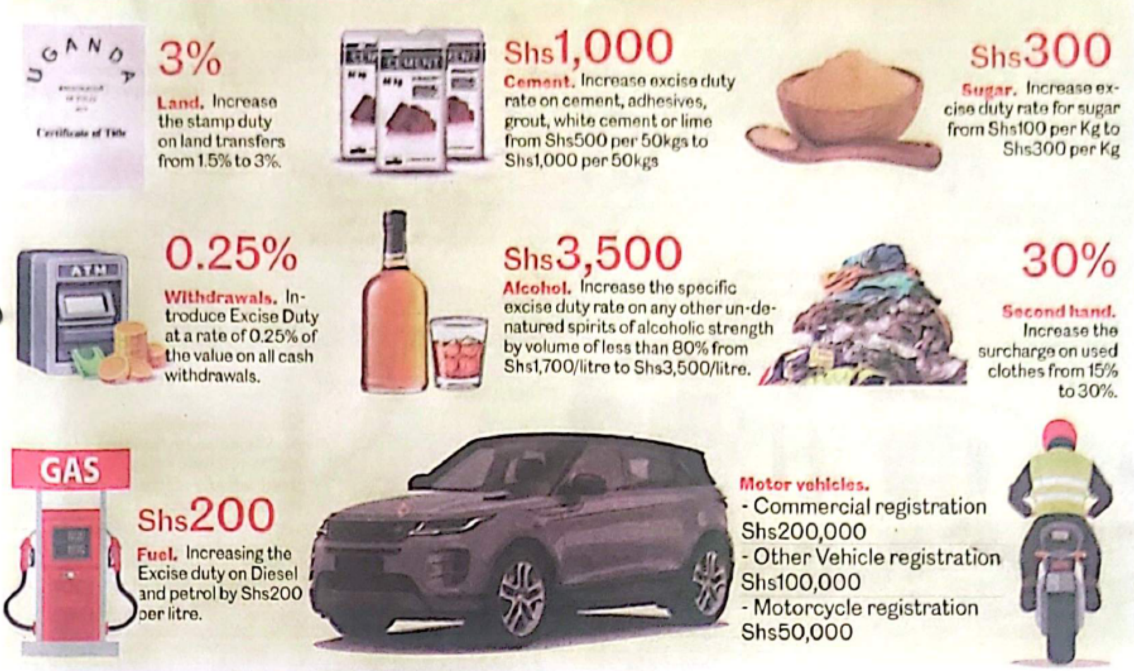
Tax proposals to hit hard as govt seeks to collect Shs4.8 trillion

TAX PROPOSALS SET BY THE FINANCE MINISTRY



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BY BUSEIN SAMILU

The government is planning to collect an additional Shs4.8 trillion from new taxes proposed in Revenue Enhancement and Compliance Measures for the Financial Year 2026/2027.

The Ministry of Finance, Planning and Economic Development is expected to present the raft of measures to Parliament for debate.

Officials from the ministry yesterday declined to give a comprehensive comment on the matter, saying everything is still a proposal.

Normally, the minister tables the Tax Amendment Bills before plenary, that are then immediately referred to the Parliamentary Committee on Finance for scrutiny. Here, committee members interact with stakeholders, review the proposals, and write a report with recommendations that are then discussed by the house committee during the second and third reading.

Finance minister, Matia Kasaija yesterday referred this newspaper to Dr Ramathan Ggoobi, his permanent secretary, who was unavailable for a comment.

But the ministry spokesperson, Mr Jim Mugunga, said, "The Ministry will only comment after the proposals have been presented before Parliament. What I can say now is that the ministry is in the process of making the budget and various consultations with relevant stakeholders are going on."

The government last month presented a Shs78.2 trillion budget, up from the Shs69.3 trillion it had earlier presented.

Mr Henry Musasizi, the finance state minister, in January told MPs on the Finance Committee that the government projects to increase the local revenue from the current Shs36.7 trillion to Shs40 trillion.

The breakdown

In the new measures, the government intends to spend Shs4.8 trillion where Shs2.3 trillion will be received from tax reforms while the rest is from the URA Tax Administrative Measures.

Proposals under the Income Tax where the government intends to collect Shs410b indicate that all income earners whose salaries exceed Shs10m will be charged 40 percent as Pay as You Earn (PAYE), from the current 30 percent.

The proposal that intends to provide relief for low income employees will see their PAYE threshold stretched from the current monthly earnings from Shs235,000 to Shs335000.

"The purpose of this proposal is to address the increase in the cost of living over the years, especially for low income earners. We have also adjusted the threshold taking into account the revenue implications," reads part of the proposal.

The government under this proposed reform also intends to provide an option for rental taxpayers to pay monthly as opposed to the current arrangement where they are required to pay on a quarterly basis.

The government also intends to reintroduce a 15 percent Withholding Tax (WHT) on Gaming applicable to the "payout" instead of the "winning". Payout is the total amount paid by the casino, while winning is the amount paid minus the amount staked.

WHT on gaming activities was repealed in 2023, following a Tax Appeals Tribunal (TAT) ruling that it was hard to determine the taxing point for gaming.

Still under the Income Tax reforms, the government intends to introduce Capital Gains Tax (CGT) arising from sale of non-business assets other than trading stock at a rate of 5 percent.

The scope for this reform will include jewelry, shares of a private company, previously purchased land which is in excess of Shs100m, rental property. However, it will exempt land acquired other than by purchase, owner-occupied residences, and involuntary disposal such as auction through court order and mortgages.

Fuel, sugar

The government will also revise the taxes on diesel and petrol by increasing Shs200 per litre. The proposal that targets to collect Shs450b will see the tax on a litre of petrol and diesel increase from the current Shs1550 and Shs1230 to Shs1750 and Shs1430 respectively.

The current pump prices average Shs5,000 per litre, and the government says the increment will not negatively impact on the economy because the pump prices will not increase exponentially.

"The practice has been to increase excise on fuel every two years to account for inflation. The excise duty on fuel was increased in July 2024," reads the reforms.

Alcohol consumers will also feel the pinch of the new proposals because the taxes on a litre of un-denatured spirits of alcoholic strength by volume of less than 80 percent has been increased from Shs1700 to Shs3500.

Juice, tea, and coffee lovers will also feel the pinch because the excise duty rate for sugar will increase from the current Shs100 per Kg to Shs300. The excise on sugar has been Shs100 since 20[illegible] despite sugar prices increasing due to inflation and market changes.

The government says this has eroded the real value of the tax and reduced its revenue contribution. Therefore, increasing the rate will restore its real value and ensure the tax remains adequate and sustainable for future years.

Tax on motorcycles

Excise duty at first registration on motorcycles will also increase from Shs200,000 to Shs500,000.

Locally manufactured paints, varnishes and lacquers will attract a 3 percent tax of the Value or Shs50 per liter/Kg whichever is higher, while the imported ones shall pay a 10 percent levy.

"Vehicle ownership in Uganda has grown rapidly, especially motorcycles (Over 200,000 a year). This creates a large and reliable tax base that is currently untapped. By introducing a low stamp duty on first registration and transfers, the government can raise significant revenue without increasing the tax burden on essential goods," reads part of the proposal. It adds: "Collection will be easy and efficient because the Ministry of Works and Transport already operates the registration systems."

A square metre of ceramic and porcelain tiles will attract a Shs1,000 excise duty, while a bag of cement, adhesives, grout, white cement or lime will pay Shs1,000 up from the current Shs500.

The Excise duty on cooking oil will be increased from Shs200 to Shs400 and this, the government says, has been done to account for inflation and address tax evasion where some manufacturers label cooking oil as cooking fat to avoid tax.

There will be an increment on the stamp duty on land transfers from 1.5 percent to 3 percent which

The Value Added Tax (VAT) Threshold will also be increased from Shs150m to Shs250m, and the government argues that most small businesses on the register contribute almost no VAT, yet they create high administrative costs for both the URA and incur high compliance costs for taxpayers.

Shs200

The amount by which each litre of petrol and diesel will increase in the new tax reforms.

AMMENDMENTS

The government looks to introduce Income Tax reforms and one of the moves is to introduce Capital Gains Tax (CGT) arising from sale of non-business assets other than trading stock at a rate of 5 percent.
also intends to reintroduce a 15 percent Withholding Tax (WHT) on Gaming applicable to the "payout" instead of the "winning". Payout is the total amount paid by the casino, while winning is the amount paid minus the amount staked.
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