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Imagine you run a small shop selling soft drinks. A tax inspector visits, spots a batch of bottles that do not have the required government stamp on them, and hands you a penalty notice.

The fine? Up to Shs50 million. That is the situation many Ugandan traders have faced under a law that critics say has long been crying out for reform.

Parliament is now considering a Bill that would change that, slashing the maximum fixed penalty for possessing unstamped excisable goods from Shs50 million down to just Shs2 million; a reduction of 96 per cent.

The proposal is set out in Clause 2 of the Tax Procedures Code (Amendment) Bill, 2026, and its impact on small businesses could be significant.

What is an excise stamp?

In Uganda, certain goods, including alcohol, cigarettes, soft drinks, fuel, attract a special tax called excise duty.

To show that this tax has been paid, the Uganda Revenue Authority (URA) requires sellers to affix a small official stamp to the product. Think of it like a sticker that proves the taxman has already taken his share.

If your goods do not have that stamp when an inspector comes calling, you are in breach of the law, even if you paid the tax and simply forgot to put

Why Uganda is eying 96% cut in unstamped goods penalty



Alcoholic products with the digital tax stamp. The penalty for failure to comply with tax stamp regulations is significantly reduced to Shs2 million or double the tax due. PHOTO/FILE

the stamp on, or if the stamp fell off during transit.

The old penalty's bug

The core complaint is that the fine bore no relationship to the size of the mistake. Whether you had one unstamped crate or a thousand, the fixed maximum was the same at Shs50 million.

For a large company, that might be a manageable hit. For a small shop, it could mean shutting down.

Tax experts have long pointed out that a well-designed penalty system should match the punishment to the

offence.

Missing a stamp on goods worth Shs200,000 in tax should not carry the same headline risk as a deliberate,

Key figures

96%

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large-scale scheme to dodge millions in duty.

The new proposal

The Bill proposes two changes working together. First, it cuts the maximum fixed penalty from Shs50 million to Shs2 million.

Second, there is still a penalty of double the tax owed on the unstamped goods.

That second measure is important. It means the fine is not being abolished; it is being made smarter.

If a trader has Shs10 million worth of excise duty sitting on unstamped

goods, the penalty would be Shs20 million, well above the Shs2 million ceiling. The ceiling only helps when the tax value of the goods is small.

"This reform introduces proportionality into the penalty regime and reduces the risk of over-enforcement. Businesses operating in excisable goods sectors should nonetheless ensure that all goods are properly stamped to avoid even the red penalty," explains BDO East Africa's tax team, in a commentary.

URA going soft on enforcement?

Not quite. The Uganda Revenue Authority (URA) can still hit large operators hard. The double-tax measure has not moved.

What changes is that a small trader who makes an honest administrative mistake will no longer face a penalty that bears no relation to the scale of what went wrong.

There is also a practical benefit for the revenue authority itself. When penalties are wildly disproportionate, businesses tend to fight them in court.

Litigation is expensive and slow, and it introduces inconsistency. Some people pay, others appeal and win, and the whole system starts to look unfair.

A more proportionate fine is more likely to be paid, challenged less and applied uniformly.

What should businesses do?

The Bill has not yet passed. But whether or not it does, the obligation to stamp excisable goods remains firmly in place.

The change only affects the size of the penalty, not the underlying rule. Traders should make sure their stamping processes are in order now, and not wait for the law to change before tidying up their records.