TAX

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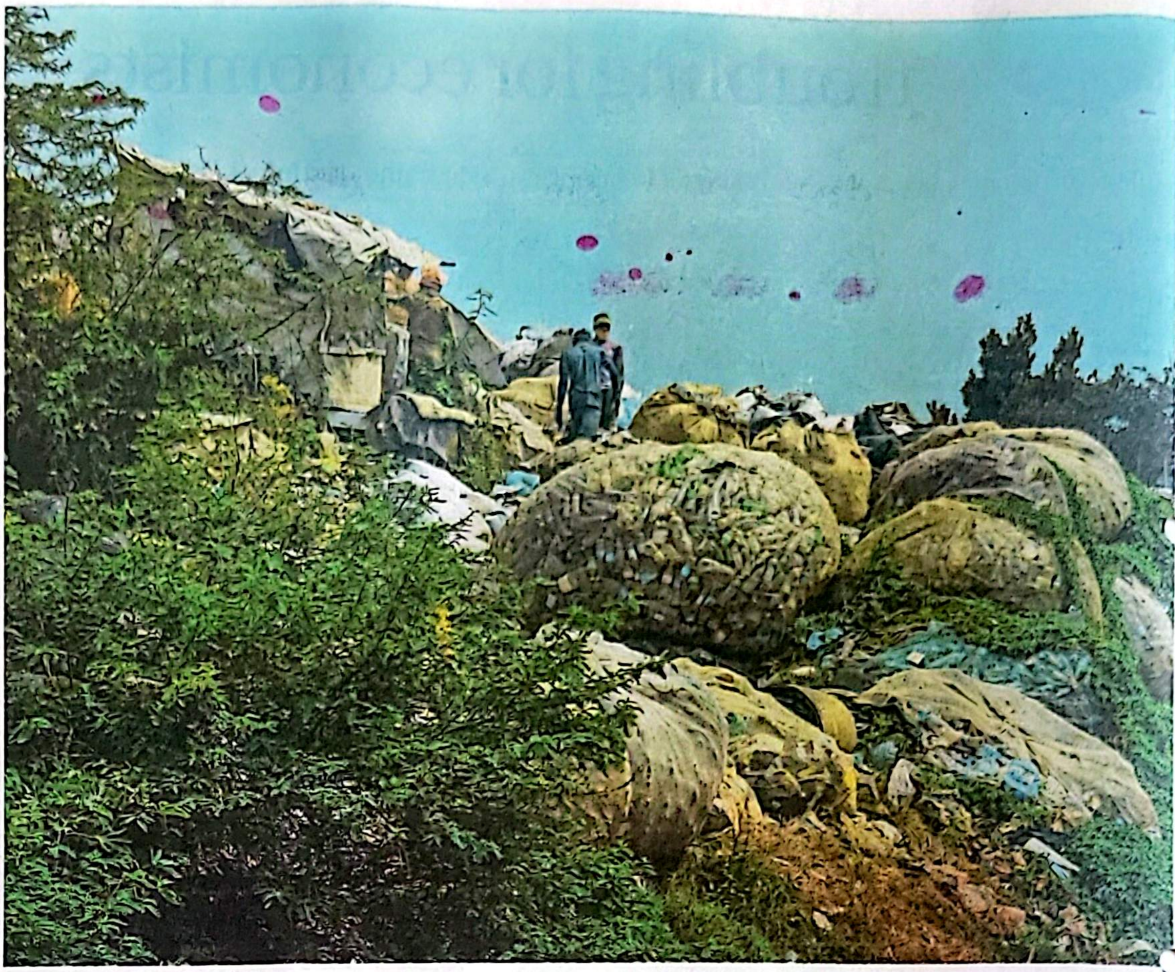
Parliament approved a levy of $1,500 per tonne on plastics, a move that could fuel a thriving informal



People stand near the sorted items from the garbage at Kiteezi landfill. The government attempted to ban kaveera below 30 microns in 2007, 2009, 2015, 2018, and 2021. PHOTOS / MICHAEL KAKUMIRIZI

Economy. |

Uganda's plastic tax: The right problem, the wrong medicine

DEOGRATIUS WAMALA

Whenever it rains heavily in Kampala, the same thing happens.

The drainage channels fill not just with water but with plastic; bottles, bags, cups, straws, and the city floods.

Roads become rivers, businesses close and people lose income.

According to the National Environment Management Authority (NEMA), Uganda produces 600 metric tonnes of plastic waste every day, of which less than 40 per cent is properly collected or managed.

The Nile is among the top five rivers carrying plastic waste into the world's oceans, according to a November 2025 study in the Journal of Hazardous Materials Advances.

Uganda spends Shs10 billion every year just clearing plastic from its drainage systems; not solving the problem, simply managing it, according to Bio Vision Africa, an environmental conservation firm.

The case for stronger action is not in dispute.

What several tax and industrial practitioners dispute is the instrument parliament is now considering.

This is a 2,042 per cent increase in the per-tonne excise duty on plastics, from $70 to $1,500, alongside an extension of the duty to cover disposable cups, plates, forks, and straws that currently attract no levy at all.

The defensible part

The proposed amendment does two things at once.

Key Insights

- The Excise Duty Amendment Act 2026 was passed by Parliament recently, raising the Excise Duty on plastics to 25% or $1,500 per tonne, from 2.5% or $70, a 2,042 per cent increase.
- This excise duty on plastics is alongside an extension of the duty to cover disposable cups, plates, forks, and straws that currently attract no levy at all. If single-use plastics are harmful enough to prohibit, one would argue that the honest instrument is a ban.
- The National Treasury has partially justified the size of the increase as an inflationary adjustment on a duty that has not moved in years, targeting Shs5 billion from this measure. A 2,042 per cent increase describes a revenue target in environmental language.

Extending the duty to all single-use plastics; cups, plates, and cutlery, is a reasonable and long overdue correction because it is difficult to justify taxing the kaveera while leaving the disposable fork beside it untouched.

Both are made of the same material and both end in the same drain.

Allan Ssenyondwa, director of policy, research, and advocacy at the Uganda Manufacturers Association, does not contest this part. His quarrel, and that of several tax practitioners, is with the rate.

Regional stand

Business Daily has done the numbers and found that Rwanda's environmental levy on imported plastic-packaged goods sits at just 0.2 per cent of customs value; a charge tied to declared value, not weight.

Kenya's attempt at a more aggressive Ksh150 per kilogram eco-levy, which would have translated to about $1,154 per tonne, never became law; the Finance Bill containing it was withdrawn in June 2024 following deadly protests.

Tanzania levies no plastic-specific excise duty.

Across the region, excise duty on locally manufactured plastics is effectively zero-rated, making Uganda's proposed leap to $1,500 per tonne one without a single regional precedent.

At that level, the proposed duty is a near-prohibition dressed in fiscal clothing, and it raises a question the Bill does not answer: if single-use plastics are harmful enough to warrant a 2,042 per cent levy, why not simply ban them?

Five bans. Five failures.

Uganda has tried. The government attempted to ban kaveera below 30 microns in 2007, 2009, 2015, 2018, and 2021. On each occasion, the announcement came, and the enforcement did not.

The bags remained; manufactured locally, imported from Kenya, smuggled across borders.

When the Cabinet resolved to ban all kaveera in 2021, NEMA acknowledged it had no legal basis to enforce even that.

market in untaxed plastics, undermining both the environmental goals and anticipated revenue gains.

PLASTICS

Key figures

Shs10b

Uganda spends Shs10 billion every year just clearing plastic from its drainage systems.

40%

According to the National Environment Management Authority (NEMA), Uganda produces 600 metric tonnes of plastic waste every day, of which less than 40 per cent is properly collected or managed.

A man sorts items from the garbage at Kiteezi landfill. Kenya's attempt at a more aggressive Ksh150 per kilogram eco-levy, which would have translated to about $1,154 per tonne, never became law as the Finance Bill was withdrawn in June 2024.

The National Environment Act 2019 had transferred enforcement to the Uganda National Bureau of Standards; a body whose mandate is product certification, not environmental policing.

Many tax policy experts interviewed for this article concur that a rate administered by the same institutions that could not enforce five successive bans is unlikely to produce a different outcome.

What it may produce instead is a thriving informal trade in untaxed plastics, defeating both the environmental and revenue objectives at once.

The argument among tax practitioners is that the government, having repeatedly failed at prohibition, is now reaching for the tax code to do what enforcement could not.

Trevor Bwanika, tax director at Price Waterhouse and Coopers (PwC) Uganda, a tax advisory firm, thinks: "You either ban a product or you tax it. If it is harmful enough to suppress through near-prohibitive taxation, the revenue collected from it undermines the moral case being made against it."

Manufacturers, particularly those represented by Uganda Manufacturers Association (UMA), have warned that the tax will make raw material imports (plastic granules) significantly more expensive, impacting prices of basic goods.

It will also cause layoffs in the formal recycling sector.

This is in addition to encouraging smuggling and reducing the competitiveness of locally made products.

Environmental taxation

The National Treasury has partially justified the size of the increase as an inflationary adjustment on a duty that has not moved in years, targeting Shs5 billion from this measure.

The argument does not survive scrutiny.

A 2,042 per cent increase describes a revenue target in environmental language, and the tax and industry practitioners who have reviewed the Bill say so plainly.

"It is very much revenue driven as opposed to inflation driven," says Mr Bwanika.

The cost pressures on the sector are already significant.

The price of granules; the primary raw material for plastic production, has already risen from Shs900 to Shs1,600 per kilogram.

Combined with the proposed duty, a plastic bottle that has sold at Shs100 would not simply rise to Shs200.

Industry estimates put the new price at Shs250 to Shs300, because the tax cascades; hitting the raw material, the man-

ufacturing process, and the finished output simultaneously.

What makes the consumer burden heavier still is a Value Added Tax (VAT) dimension that tends to get lost in the debate.

Excise duty forms part of the base on which VAT is calculated, so when excise rises, VAT rises with it.

A product priced at Shs100 inclusive of excise duty attracts VAT of Shs18.

If that same product now costs Shs150 because of a higher excise duty, the VAT is calculated on the Shs150.

The consumer pays twice over on the same increase, from both directions simultaneously.

Killing the solution

The deeper contradiction is that the tax punishes the sector best placed to solve the problem it claims to address.

Uganda has roughly 7,000 industries, more than 200 of them in the plastic sector.

The argument from manufacturers is not that plastics should go unregulated; it is that recycling, not punitive taxation, is the functional cure.

"If you tax the companies that manufacture plastic to the point of non-viability, you distort the capacity to drive a recycling economy disappears with them," Mr Ssenyondwa argues.

The Bill also offers no exemption for producers of biodegradable alternatives, the very products the environmental argument would logically promote.

The few businesses that have invested in alternatives are taxed at the same rate as those that have not, removing the only incentive that might have accelerated a transition.

Those alternatives, in any case, are largely unavailable outside Kampala and cost significantly more than conventional plastics.

"When you price plastic out of reach before that changes and consumption does not disappear, it moves somewhere darker, untaxed and unregulated," Mr Bwanika says.

The parliament's query

BDO East Africa, another tax advisory firm, warned in its analysis of the Bill that the increase is "too excessive" and cautioned against unintended consequences disruptive to jobs and revenue collection without a clear pathway to alternatives.

Many tax experts interviewed agree the extension of coverage to all single-use plastics should proceed, but the rate needs a complete rethink.

The Bill puts two choices before parliament, though it frames them as one.

If single-use plastics are harmful enough to prohibit, one would argue that the honest instrument is a ban, with enforcement architecture, a transition timeline, and investment in alternatives.

If they are harmful enough to tax, many industry players as aforementioned note, the rate needs to be enforceable, proportionate, and grounded in what Uganda's institutions can actually deliver, not one that simply replicates the failure of five bans in fiscal clothing.

The drainage channels will fill again the next time it rains.

The question is whether parliament will have given anyone a real reason, or a real means, to do something about it.