

LETTERS

Exempt Ugandans earning less than Shs1m from PAYE



Uganda remains categorised as a Least Developed Country by the United Nations, yet the NRM government campaigned on a promise of achieving high middle-income status by 2030. Whether this is achievable depends largely on the priorities that policymakers set for a growing economy.

As an ordinary Ugandan, I care less about how global institutions categorise us. Every citizen simply yearns for happiness, access to employment, better services, balanced regional development, and friendly economic policies that make daily life more bearable.

In 2022, the Bank of Uganda Financial Capability Survey reported that only one percent of workers earn above Shs1 million per month, meaning more than 22.6 million workers earn below that threshold.

The average salary stands at Shs250,000, and UNESCO data shows that even university graduates rarely exceed Shs500,000 monthly. After NSSF (five percent) and Pay As You Earn (PAYE) (30 percent) deductions, take-home pay drops to just Shs325,000 (187.8). This is the reality for degree-holders who spent years and considerable family resources acquiring an education. No wonder many opt for casual labour in the Arab world rather than endure such meagre returns at home.

With Shs325,000, a Ugandan must feed, pay rent, cover transport, support family, and somehow save for the future. A 2024 Financial Sector Deepening Uganda survey found that 70 percent of Ugandans spend more than they earn, operating on a perpetual deficit. As the popular adage now goes, "the cost of living is killing the living." I will not bring back the debate on salary increments or minimum wage; these conversations have circled endlessly without meaningful results. I want to propose something different, abstract, yet implementable.

Ugandans are hardworking, industrious, and natural risk-takers. Exempting those earning below Shs1 million from PAYE would not mean revenue lost; it would be revenue redirected. New investments create employment that the government alone cannot generate. The backward and forward linkages from small businesses benefit existing enterprises and open pathways for import substitution. With URSB's drive to register every business regardless of size, tax revenues would ultimately find their way back. Young entrepreneur-led businesses also attract foreign direct investment and international partnerships that strengthen our economy.

Even where individuals choose not to invest, the exemption still wins. Extra disposable income flows into local consumption, boosting VAT contributions and supporting small businesses. Young Ugandans will visit tourist sites, reducing over-reliance on foreign tourists. Better incomes mean improved access to healthcare and fewer preventable deaths. Most urgently, the PAYE exemption could stem the devastating brain drain we are witnessing, graduates with degrees and PhDs choosing farm labour in Europe because opportunities here have failed them. Keeping these minds at home fuels the innovation and creativity our economy desperately needs.

Uganda Revenue Authority will naturally resist any exemption from taxation. But a thriving national business community generates far more revenue than millions of suppressed earners ever could. The government should pilot this approach for five years and compare economic outcomes against the PAYE-enforced baseline.

The evidence-based result would not only transform Uganda; it would set a model for developing nations worldwide. And to parents and students reading this: none of this diminishes the value of education. Whatever the earnings landscape, education remains our most powerful investment.

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