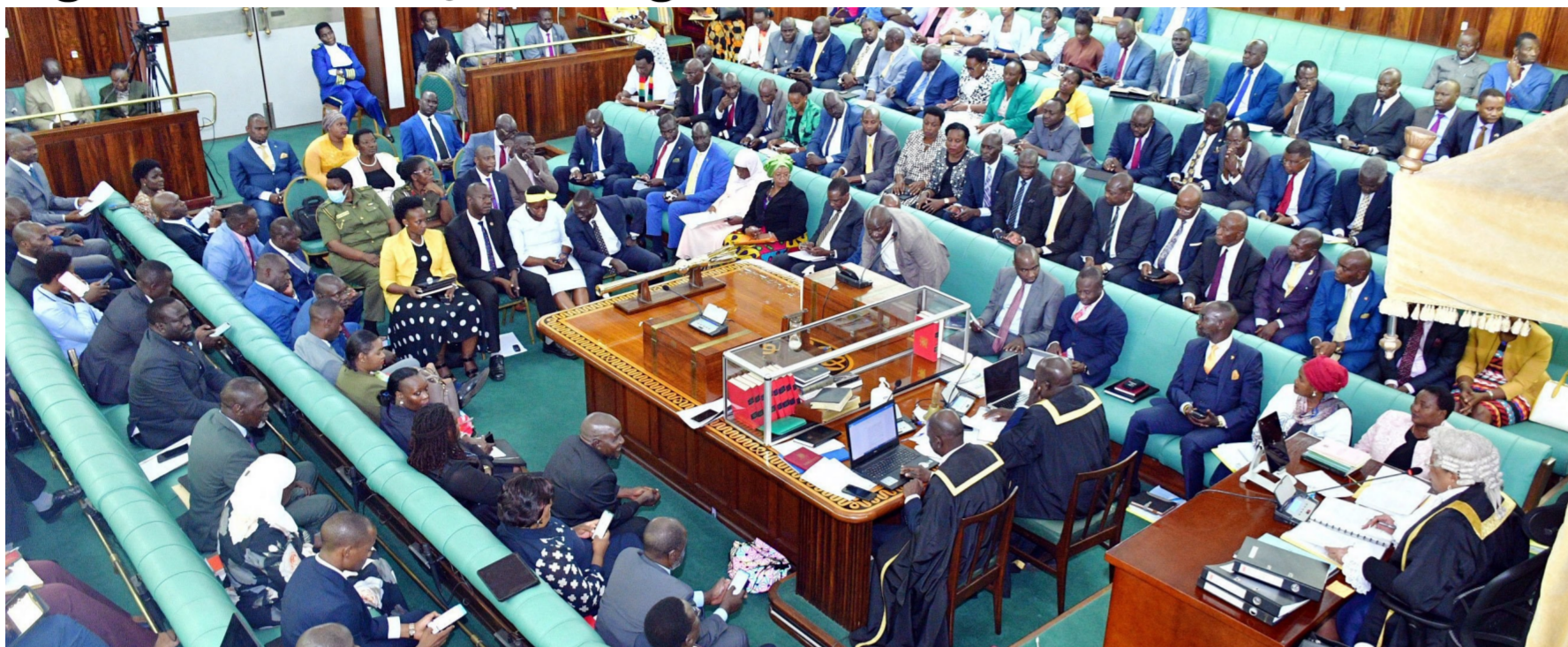


CSBAG BUDGET NEWS



Uganda's FY2025/26 Budget tax measures and amendments



Parliament in a session. Photo: Parliament

Parliament of Uganda on 15th May 2025 approved Uganda's national budget for FY2025/26 totaling UGX 72.376 trillion with key tax measures and amendments aimed at funding domestic development priorities, which among others include infrastructure, social welfare, and private sector development.

Government in the financial Year 2025/26 targets to collect approximately 45% (UGX 37,227.2 trillion) of the UGX 72.376 trillion from domestic revenue, including tax and non-tax sources. This is an increase from UGX 32.097 trillion in FY 2024/25.

Some of the tax amendment awaiting Presidential assent include a three-year tax exemption for citizens' start-up businesses with an investment capital not exceeding Shs 500 million, effective July 1, 2025, under the Income Tax Amendment Bill, 2025. This is aimed at encouraging small-scale entrepreneurship.

Others include the 1.5% infrastructure levy on all imports for home use and a 1% import declaration fee under the External Trade (Amendment) Bill, 2025 that was enacted in May 2025 by Parliament.

Other proposals under The Income Tax (Amendment) Bill, 2025 include expansion of the definition of a retirement fund, introduction of a tax on the disposal of non-business assets, exempts income from private equity or venture capital funds, electric vehicle manufacturing, specialized hospital operations, and other strategic sectors.

The Income Tax amendment replaces the term "branch" with "permanent establishment" for international taxation, aligning with OECD standards, imposes withholding tax on commissions paid to payment service providers. It also extends the tax exemptions for the Bujagali Hydropower Project until June 30, 2032, to reduce the financial burden on the power producer, as well as a 5% withholding tax on urban transactions, aimed at formalizing revenue collection.

Excise Duty

Government imposes a 38% tax increase on beer makers, raising the excise rate from Shs 650 to Shs 900

per liter and an increase in excise duty on locally produced cigarettes by Shs 10,000 on every 1,000 sticks of cigarettes.

Effective 1st July 2025, all betting and gaming operators will be required to process wagers and payouts through a centralized payment gateway licensed by the Bank of Uganda.

Government also imposes UGX 100 per liter of Petrol, which will raise the tax from UGX 1,550 to UGX 1,650 per liter, while Diesels to increase by UGX 150 per liter, raising the tax from UGX 1,230 to UGX 1,380 per liter. This is aimed at boosting revenue, though criticized for raising the cost of fuel due to the ripple effect on transportation and goods

A UGX 500 charge per 50kg bag of cement, targeting construction sector revenue.

Under Stamp Duty (Amendment) Bill, 2025 UGX 15,000 stamp duty to be scrapped off on agreements and mortgage deeds, aiming to ease the registration of agreements and encourage formalization of contracts.

Value Added Tax (Amendment) Bill, 2025

Government is set to increase the threshold of VAT from UGX 150 million to UGX 500 million. This means businesses earning less than UGX 500 million will not be required to register for VAT.

One new proposal that CSBAG welcomes is the use of National Identification Numbers (NIN) to replace the Tax Identification Numbers (TIN) with NIN for tax purposes. This will go along way in consolidating Uganda's taxpayer databases as well as capturing those outside the current tax bracket

These tax amendments are expected to take effect from July 1, 2025, if passed into law by Parliament and assented to by the President. Some taxes, particularly the exemption for start-up businesses and the use of NIN for tax purposes welcomed. However, others, such as beer and cigarette manufacturers, have opposed the tax increases, warning of potential losses and increased illicit market activity.

CSBAG EVENTS

Event: Joint Interface on the state of UPE Service Delivery and Follow up on implementation of OAG recommendations in Nabilatuk

Convener: CSBAG and Anti Corruption Coalition of Uganda (ACCU)

Date: 20th May 2025

Venue: Nabilatuk District Head Quarters



#UGBUDGET25

Last week, we empowered Civil Society Organizations with essential skills in budget analysis & advocacy. Our 2-day training equipped them with knowledge on budget process, gender & equity budgeting, and advocacy strategies to drive meaningful change and promote public finance accountability

Government in the financial Year 2025/26 targets to collect approximately UGX 37,227.2 trillion of the UGX 72.376 trillion from domestic revenue, including tax and non-tax sources. This is an increase from UGX 32.097 trillion in FY 2024/25.

Source: Budget Committee Report of the Draft Budget Estimates FY2025/26

