



PAYE
DEDAN
MUTATINENSI

For years, Pay As You Earn (PAYE) has felt like one of those silent deductions you don't question. You just look at your payslip, sigh a little, and move on. But this time, it is different.

For more than 10 years, Uganda has kept PAYE largely tied to a reality that no longer exists. Updating a tax system after over a decade is not a small thing. It shows that somebody at least looked up and realised that the economy people are living in today is not the economy that existed in 2012. Fuel, rent, transport, school fees, and general living standards are not the same.

So yes, this proposal acknowledges that the old tax threshold had become outdated.

Now the government is proposing new PAYE rates:

0% up to Shs335,000
20% from Shs335,000 – 410,000
25% from Shs410,000 – 485,000
30% from Shs485,000 – 10,000,000
40% above Shs10,000,000

On paper, it looks like relief. Yes, compared to the old system, there is some breathing room. It looks like our government is trying to be a little kinder to workers.

But let us not clap too quickly.

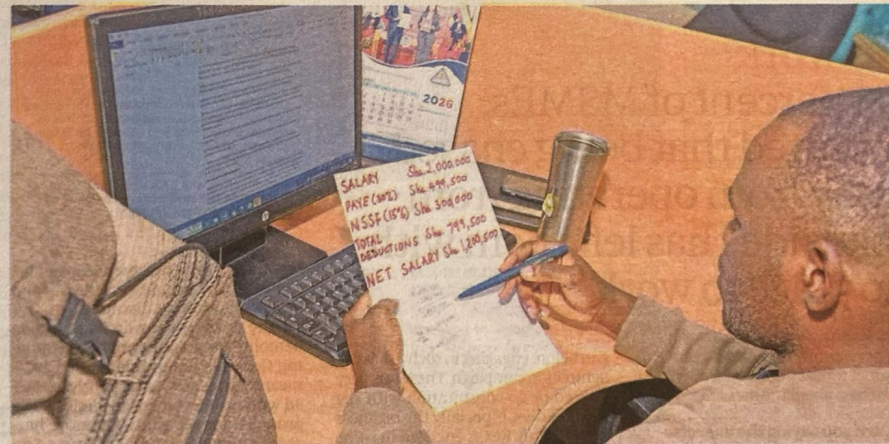
The deeper issue is that this proposal also quietly exposes how unrealistic our salary structure has become. It shows us that many people are earning just slightly above the tax-free threshold.

Think about that for a second. In 2026, we are building a tax system around Shs335,000... and many formal workers are still earning around Shs350,000.

That's not just a tax issue. That's an economic signal. Let us be honest. Shs350,000 is not a salary that allows a worker to breathe. It forces a person to calculate every day whether they will eat, travel, send something home, and whether they can survive the month without borrowing. Yet that is the level at which many people are expected to live.

This tax update may reduce PAYE for low earners, and that matters. A little extra money in someone's pocket is not meaningless. For a worker at the

How new PAYE will change your salary



Dedan Mutatinensi.

An employee checks a payslip with deductions from Pay As You Earn. If government keeps adjusting taxes without addressing low salaries, it is only treating the symptom and ignoring the disease. PHOTO/MICHAEL KAKUMIRIZI

Relief
'While you may feel a slight relief in your payslip, the bigger truth remains unchanged.'

edge, even a small reduction can mean a lunch saved, a taxi fare covered, or a utility bill eased. That is tangible and helpful.

But helpful is not the same as sufficient, and at some point, we have to stop pretending that this is normal.

A tax threshold of Shs335,000 may be better than Shs235,000, but let us not mistake that for a thriving economy. It simply means the floor has been adjusted a bit closer to reality. It does not mean the floor is now high.

That is where the reform becomes both progressive and frustrating at the

same time.

Progressive, because it acknowledges that low-income workers should not be crushed by taxes before they even meet basic needs. And frustrating, because it also reveals how low our expectations have become. We are so used to surviving that any slight reduction in pressure feels like a breakthrough.

It is not a breakthrough. It is a correction. A necessary one, yes. But still a correction.

If someone earns Shs350,000, and the new proposal reduces their PAYE, that person should certainly feel a little better. But they should also ask a harder question: Why am I still here, in 2026, in a formal job, with a salary that cannot carry me through the month?

That is not a tax question alone. That is a wages question. That is a productivity question, a private sector question, and a government policy question.

If you keep adjusting taxes without addressing low salaries, you are only treating the symptom and ignoring the disease. The disease is an economy where many workers are employed, but not

well-paid. The disease is an economy where "formal employment" still does not guarantee dignity.

The disease is an economy where a person can work full-time and still live like they are one emergency away from collapse.

Let us not ignore the psychology of it. When low earners hear that the tax-free threshold is being raised, they may smile for a moment. But they also know that their lives are not suddenly changing. They know that the rent is still due. The transport is still expensive. The salary is still small. The children still need things. The bills still arrive on time.

That is why this issue feels so real. It is not about percentages alone. It is about daily survival.

So yes, the government deserves credit for updating PAYE after all these years. That part is fair and overdue. But the public also deserves honesty. A tax reform that starts at Shs335,000 is proof that workers have been left behind for too long. And if we are serious about building a fair tax system, then we must be equally serious about building a fair wage economy. The most uncomfortable truth in this debate is not the new tax bracket. It is the salary that sits below it.

And that is the part Uganda must confront with more courage than comfort.

You can reduce PAYE, but you cannot tax-adjust your way out of low wages. You can increase thresholds, but you cannot fix an economy where income growth is not keeping up with the cost of living.

This is where you, the salary earner, need to pay attention not just to what is being deducted, but to what you are actually earning.

Because the biggest shift is not in your PAYE bracket. It is in awareness.

So, while you may feel a slight relief in your payslip, the bigger truth remains unchanged. The real problem was never just PAYE. It is what we are paying people in the first place.

Until that conversation is addressed with the same urgency as tax reform, salary earners will keep experiencing the same cycle: small reliefs, unchanged realities, and constant pressure to survive in an economy that keeps adjusting everything except wages.

The writer is a tax advisor.