



Tax proposals on fuel, incomes and super rich

IMF and World Bank, in separate reports, have proposed adjustments to income tax, introduction of VAT on fuel, and removal of exemptions on certain food items. Government says the proposals will be reviewed before any decisions are made.

ECONOMY

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The tax reform debate is unfolding at a decisive fiscal moment. For years, Uganda's tax-to-GDP ratio stagnated at around 11 percent before rising to about 13.9 percent.

While that marked improvement, it remains too low to finance ambitious development targets.

The World Bank says Uganda remains below the 15 percent tax-to-GDP threshold associated with durable structural transformation, while the IMF notes that fiscal pressures are intensifying, with public debt at 52.4 percent of GDP and interest payments consuming over a quarter of domestic revenues.

It is against this backdrop that both external partners and Uganda Revenue Authority (URA) are pushing for deeper reforms, combining policy changes with digital transformation, to push the ratio beyond 18 percent by the 2029/30 financial year.

Both the World Bank and the International

Monetary Fund have proposed that government should introduce tax reforms to help lift the country's low tax position.

Some of the proposals, as we shall see, are dust-raising, while others arguably should have been taken on as soon as yesterday.

However, the Ministry of Finance remains cautious, with Director for Economic Affairs Moses Kagwa saying they "will assess the proposals and determine whether to adopt them".

"We have received the proposals, and they will be subjected to the established government processes," he says.

Proposed 35 percent income tax

One of the most visible proposals is the introduction of a new 35 percent marginal income tax rate for higher earners.

Uganda's Personal Income Tax structure has not been revised in over a decade, resulting in bracket creep. Inflation has pushed lower-income earners into higher tax bands without real wage gains.

The proposed reform would increase the exemption threshold while introducing the 35 percent rate for upper-income earners.

The World Bank, in its September 2025 Uganda Economic Update, recommended that government should increase the exemption threshold to Shs4.02m (Shs335,000 per month) up from Shs2.82m (Shs235,000 per month) per annum, maintain existing tax rates for most taxpayers, and introduce a new marginal rate of 35 percent up from the current 30 percent for a chargeable income exceeding Shs5.82m per annum or Shs485,000 per month. →