

THE TAX WOULD RISE FROM 2.5% TO 25%, OR FROM \$70 TO \$1,500 PER TONNE MANUFACTURERS PETITION PRESIDENT ON PLASTIC TAX

By Sarah Nabakooza

The Uganda Manufacturers Association (UMA) has petitioned President Yoweri Museveni to withhold assent to the Excise Duty Amendment Bill, 2026, warning that the proposed increase in taxes on plastic raw materials and products could trigger widespread economic disruption.

In a formal petition dated April 28, 2026, UMA, writing on behalf of manufacturers, said Parliament passed the Bill without fully considering its broader economic implications, particularly on production, inflation, employment and Uganda's industrial growth agenda.

The association is now seeking presidential intervention to allow for reconsideration of the law.

BILL COULD IMPACT PRODUCTION

The Bill proposes a significant increase in excise duty on plastic materials, including sacks and bags made from polymers of ethylene, as well as disposable items, such as cups, plates, bottles, sachets and packaging materials like cling films and wraps. The tax would rise from 2.5% to 25%, or from \$70 to \$1,500 per tonne, whichever is higher.

The association notes that global prices for key inputs, such as high-density polyethylene and low-density polyethylene have already risen sharply from about \$1,000 per tonne to as high as \$1,800 per tonne due to supply chain disruptions linked to the Gulf region crisis.

With the additional excise duty of \$170 per tonne, pre-Value Added Tax (VAT) production costs would rise from about \$1,070 to over \$3,300



(L-R) Emmanuel Njuki from Nile Breweries, Aga Sekalala Junior, Clare Asilimwe and Faith Mirembe from NBL interact after appearing before the Finance Committee at Parliament

per tonne. After VAT is applied, total landed costs are projected to reach approximately \$3,383 per tonne, representing an increase of more than 300%.

In the petition signed by chairperson Aga Sekalala Jr. UMA notes that such cost escalation is unsustainable for manufacturers, many of whom operate on thin margins.

INFLATIONARY PRESSURES

The petition also highlights likely inflationary pressures, noting that plastic packaging is widely used across essential sectors including food, beverages, pharmaceuticals and household goods. UMA estimates that packaging costs could rise by between 100% and 200%, with the increase passed directly to consumers.

Basic commodities, such as milk, sugar, bread and cooking oil could see price increases of between 8% and 12%, while bottled water and soft

BETWEEN THE LINES

With the additional excise duty of \$1,500 per tonne, pre-Value Added Tax (VAT) production costs would rise from about \$1,070 to over \$3,300 per tonne.

drinks may rise by between 10% and 18%. Dairy products could increase by as much as 20% due to their heavy reliance on plastic packaging. UMA adds that VAT applied on higher production costs would further drive up prices and reduce household purchasing power.

Beyond consumer prices, the association warns of disruptions across key value chains. "In the water and beverage sector, plastic bottles account for up to 30% of production costs.

Rising packaging costs could reduce

access to safe drinking water by making it more expensive, potentially pushing consumers toward unsafe alternatives," UMA argues.

EFFECT ON COMPETITIVENESS

In agriculture and agro-processing sectors, such as dairy, coffee, tea and horticulture, plastic packaging is essential for preservation, branding and export compliance.

UMA warns that higher costs could reduce the competitiveness of Ugandan exports in regional and international markets, leading to loss of market share and foreign exchange earnings.

Within the manufacturing sector, increased input costs are expected to reduce capacity utilisation, which UMA says averaged 54% before the Gulf crisis.

They caution that this could undermine progress under Uganda's industrialisation strategy and the

implementation of the Fourth National Development Plan.

IMPACT ON EMPLOYMENT

Employment impacts are also a major concern, UMA notes that the plastics value chain supports about 250,000 jobs in Uganda, with recycling plants valued at approximately \$120m. Increased production costs could force firms to scale down operations, leading to layoffs, reduced working hours and suspension of expansion plans.

They argue that this may encourage importation of cheaper finished products, as well as smuggling and under declaration, undermining domestic industry.

On fiscal outcomes, UMA cautions that while the tax may increase revenue per unit, overall collections could decline as production contracts. Reduced activity would lower revenue from VAT, corporate income tax and Pay As You Earn, potentially resulting in a net fiscal loss over time.

The organisation questions the environmental effectiveness of the proposed tax, arguing that it targets raw materials rather than waste management.

The association instead proposes a circular economy approach focused on recycling incentives, mandatory recycled content and investment in waste management infrastructure.

In its recommendations, UMA calls for a reduction of the excise duty to 5% or \$150 per tonne, whichever is higher, particularly for sacks and bags used in agriculture and manufacturing. It also proposes a phased and incentive driven approach that balances environmental protection with economic growth.