2026/2027 tax proposals

BUDGET SERIES 2026/27

'Tax measures will squeeze taxpayers'

TAXES
ISMAIL MUSA LADU

The government's push for higher revenue may have good intentions, but some proposals will penalise those already paying their fair share. ***BD Life's*** **Ismail Musa Ladu spoke with Aloysius Kittengo, a tax policy analyst with Tax Justice Alliance Uganda, about the potential pain points in the 2026/27 tax proposals.**

Fuel tax 'The increase of Shs200 Excise duty on fuel will lead to increased tax burden on the already burdened taxpayer.'

You are quite critical of some of the 2026/27 budget proposals by the government. What kind of tax measures and proposals do the citizens want?

Taxation must be appreciated not merely as a tool for raising revenue, but as a central instrument of economic governance. So, overemphasising revenue generation alone risks placing disproportionate burdens on households and small businesses, while undermining equity, economic growth, and public trust – four key cores of taxation.

This budget, going by the 2026/27 proposals is set to expand. What is your reading of this?

According to the draft estimates in Financial Year (FY) 2026/27, domestic revenues are projected to amount to Shs44.4 trillion, an increase by 19.3 percent from FY2025/26. But remember we have a public debt problem that has increased from Shs93.3 trillion to Shs130.8 trillion in December 2025. This increase is largely driven by domestic borrowing, which comprises over 50 percent of the total debt portfolio.

So, to generate more tax revenue, the government has made amendments to the existing tax laws, projecting to raise approximately Shs4.8 trillion in additional revenue.

While these measures are intended to boost domestic resource mobilisation, Uganda still underperforms in terms of achieving its revenue-to-Gross Domestic Product growth target of 0.5 percentage points annually.

Several proposed measures risk deepening the tax burden rather than broadening the tax base.

So, what do you have to offer beyond criticism?

Based on the current economic environment, under the Excise Duty (Amendment) Bill 2026, we don't have much qualms with an increase in sin tax specifically levied on goods considered harmful to individuals or society, such as alcohol, tobacco and gambling.

These taxes are designed to discourage consumption of these items while generating significant government revenue to cover associated public health costs.

Regarding the increase of the Excise Duty rate for motorcycles at first registration from Shs200,000 to Shs500,000, our only concern is that we have about 1.2 million people in the country engaged in the motorcycle business. Increasing the first registration is not fair without first clustering the category of motorcycle. The categorisation should be a tool for exempting electric motorcycles or imposing a tax based on the size of the engine.

Regarding the Income Tax (Amendment) Bill 2026, the proposed 0.5 percent tax on the gross income of taxpayers carrying forward assessed losses after seven years should be applied on a case-by-case basis. Since break-even times vary across economic sectors, we recommend that the Uganda Revenue Authority (URA) conduct audits on targeted companies before enforcing this penalty.

About a resident company that pays interest in respect of debentures (long-term company debt), we have no problems withholding tax on the gross amount of the interest paid. This will go a long way in combating thin-capitalisation and base erosion and profit shifting – all forms of Illicit Financial Flows (IFF).

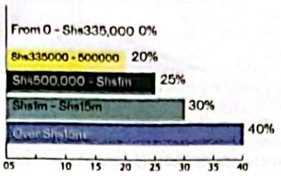
We also welcome the proposal for a progressive individual income tax. With this proposal, a tax rate increases as a person's taxable income rises. For example, higher earners pay a larger percentage of their income in taxes compared to lower earners. It has the potential to reduce income inequality, ensuring those with greater financial capacity to contribute more.

On Pay As You Earn (PAYE), we recommend a revision in the thresholds as follows:

Implications of 2026/2027 tax proposals

- Raising the tax rate on betting and gaming activities from 20 percent to 30 percent of the total amount staked. This adjustment addresses the social evils associated with betting, including addiction, indebtedness, youth vulnerability, and crime, all of which erode productivity and strain public health systems.
- On the Income Tax (Amendment) Bill 2026, we are concerned about the extended Bujagali tax holiday to 2032. Our analysis shows that revenue foregone is going to increase from Shs99 billion to Shs115 billion if the seven-year-tax exemptions is granted.

PAY AS YOU EARN THRESHOLDS



This helps leave some groups with more disposable income needed to meet their needs but also reduces fragility/vulnerability for taxpayers. The proposed amendment is low given the changes overtime.

For a public entertainer to pay Withhold (Tax) of 6 percent on their gross income should be a good move especially now that it is a booming sector in many ways, what do you think about this?

Tracking this income has been a struggle due to cash-based transactions, lack of documentation and poor filing of return by the public entertainers. The amendment will require the promoters to withhold 6 percent of the gross payment from the entertainers on behalf of Uganda Revenue Authority (URA).

On Value Added Tax (Amendment) Bill 2026 – the proposal to increase the VAT Threshold from Shs150 million to Shs250 million. It will reduce the collection burden on URA from small businesses. It will also be a relief for the small businesses who either struggled to file returns or didn't understand the need for it.

What are the implications of granting the Minister authority to set terms and conditions for tax payments on plant, machinery, and mining inputs?

We welcome the idea, because for the long time the key players in the mining sector have been asking the government to waive taxes on importation of mining inputs such as Earth movers, trucks, loaders and off loaders, excavators and drilling machines rigs. The amendment will also contribute to the promotion of investment in the sector and unlock the mining sector to contribute to the ten-fold growth strategy.

Under the Excise Duty (Amendment) Bill 2026), government intends to revise taxes on diesel and petrol by increasing Shs200 per litre, will see the tax on a litre of petrol and diesel increase from the current Shs1550 and Shs1230 to Shs1750 and Shs1430. Is this reasonable?

Due to geo-political tensions in the Middle East, an increase in Excise duty on fuel by Shs200 is likely to increase the cost of fuel in the country. Even before the passing of the amendments into laws, fuel pump price went up.

The increase of Shs200 Excise duty on fuel will lead to an increased tax burden on the already burdened taxpayer. It will also increase the cost of transport where there is no public transport means, and the cost of production or doing business, hence increased cost of living for citizens.

The government should maintain the status quo as per the previous Excise Duty Act rate of Shs100 per litre.

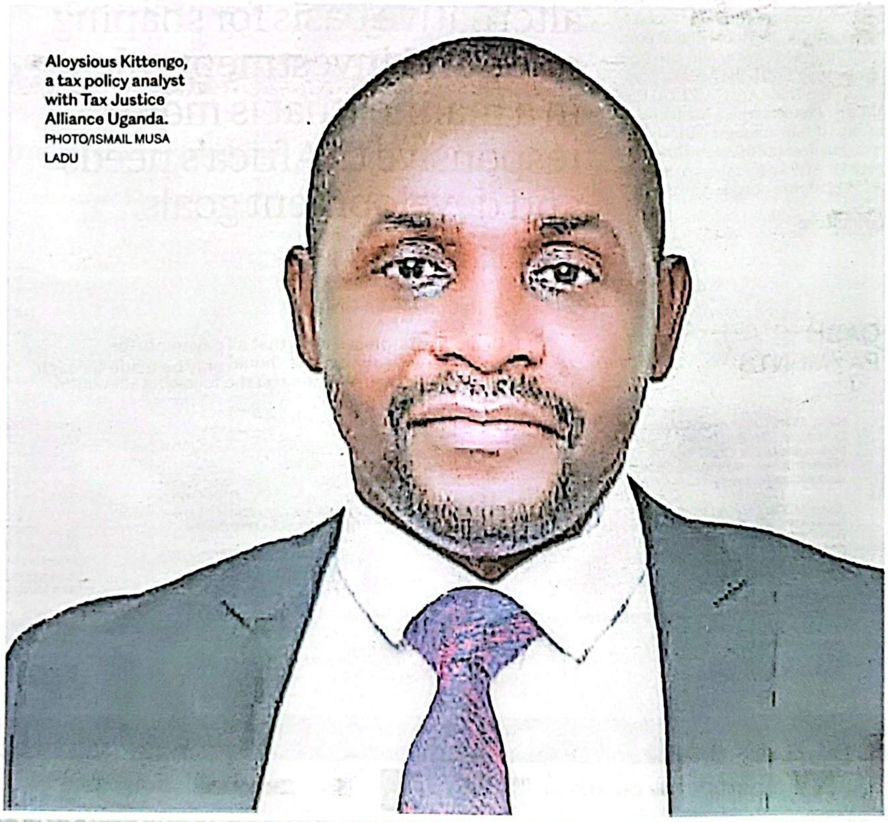
What are the potential economic and construction sector impacts of increasing the excise duty on cement and related products from Shs500 to Shs1,000 per 50kg?

These proposals will increase the price of cement, making building materials more expensive. The country must build 300,000 housing units annually to bridge the 2.6 million housing deficit gap.

All those charges/taxes are likely to make building more expensive. We propose that the government maintains the original excise duty rate of Shs500 per 50Kg.

What are the economic and consumer impacts of increasing excise duty on sugar from Shs 100 to Shs300 per kg?

An increase in the sugar price will also see an increase in the cost of products like juices and baked products like bread, mandazi, cakes, doughnuts, and cookies that are produced/baked by small and medium enterprises.



Aloysius Kittengo, a tax policy analyst with Tax Justice Alliance Uganda. PHOTO/ISMAIL MUSA LADU