

THE AGRO-INDUSTRY

Under the current trajectory, the sector's contribution to the \$500b economy in sight remains far-fetched. According to URA, agricultural tax to GDP ratio has declined from 0.08% in the 2022/23 financial year to 0.01% in 2023/24, having already performed poorly, at 0.00% between 2020 and 2022.

Although the sector's contribution to GDP is higher, at 24.6% in the 2023/24 financial year and 26.1% in 2024/25, employing several Ugandans compared to other sectors such as mining and quarrying, manufacturing, wholesale and retail trade, real estate and education, its impact highly fluctuates.

The Advocacy Coalition for Sustainable Agriculture (ACSA), has in turn advised that agriculture should not be viewed primarily as a tax base, but as a productive transformational engine. Therefore, interventions including incentivised agro-industrialisation, business formalisation, support to farmer co-operatives to aggregate produce, improved traceability, and formalised transactions will ultimately accelerate tax revenue.

"Tax is easier to collect at processing and export nodes than at subsistence level. This implies

especially the common user facilities across parts of the country. Ultimately, subsistence farmers should be protected while taxation is focused on medium and large commercial agro-processors," ACSA noted.

In the same regard, in its economic proposals to the finance ministry for the 2026/27 financial year, the Institute of Certified Public Accountants of Uganda (ICPAU) had called for a reinstatement of tax on agro-supplies, citing how large-scale commercial farming holds significant profits but contributes less to tax revenue.

"In 2018/19, when a 1% withholding tax was introduced on agricultural supplies in excess of sh1m, it raised over sh32.6b in tax revenue. Almost twice the income tax received from all agricultural taxpayers. The amendment was abolished the following year as the tax became politicised and all efforts to reinstate it have repeatedly failed.

"We agree that while the agricultural sector is crucial to the survival of many Ugandans, a tax rate of 0.5% of the gross amount of payment can contribute towards revenue

generation," ICPAU explains.

TRACKING MINERAL TRADE

The Government is on course to streamline mineral trade, and the respective governance regime. The mining and quarrying sector's contribution to both GDP and tax revenue remains low, despite the progress made. From the 1.5% contribution to GDP in the 2023/24 financial year, to 1.2% in 2024/25, and a slight change in tax contribution. From 1.64% in the 2023/24 financial year to 2.17% in 2024/25.

While the audit report seeks a broader tax base, part of the sector challenges are linked to the prevalence of illicit financial flows, which drain revenue, and sector informality. For instance, 90% of Uganda's gold production is driven by artisanal miners, roughly 31,600 according to planetGOLD.

They are part of the estimated 600,000 artisanal and small-scale miners, where efforts seek to optimise sector formalisation.

As per the report, a review of the non-tax revenue schedule from URA and the mining cadastre register revealed illicit trade within the sector as 17 traders engaged in the buying and selling of minerals without valid mineral dealer's licences.

Still, substandard mineral processing thrived, with the energy and mineral development ministry yet to operationalise the mineral beneficiation centres.

GOLD PROCEEDS

The Bank of Uganda recently noted meagre current account proceeds from gold, at sh74.8b, with much of the revenue being transit.

"Unlicensed mineral operations led to loss of government revenue, undermined regulatory control over mineral transactions, and increased the risk of illegal mining and mineral smuggling. In liaison with the Police mineral protection unit, the ministry has closed over 30 outlets of illegal mineral dealers in Kampala and will continue to follow and close up the illegal dealings," says Edward Akol, the Auditor General.

TRANSPARENCY PLAN

In its set of proposals, the Uganda Extractives Transparency Initiative expresses the need to enforce beneficial ownership reporting and development of an online extra

2021 are disclosed. A better position is anticipated as the energy and mineral development ministry strives to establish mineral markets and