

CSBAG BUDGET NEWS



CSBAG Urges URA to Sensitize City Traders on Taxes



Women traders along Kampala Road waiting on customers. SOURCE (UBC)

Civil Society Budget Advocacy Group (CSBAG) has urged the Uganda Revenue Authority (URA) to invest in tax education and awareness programs for traders across Kampala, following a recent two-day strike between August 19 and 21, 2025. The strike, organized by the Kampala City Traders Association (KACITA), involved traders not only from Kikuubo but also from various places, including Kisenyi, Katwe, Usafi, and surrounding areas. Shops across these locations were temporarily closed as traders protested against tax policies. These taxes, according to the traders, are a threat to business continuity. The strike led to the arrest of 17 traders accused of unlawful procession.

Central to the strike was the Import duty, where the government introduced a standard rate of 35% per kilogram of textile fabrics or garments in FY2021/22. This was an effort to protect local manufacturers. Later, a specific minimum duty was removed for approximately 90% of textile and garment imports that cannot be sourced locally. The new tax-imposed **UGX 7,120 to UGX 8,900** per kilogram, or **35%** of the value on imported fabrics and garments, down from previous higher rates that are financially unsustainable for many small and medium traders relying heavily on affordable textile imports.

The other key issues fueling the strike included: inflated customs valuations, significant delays and irregularities in container clearance, the mandatory expansion of the Electronic Fiscal Receipting and Invoicing System (EFRIS) to 12 additional business sectors, and concerns about the growing role of foreign nationals in retail trade.

KACITA Spokesperson Issa Sekito made it known that the traders' strike is not politically motivated, but they demand fair treatment and workable tax policies that consider the realities faced by traders in their businesses.

"The weight-based tax on textiles and the increased penalties under EFRIS are hurting small businesses disproportionately. We urge the government to engage with us constructively and bring reforms that protect local trade and livelihoods," Sekito said.

In the FY2025/26 Budget Speech, the Minister of Finance issued pronouncements on EFRIS and Import duty on textile as outlined: EFRIS- The government in FRY2025/26 revised the penalty structure for non-compliance with the Electronic Fiscal Receipting and Invoicing System (EFRIS). Instead of a flat penalty of **UGX 6 million** per invoice, the new penalty will be twice the tax owed by the taxpayer. This move aimed to encourage compliance while being more proportionate to the offense.

Import Duty on Textiles- Effective 1st July 2025. The government reduced the import duty on fabrics from **\$3** per kilogram to **\$2** per kilogram or **35%**, whichever is higher. Additionally, the duty on imported garments was decreased from **\$3.5** per kilogram to **\$2.5** per kilogram or **35%**, whichever is higher, effective July 1, 2025. This

reduction was expected to benefit traders engaging in value addition and stimulate growth in the textile sector. Significant tax amendments recently enacted in Parliament include a three-year corporate tax holiday for 100% locally owned businesses with capital investments up to **UGX 1.78 billion** to stimulate local enterprise. Other administrative improvements include replacing Tax Identification Numbers (TIN) with National IDs or Uganda Registration Services Bureau (URSB) registration numbers to reduce confusion. These reforms seek to balance revenue collection needs with support for local businesses and equitable tax administration.

During an August 21 meeting with Prime Minister Robinah Nabbanja and URA Commissioner General John Musinguzi at Statistics House, traders laid out 8 major grievances including calls for review or amendment of the controversial weight tax on textiles, resolution of container clearance bottlenecks, fairer customs valuations, easing of punitive EFRIS penalties, and enforcement of laws regarding foreign nationals in retail trade. The Prime Minister assured traders that their concerns would be taken to Cabinet. A joint committee of URA and trader representatives was set up to address clearance issues, with findings expected within a week.

The CSBAG ED Julius Mukunda urged the tax authority to invest heavily on tax education in order for traders to understand the taxes they are paying for. He also highlighted Kenya and Tanzania as successful examples where electronic tax systems Kenya's Electronic Tax Register (ETR) and Tanzania's Electronic Fiscal Device (EFD) have improved tax compliance through phased implementation, comprehensive taxpayer education, and government-business collaboration. This underscores that digital tax compliance depends not only on technology but heavily on awareness, education, and capacity building.

To address compliance challenges, CSOs advocate for; **Targeted Outreach and Training** with specialized education programs through KACITA and community leaders to improve understanding of EFRIS and VAT. Make **Communication accessible** by utilizing social platforms, SMS, and local networks for clear, simplified tax education. In addition, **Collaborative Engagement** by creating forums for ongoing dialogue between traders, URA, and civil society to co-develop fair policies. In addition, **Enforcement of Investment Code** with Govt agencies, including immigration and KCCA, must shield local businesses from unfair foreign competition to secure equitable business opportunities.

The strike highlights Uganda's urgent need for fair tax systems backed by strong education and collaboration. CSOs remain committed to a transparent, inclusive tax environment fostering business resilience.

CSBAG EVENTS

Event: CSO Local Government Budget Consultations (LGBC) Retreat

Convenor: CSBAG

Date: 25th August 2025

Venue: Esella Country Hotel



#BUDGETADVOCACY

CSBAG ED joined other stakeholders under the Budget Transparency Initiatives, private sector and development partners at a consultative meeting on the budget strategy for FY2026/27 at Ministry of Finance, Planning and Economic Development

"As per FY2025/26 tax amendment, instead of a fixed UGX 6 million penalty per invoice regardless of the value, businesses now face fines twice the tax owed by the tax payer. To them, this amendment also increases financial pressure on already burdened traders.

SOURCE: DAILY MONITOR

