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and Laura Nagaba

Experts urge URA to broaden tax base

Uganda's tax system is facing renewed scrutiny as economists and business leaders call on the Uganda Revenue Authority (URA) to urgently widen the country's tax base, warning that the current structure places disproportionate pressure on a small segment of compliant taxpayers.

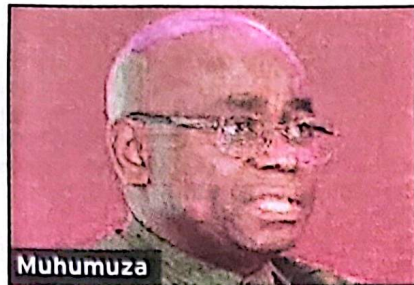
These argue that while URA has in recent years posted impressive revenue gains, including collecting over sh31 trillion in the 2024/25 financial year and exceeding its targets, these achievements mask a deeper structural weakness that forces a minority of taxpayers to carry the fiscal burden.

The deliberations took centre stage at the 2026 East African Tax Breakfast Meeting organised by BDO and SM & Company Advocates, held on Tuesday at Sheraton Kampala Hotel under the theme: "Shifting Ground: How Tax Rules are Being Re-written"

While delivering the keynote address, Dr Fred Muhumuza, a senior economist, tasked the Government to consider aligning tax policy to match the development agenda while boosting new revenue generation streams.

He noted that while Uganda's economy has expanded steadily over the past decade, tax revenues have not kept pace with this growth, with the country's tax to Gross Domestic Product (GDP) ratio remaining below regional benchmarks, hovering around 13% compared to an average of about 18% across sub-Saharan Africa.

"Everyone talks about the potential



Muhumuza

of the oil sector to power growth, but currently, they are still laying the pipes and this will take a while. Government can focus on low-hanging fruit like the growing net of gold exports and remittances, which currently stands at \$2.5b, yet other countries record \$39b annually," Muhumuza noted.

He also hinted at the need for the Government to be rational and restructure the budget items to free resources, which, in the long run, limits borrowing. The other is re-purposing the public finances to core initiatives to support growth and security.

"Realising the tenfold growth strategy requires macroeconomic policies to align with multiple objectives, such as targeting to grow the Gross National Product, not just GDP, to get the data and apply the relevant indicators and comparisons," Muhumuza added.

WHY BROADENING TAX BASE MATTERS

Economists emphasise that widening



Kyokunda

the tax base rather than increasing tax rates is the most sustainable path to higher revenue. According to Dr Ezra Muhumuza Rubanda, the executive director of Uganda Manufacturers Association, this allows the Government to generate more revenue at lower rates, reducing pressure on individual taxpayers while improving fairness and economic efficiency.

"Compliance is concentrated among a limited group of formal businesses and salaried workers, leaving vast segments of the informal sector untaxed," Rubanda said.

While the Government insists that the recent tax amendments are necessary to increase domestic revenue and finance national development, the private sector is calling for a balanced approach that supports investment, job creation and economic growth.

Uganda stands at a critical fiscal crossroads. While URA's recent revenue performance signals progress,

the underlying imbalance in the tax system remains unresolved.

Donovan Catherine Kyokunda, URA's commissioner of legal and board affairs, confirmed that to date, 80% of collections by URA come from only 10% of the taxpayers. She said so far, the tax body has collected sh30 trillion off the sh40 trillion target issued for the financial year 2025/2026.

"The consequences of this imbalance are increasingly evident. businesses, particularly small and medium-sized enterprises, complain of heavy tax obligations, complex compliance requirements and aggressive enforcement measures. We are confident that recent tax amendments will offer the much-needed solution."

STRIKING A BALANCE

The central challenge for policymakers is balancing revenue mobilisation with economic growth. Overly aggressive taxation can undermine business activity, while a narrow tax base limits government's ability to fund development.

Experts recommend a multi-pronged approach. This included simplifying tax procedures for SMEs, revising tax thresholds to reflect economic realities, reducing excessive tax incentives that favour large firms, improving transparency to build taxpayer trust and enhancing enforcement in under-taxed sectors.

FOREX RATE

CURRENCY	BUY	SELL
DOLLAR.	3770	3780
EURO.	4384	4394
POUND.	5068	5078
KENYA SH.	29	29.1
TZ SH.	1.43	1.44
DIRHAM.	1025	1035
S.A. RAND	228.6	229.6
JAPANESE YEN	23.6	23.7
RWANDESE FRANC	2.5	2.51
DOLLAR SMALL	3500	3510

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