2025/2026 Uganda Budget Brief

Theme: Full Monetization of Uganda's Economy Through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access

kpmg.com/eastafrica

June 2025

Economic Highlights

Economic Commentary

The theme of the budget for the financial year 2025/2026 is “Full Monetisation of Uganda’s Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Services, Digital Transformation and Market Access”.

This budget is the first of its implementation of the National Development Plan IV with the goal of having higher household incomes, full monetization of the economy and employment for sustainable socio-economic transformation. This goal will be pursued under the areas of Sustainable Industrialization for Inclusive Growth, Employment and Wealth Creation.

The economy is projected to grow by 6.3% to Ushs 226.3 trillion (USD 61.3 billion) by the end of June 2025 and expected to expand by 7% to Ushs 254.2 trillion (USD 66.1 billion) by June 2026 and then to double digits once oil production commences. These are higher growth rates compared to the 6.1% achieved in FY2023/24 and 5.3% in FY2022/23.

This growth is attributed to a stable macro-economic environment; strong Government investments in infrastructure that have reduced the cost of doing business, including electricity, transport, and ICT; improved access to affordable credit; attraction of Foreign Direct Investment (FDI); and support to private sector growth through establishment of industrial parks to increase manufacturing.

The growth has also been due to Government’s targeted interventions through a number of wealth creation initiatives. The Government has in the last ten 10 years cumulatively invested over Ushs 9 trillion in key wealth creation initiatives which include:

Initiative	Amount Ushs
Parish Development Model (PDM)	Ushs3.3 trillion
Youth Livelihood Fund	Ushs 207.95 billion
Small Business Recovery Fund (SBRF)	Ushs 100 billion
Agricultural Credit Facility	Ushs 495 billion
Youth Venture Capital Fund	Ushs 12.5 billion
Uganda Women Entrepreneurship Program	Ushs 168 billion
Investment for Industrial Transformation and Employment (INVITE)	Ushs 800 billion
Generating opportunities and Productivity for Women (GROW)	Ushs 824 billion
Uganda Development Bank (UDB)	Ushs 1.45 trillion
Uganda Development Corporation (UDC)	Ushs 1.2 trillion

These initiatives are expected to increase Uganda's GDP by more than double, to USD 158 billion by 2030.

In terms of purchasing power parity (PPP) terms, the economy is projected to be at USD174.2 billion by the end of the financial year June 2025; and is projected to expand to Ushs 252.6 trillion in the next financial year. This shall translate into increased household incomes which are expected to increase from USD 1,259 per capita in FY2024/25 to USD1,330 in FY2025/26.

The Ugandan currency has been one of the most stable in the whole of Africa. The shilling appreciated by 4% year on year in April 2025 compared to the same month in 2024. This resilience has been due to good export performance, strong inflows of foreign direct investments and tourism receipts.

Foreign Direct Investments (FDI) inflows were worth USD3.48 billion for the twelve months ending March 2025, compared to USD 2.99 billion during the same period in 2024. This performance was due to improved competitiveness of the economy.

Revenue collections

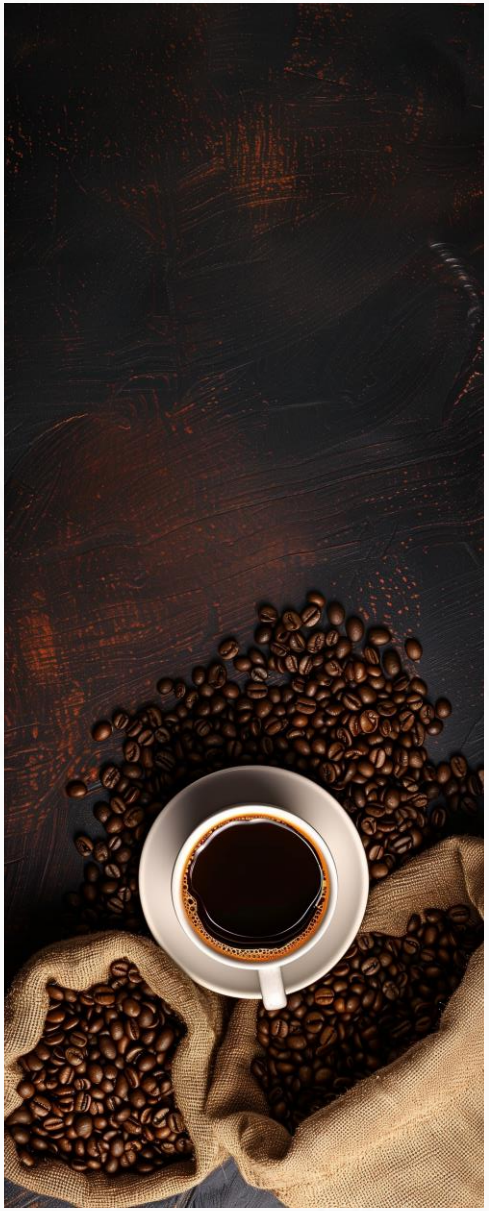
The net revenue collections from July 2024 to April 2025 amounted to Ushs24,905.41billion, compared to the projection of Shs24,994.27billion, resulting in a shortfall of Ushs88.85billion and 99.64percent performance against the target. This performance marks a growth of 12.64 percent (Ushs2,595.88billion) when compared to the same period in FY2023/24.
This shortfall was observed across two major tax categories.

Taxes on international trade transactions recorded a significant deficit of Ushs 236 billion, with collections of Ushs 8.9 trillion against a target of Ushs 9.2 trillion. This underperformance was primarily attributed to lower than projected fuel imports, which resulted in petroleum duty collections achieving only 76.8% of their target.

Consumption taxes (indirect domestic taxes) also experienced a shortfall of Ushs 204.8 billion, collecting Ushs 6.012 trillion against a target of Ushs 6.216 trillion. Value Added Tax (VAT) accounted for the majority of this shortfall (Ushs 149.46 billion), with excise duty contributing Ushs 55.35 billion. Goods such as soft drinks, cooking oil, spirits/waragi, and sugar recorded lower than projected collections, and sectors including construction, real estate, trade, and hotels & restaurants also registered lower than anticipated VAT.

Direct domestic taxes (income taxes) recorded a surplus of Shs316.8 billion. While corporation tax performed strongly, exceeding its target by Ushs 434 billion, PAYE, WHT and tax on bank interest recorded deficits. The revenue collection is projected to reach Ushs 31.9 trillion for the financial year ending 30 June 2025(14.3% of GDP) with total expenditure estimated at Ushs 51.53 trillion hence a budget deficit at 7.6% of GDP.

The total projected revenue for the financial year 2025/26 is Ushs 37.2 trillion.



External Sector performance

Exports grew to USD 11.8 billion by March 2025 up from 9.56 billion in the same period last year.

The export of goods and services contributed USD 9.3 billion in a period up to March 2025 up from 7.3 billion in same period last year.

The top exports earners were:

- Gold -USD 3.8 billion
- Coffee - USD 1.83 billion
- Industrial Products - USD 626.5 million
- Cocoa Beans – USD 410.8 million
- Milk products – USD 265 million
- Base metals – USD 230.6 million
- Sugar – USD 186.5 million
- Fish and products – USD 117.7 million
- Maize – USD 86 million
- Other agricultural products – USD 575.9 million

The country exported mainly to Middle East, EAC, Asia, EAC and European Union.

Tourism revenue grew to USD 1.52 billion from USD 1.36 billion in the same period in 2024.

Macro-Economic indicators

Inflation

Uganda's Annual Inflation, for the period ending May 2025, reduced to 3.4%, compared to 4.1% in the same period a year ago. The slower pace of the increase in domestic prices was due to good export performance and FDI inflows which led to a stable shilling; increased food production driven by good weather and the Parish Development Model; and close coordination of the fiscal and monetary policies. Further to this, there was a reduction in global prices of petroleum products which also contributed to lower prices. The country has been able to benefit from these lower global prices because of the direct importation of petroleum products by the Uganda National Oil Company (UNOC), which removed middlemen from the supply chain.

It is expected that inflation shall remain below the target of 5%.

Debt management

The private sector credit amounts grew by 6.4% to Ushs 23.3 trillion in March 2025 up from Ushs 21.9 trillion in June 2024. Private sector credit growth stood at 8.26% in the 9 months to March 2025, slightly lower than the 8.37% recorded in the previous financial year. Private sector credit growth for agriculture stood at 11.41%, personal and household loans (15.28%) and other services which include mining, quarrying, business services, electricity, water, community and social services growing by 23.5%.

Uganda's Medium-Term Debt Management Strategy (MTDS) 2025/26-2028/29, developed by the Ministry of Finance, Planning and Economic Development, is designed to meet the nation's financing requirements cost-effectively while prudently managing associated risks. A central element of this strategy is the financing of the Euro 2.7 billion (approximately UGX 10.8 trillion) Eastern Arm of the Standard Gauge Railway (SGR) project, which is anticipated to significantly elevate the fiscal deficit over the forthcoming four years. Public debt, having been around 28% of GDP in FY 2013/14, is projected to reach approximately 53.0% of GDP by FY 2028/29, while the fiscal deficit (excluding grants) has trended upwards from about 6% of GDP to projected peaks exceeding 8% of GDP.

The financing framework for this initiative incorporates a diverse mix of local revenues, domestic government securities issuance (including an Islamic bond), and external concessional, non-concessional, and commercial sources, reflecting an existing debt composition where external debt is 64.0% multilateral, 24.0% bilateral, and 12.0% commercial; and domestic debt is 70.0% Treasury Bonds, 27.0% Treasury Bills, and 3.0% other. Core strategic objectives include effectively managing interest payments relative to GDP, mitigating foreign currency exposure, reducing domestic debt refinancing risk through longer-dated securities, utilizing innovative financing tools, and fostering the expansion of the domestic securities market.

Uganda's foreign exchange reserves have demonstrated a positive trajectory, reaching US$3.8 billion as of May 12, 2025. This figure, capable of covering 3.5 months of imports, signifies a robust increase from the US$3.5 billion (3.3 months of import cover) held at the end of March 2024, underscoring a notable accumulation of reserves over the period.

Budget commentary

Uganda's Parliament recently approved the UGX 72.376 trillion national budget for the 2025/26 financial year. Key sectoral allocations include UGX 29.527 trillion (38.5%) for development plan implementation, UGX 11.422 trillion (17.4%) for human capital development, and UGX 9.945 trillion (13.1%) for governance and security.

Resource envelope

The resource envelope for the financial year 2025/2026 is Ushs 72.376 trillion comprised of both domestic and external sources as detailed below;

Budget allocation	FY 2025/26	
	(Ushs, trillions)	Percentage
Domestic revenues	37.55	51.9%
Domestic borrowing	11.38	15.7%
Domestic refinancing of maturing debt	10.03	13.9%
Grants and external borrowing for general budget financing	2.08	2.9%
External financing for projects	11.33	15.6%
Total	72.37	100%

Expenditure (Outflows)

The total expenditure for the FY 2025/25 is Ushs 72.376 trillion and is allocated as follows;

Budget allocation	FY 2025/26	
	(Ushs, Trillions)	Percentage
Wages	8.57	11.8%
Non-wage recurrent expenditure	28.33	39.1%
Development expenditure	18.24	25.2%
Domestic debt refinancing	10.03	13.9%
Debt amortisation	4.98	6.9%
Domestic debt repayment to Bank of Uganda	0.49	0.7%
Domestic arrears	1.4	1.9%
Local Government expenditure from own resources	0.328	0.5%
TOTAL BUDGET	72,376	100%

The following are the key government allocations and interventions for the 2025/26 financial year

Health

To further improve the health of Ugandans, a total of Ushs 5.87 trillion has been provided next financial year 2025/26.
The priority interventions will include:

i. Functionalizing Health Centre IVs;
ii. Strengthening primary healthcare and community health services;
iii. Scale-up of National e-Health Infrastructure;
iv. Promotion of nutrition education and reproductive health;
v. Continued deployment of Community Health Extension Workers;
vi. Strengthening the National Ambulance and Emergency Referral System; and
vii. Construction of specialized health facilities for cancer and cardiovascular care.

Ushs 5.87 trillion
to improve health

Education

Government has allocated Ushs 5.04 trillion for priority interventions which include:

(i) continuing to provide free education to Ugandans under UPE, USE and Universal Post O' Level Education and Training;
(ii) providing sponsorships and student loans for higher education;
(iii) rehabilitation of 120 traditional secondary schools and 31 special needs primary schools;
(iv) construction of 116 new seed schools and expansion of 61 existing secondary schools;
(v) recruitment of more teachers and non-teaching staff;
(vi) strict enforcement of teachers' and learners' inspection across the country using an electronic system;
(vii) providing textbooks and instructional materials to improve the textbook-to-student ratio to 1:3 from the current 1:15;
(viii) operationalization of Bunyoro and Busoga universities;
(ix) and completion of the ongoing construction of stadia and training facilities ahead of CHAN and AFCON2.

Social Protection

This was allocated Ushs 404.9 billion to support Youth Livelihood Programme, Uganda Women Entrepreneurship Programme, National Special Grant for Persons with Disabilities and older persons groups

Water, Sanitation and Environmental Protection

This was allocated Ushs 366.1 billion next financial year for water resources management, climate change mitigation, natural resources, and environment. The priority interventions include: construction of water supply infrastructure to increase service in underserved communities in rural, urban, and refugee settlements; increasing rehabilitation and expansion of existing Water, Sanitation and Hygiene (WASH) infrastructure; and increasing forest and wetland cover.

Wealth Creation

Wealth creation initiatives were allocated Ushs 2.43 trillion next financial year 2025/26. These funds are going to be passed on to Ugandans in wealth creation through: PDM, Ushs 1.059 trillion; Emyooga, Ushs 100 billion; UDB, Ushs 1.0 trillion; Uganda Development Corporation, Ushs 187.1 billion; and the Agricultural Credit Facility, Ushs 50 billion. Others include GROW (Generating Growth Opportunities and Productivity for Women Enterprises) Ushs 231.3 billion; INVITE (Investment for Industrial Transformation and Empowerment); Ushs 275.1 billion, Presidential Zonal Industrial Hubs and skilling initiatives Ushs 58.5 billion to turn youth into manufacturers; and support to Microfinance Ushs 48.5 billion.

Agro-Industrialisation

Ushs 1.86 trillion was allocated towards deepening agro-industrialisation. These funds will support investments in: (i) agricultural research; (ii) agricultural inputs including fertiliser; (iii) water for irrigation; (iv) extension services; (v) agro-processing and value addition; vi) post-harvest handling and storage facilities; (vii) inspection, surveillance, certification, enforcement of quality standards, and market access.

Tourism Development

Tourism was allocated a total of Ushs 2,630 billion with Ushs 430 billion of this amount going towards direct investment and another Ushs 2.2 trillion towards other tourism support investments such as tourism roads, ICT infrastructure in tourism areas, African Cup of Nations (AFCON) infrastructure, and security strengthening in tourism areas.

Mineral-Based Industrial Development including Oil and Gas

Ushs 875.8 billion was allocated for mineral-based industrial development including oil and gas, for (i) continued quantification of mineral resources, starting with iron ore, gold and copper, and strengthening their tracking system; (ii) capitalisation of the Uganda National Mining Company; (iii) establishing mineral markets and buying centres to enable transparent mineral trading; (iv) expediting finalisation of the East African Crude Oil Pipeline (EACOP); and (v) prioritisation of the construction of the oil refinery and refined products pipeline, among others.

Science, Technology and Innovation (STI) including ICT and Creative Industry

Ushs 835.98 billion has been allocated for science, technology and innovation (STI) including ICT and the creative arts industry. Of this amount, UShs 388.23 billion is for STI, Ushs 381.75 billion is for ICT and digitalisation, and Ushs 66 billion for the creative arts.

Infrastructure Development

Government has provided UShs 6.92 trillion for financial year 2025/26 for integrated transport and infrastructure services including roads, bridges, railways, water transport and air transport. This amount includes Ushs 1.4 trillion dedicated to improving roads and drainage within the Greater Kampala Metropolitan Area (GKMA) and Ushs 4.28 trillion for other road infrastructure development.

Industrial Development and Manufacturing

A total of Ushs 495.9 billion with UShs 308.9 billion of this amount to further support infrastructure development in industrial parks, including roads, waste management, drainage, and utilities; and UShs 187 billon for capitalisation of UDC.

Security, Good Governance and Rule of Law

This area was allocated Ushs 9.9 trillion to support:

i. consolidating Uganda's security through continued modernisation and professionalisation of the security agencies;
ii. improving the welfare of the security forces;
iii. undertaking general elections in 2026;
iv. increasing access to justice, law and order services; and
v. strengthening immigration and border security.

Administration of Justice

UShs 602.7 billion was allocated under the Administration of Justice Programme for strengthening alternative dispute resolution, increased use of technology in justice delivery, building more courts to improve access to justice, and increasing the civil jurisdiction of magistrates' courts.

Legislation and Oversight

UShs 1.03 trillion was allocated for legislative processes, public engagements and outreach, providing parliamentary oversight of democracy and governance, and ensuring accountability for public funds and implementation of public programmes.

Management of Natural Disasters

An allocation of Ushs 20.7 billion plus a Contingency Fund of UShs 169 billion to support disaster management has been provided for the financial year 2025/6. Government has also provided UShs 12.4 billion for improving meteorological services and early warning systems to improve efficiency and accuracy of weather forecasting for agriculture, air travel, and climate change tracking.

Elimination of Domestic Arrears

Ushs 1.4 trillion has been dedicated to elimination of domestic arrears. The following measures are also being undertaken to prevent further accumulation of domestic arrears:(i) enforcement of the commitment control system; (ii) sanctioning Accounting Officers responsible for creation of any new arrears; and (iii) providing and ringfencing adequate counterpart funding for multi-year projects.

Policy proposals for the FY25/26 Budget
During the FY25/26, the following policy measures will be implemented:

i. Prioritization of resources towards ATMS (Agro Industrialization, Tourisms, Minerals, Science and Technology); statutory government obligations such as debt repayments, wages, pensions, gratuity, and fixed costs associated with service delivery.

ii. Holding back the creation of new administrative units.

iii. Maintenance of the freeze on the purchase of new vehicles with exception of ambulances, security, agriculture extension services, and revenue mobilization.

iv. Implementation of RAPEX (Rationalization of Government agencies and public expenditure) to improve efficiency and coordination of service delivery.

v. Implementation of critical public procurement reforms to increase efficiency and achieve value for money.

vi. Prioritizing the settlement of domestic arrears during budget execution to support private sector growth.

Key priorities under NDP IV

In line with the 10-fold growth strategy, the fourth National Development plan, the priority areas of the FY25/26 budget are:

i. Fundamentals of the economy

The budget will continue to prioritize investments in peace and security, roads, railways, electricity, irrigation, reducing the cost of capital, human capital development in health and education, international relations and disaster management.

ii. Agro-industrialization

Under this program, the following accelerator actions will be prioritized to raise annual export earnings of USD 20 billion by 2040.

a) Providing affordable credit to farmers, and increasing long-term capital to wealth creators at interest rates of not more than 12% per annum through UDB, PDM, Agricultural Credit Facility (ACF), Emyooga, World Bank funded INVITE & GROW Programs, etc. In addition, Government will provide support to exporters and credit guarantee financing.

b) Investing in value addition in the key products supported under the wealth creation initiatives. This will include providing support to vertical and horizontal value addition for production of high-value multi-input products such as high nutritional foods, baby foods, animal feeds, etc. that use several products including milk, eggs, maize, vegetables, fruits, etc.

c) Improving productivity for increased agricultural production, and profitability especially through provision of fertilizers, quality seeds and seedlings for better yields per acreage, and irrigation to large scale farmers to increase production of strategic crops that will provide raw materials for industry.

d) Supporting market access by providing the required infrastructure and implementation of the Warehouse Receipt System (WRS) to help in sensitization, education, financing, transportation and aggregation, storage, quality standards, and linkage to markets.

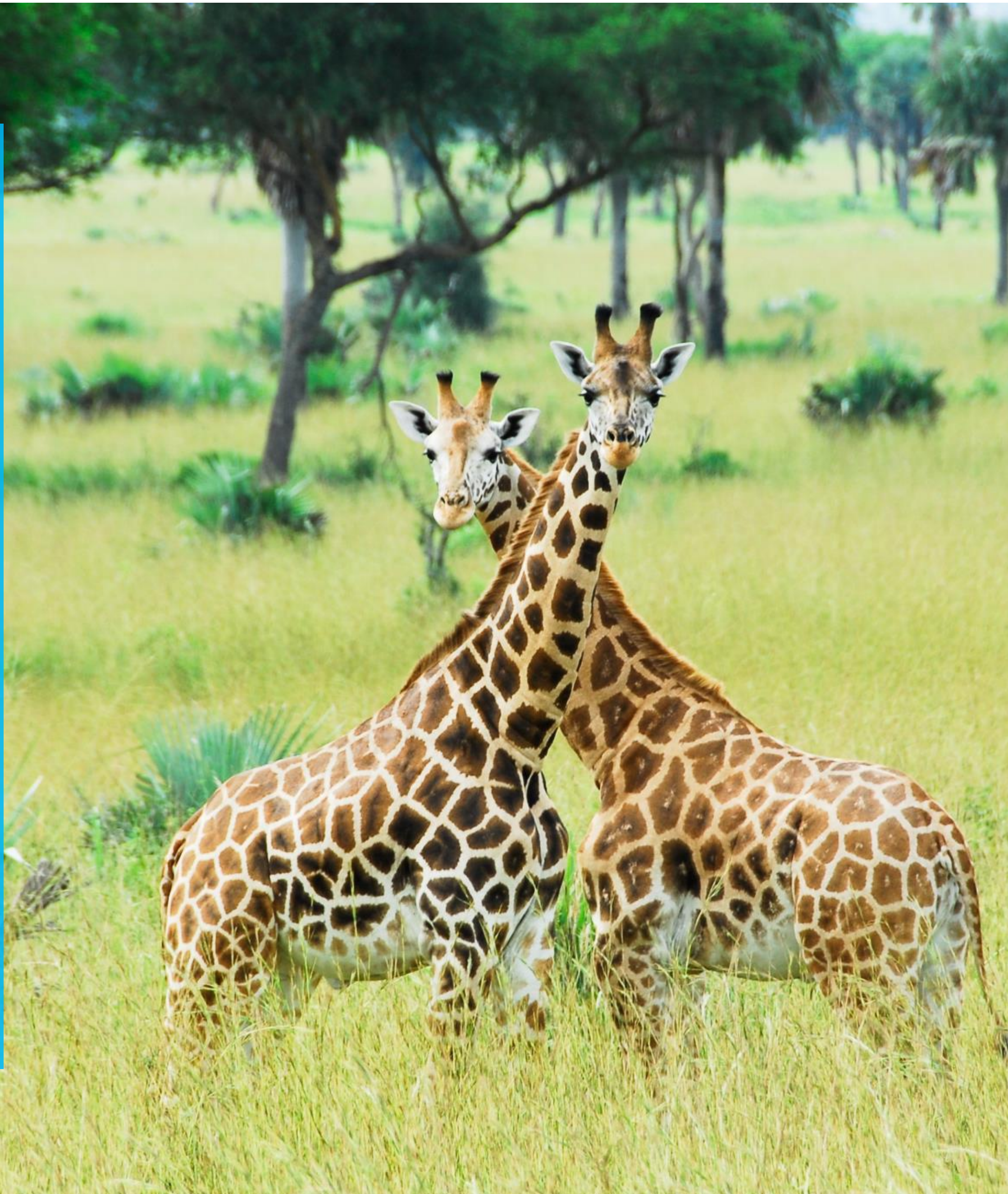
e) Effective enforcement and implementation of rules and regulations to support exports, such as beef, horticulture and other agricultural products by strengthening and facilitating UNBS and other regulatory agencies.

f) Implementation and mainstreaming of climate change mitigation strategies.

iii. Tourism development

Under this program, the following accelerator actions will be prioritized to increase tourism revenues by USD 50 billion by 2040.

a) Increased targeted investment in branding and marketing.
b) Investment in infrastructure like roads, ICT, electricity and associated amenities in all tourism sites.
c) Designing and branding highway roadside refreshment centres for tourists and travellers.
d) Ensuring security, safety and countering negative publicity and negative travel advisories.
e) Supporting training in hospitality and setting standards.
f) Grading of tourism facilities based on \international standards
g) Promotion of health tourism for health services and education tourism targeting regional markets
h) Promoting the un-tapped domestic tourism market to help sustain tourist facilities in very low seasons



iv. Mineral Based Industrial Development including oil and gas

This overall program, comprising both mineral based industrial development and oil and gas, is expected to generate annual earnings worth USD 25 billion by 2045.

a) To develop the mining sector, the following interventions will be prioritised; quantification of mineral resources in the country and documenting the minerals for potential investors, strengthening the established minerals-tracking system to ease exports, capitalization of the National Mining Company as a commercial vehicle for investment and trading in minerals, establishment of more value addition facilities (beneficiation) in the country and facilitating private sector participation in exploration, mining and value addition to minerals.

b) In the oil gas sector, the priority interventions in the financial year 2025/26 will be; facilitating the finalization of the construction of the East African Crude Oil Pipeline (EACOP), expediting the construction of the Oil Refinery by Government identifying private investors as equity partners, finalizing and operationalization of Kabalega International Airport, Prioritizing the development of the Kabalega Industrial Business Park to include the petrochemical industries arising from the Oil Refinery, EACOP activities and the Airport infrastructure and Issuance of additional exploration licenses to increase production volumes of oil and gas. This will increase the revenue generating capacity of Government and reduce on borrowing.

v. Science, Technology, Innovation including ICT and creative art industry (Knowledge economy)

Harnessing the power of the 4th Industrial revolution and the knowledge-based economy will require:

a. Supporting Research and Development (R&D) for new product development, new business ways, and innovations.

b. Fast-tracking development and commercialization of investments already made in the automobile industry, electronics and the pathogen economy for production of vaccines, and Artificial Intelligence (AI).

c. Strengthening partnerships with private sector research and development institutions and scientists in the pathogenic and knowledge economy.

d. Deliberate investment to improve the quality of education (skills development) and investment in ICT based skills development.

e. Putting in place a strategy for long-term development of specialized skills to support a more sophisticated and diversified economy.

f. Linking research hubs with universities and industry operators.

g. Putting in place a reward system and a functional transparent patent system for innovation.

Tax Amendments 2025/26

The Tax Amendments for the year 2025/2026 affect the Income Tax Act (Cap 338), Value Added Tax Act (Cap 344), Excise Duty Act (Cap 336), Stamp Duty Act (Cap 339), Tax Procedure Code Act (Cap 343) and External Trade Act (Cap. 69)

The proposed Amendments will come into effect on 01 July 2025 if the President of Uganda assents to them in their current form.

We highlight below the major tax provisions that have been tabled in the various tax laws.

Income Tax (Amendment) Act, 2025

1. Extension of the tax exemption of Bujagali hydro power project up to 30th June 2026

The Amendment seeks to propose the extension of the tax exemption on Bujagali hydro power project to 30th June 2026. Currently the exemption on Bujagali hydro power was up to 30th June 2024.

This Amendment will exempt Bujagali hydro power from income tax until 30th June 2026 giving it one more year of tax relief.

This Amendment is intended to keep the electricity tariffs within an affordable range.

2. Exemption of Income earned by International Atomic Energy Agency (IAEA)

The Amendment seeks to include International Atomic Energy Agency (IAEA)" on the list of organisations whose income is exempted from tax under the Second Schedule of the Income Tax Act.

3. Start-up businesses established by a citizen exempted from tax for three years

The Amendment seeks to introduce a three-year income tax exemption for new businesses established by citizens after July 1, 2025.

To qualify for this income tax exemption,

a) the business must be registered with an investment capital not exceeding five hundred million shillings (UGX 500m),

b) the citizen or their associate must not have previously benefited from this exemption; and

c) the citizen must file a tax return with required business information return referred to in Section 147 of the Principal Act.

This Amendment is aimed at encouraging entrepreneurship, support of small and medium enterprises, encourage formalization of business operations and stimulate innovation.

4. Inserting immediately after the words “agricultural use” the word “or” in Section 21 (ae) (vii)

This Amendment seeks to amend Section 21 (ae) (vii) of the principal Act by inserting immediately after the words “agricultural use” the word “or”.

Currently the section reads as “manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers.”

With the Amendment, the section would read as follows “manufactures chemicals for agricultural use or industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers.”

This Amendment is meant to clarify that the exemption applies only to chemicals intended for agricultural or industrial use.

5. Expansion of the definition of Re-organization.

This Amendment seeks to widen the definition of the term reorganization to include “a transaction in which a person transfers their assets to another person, other than an individual controlled by the transferor or the shareholders following which the stock of the transferee is distributed”.

Currently, the Principal Act defines reorganization to mean “a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed”.

The current definition limits reorganizations to transfers between companies where the transferee is controlled by the transferor or its shareholders.

The enforcement of this will widen the scope by allowing transfers to any 'person' (excluding individuals controlled by the transferor or shareholders), thereby encompassing a wider range of potential restructuring transactions. This may now include transactions where individuals transfer assets to companies that they control.

6. Exclusions from Digital Service Tax and imposition of Withholding Tax at 15%

The Amendment seeks to exclude the applicability of digital services tax on a non-resident person deriving income from providing digital services in Uganda to an associate in Uganda.

The tax proposal seeks to rather impose withholding tax at 15% on income of a non-resident person derived from providing digital services in Uganda to an associate in Uganda.

Currently, income of such a non-resident person has been taxed at a Digital Services Tax at a rate of 5%.

This implies that the non-resident persons providing digital services to Associates in Uganda will be subject to withholding tax at a rate of 15% instead of Digital Services Tax (DST) at a rate of 5%.

Value Added Tax (Amendment) Act, 2025

1. Substitution, exclusion and inclusion of certain goods and services as Exempt Supplies

The Third Schedule to the VAT Act has been amended as follows:

i. Exemption of the supply of deep cycle batteries, solar lanterns and raw materials for the manufacture of deep cycle batteries and solar lanterns. Currently, the law exempts deep cycle batteries, composite lanterns, and raw materials for the manufacture of deep cycle batteries and composite lanterns.

The Amendment has therefore substituted the words “composite” with “solar”. This is to give more clarity that it is the solar lanterns and the raw materials for their manufacture that are exempt from VAT in a bid to promote use of renewable energy.

ii. Exemption of the supply of wet processing operations and garmenting, cotton lint, artificial fibres for blending, polyester staple fibre, viscose rayon fibre, yarn, other than cotton yarn, textile dyes and chemicals, garment accessories, textile machinery spare parts, industrial consumables for textile production, textile manufacturing machinery and equipment.

This Amendment is to rectify the mistake made by the drafters of the provision in 2018 who missed some commas leading to differences in meaning and interpretation of that provision. It currently reads ‘……………………….., viscose rayon fibre yarn other than cotton yarn,……..”

This provision is to clarify that textile producers and garment manufacturers are entitled to VAT exemption on those highlighted materials or items used in their processing to promote the textile industry.

iii. Repealing of the VAT exemption on the supply of billets for further value addition in Uganda.

The Amendment is meant to bring fairness to local producers of billets who may not have been able to reclaim VAT on inputs if they are to supply billets without further value addition. The exemption was in effect encouraging billet imports which could undermine industrialisation in Uganda.

iv. Exemption of biomass pellets.
The Amendment is to make the biomass pellets cheaper and thus encourage their production which would lead to use of more renewable energy and preserve the environment.

.

2. Inclusion of the United Nations related Agencies and specialised Agencies in Schedule 2 to the VAT Act Cap 344

The Act has amended the Second Schedule to the Principal Act to include the United Nations related Agencies and specialised Agencies and substituted International Atomic Agency (IAA) with International Atomic Energy Agency (IAEA) as Public International Organisations.

The list of listed organisations has been expanded to include all United Nations related Agencies, and specialised Agencies that will be exempt from VAT and will be able to claim a refund in respect of tax paid or borne by them relating to transactions concluded for their official purposes.

3. Inclusion of the supply of aircraft as a zero-rated supply

The Amendment seeks to include the supply of aircraft as a zero-rated supply in Fourth Schedule to the VAT Act.

The purpose of the proposed amendment is to incentivize the supply of aircraft since it will be subject to VAT at a rate of 0%. A supplier of zero-rated supplies is entitled to a claim for input tax incurred in the supply of the zero-rated supplies.

Currently the VAT Act only applies the zero rate on leasing of aircraft. The Amendment is meant to include purchase of aircrafts as well.

Excise Duty (Amendment) Act, 2025

Remission of duty paid on ex-factory goods

A person liable to pay excise duty may apply to the Commissioner for the remission of any excise duty paid on damaged, expired, or obsolete goods.

This tax proposal is aimed at giving taxpayers an opportunity to recover excise duty that has been paid on damaged, expired or obsolete goods. Currently, the Principal Act provides for duty remission only on disposal of goods.

The amendment seeks to extend the duty remission to cover damaged, expired or obsolete goods.

The application for duty remission paid on ex-factory price goods must be accompanied by:

a. Proof that duty was paid on damaged, expired, or obsolete goods where applicable;

b. The goods delivery documentation;

c. A report indicating the extent, and the cause of the damage issued by a competent authority, in the case of damaged goods; and

d. Any other document as the Minister may determine by regulations

The Amendment further proposes that where the Commissioner is satisfied that excise duty was paid on damaged, expired or obsolete goods. The Commissioner shall-

a. Apply the excise duty paid to reduce any other duty due from the person liable to pay excise duty; or

b. At the written application by the person liable to pay excise duty, apply the excise duty paid to reduce any other outstanding tax liability of the person liable to pay excise duty if the outstanding tax liability is not in dispute.

This proposal seeks to give a taxpayer an option to either utilise the remission to reduce excise duty due to them or to reduce other outstanding tax liabilities owed to them if those liabilities are not in dispute, and the taxpayer has written to the commissioner for the excise duty to be used to reduce those other tax liabilities.

The Act proposes to amend Schedule 2 of the Excise Duty Act, 2014 to substitute certain items; and vary excise duty in respect of certain excisable goods as follows:

Item	Excisable good or service	2024/2025	2025/2026 Proposal
1 (a)	Cigarettes: Soft Cap Locally manufactured Imported	Shs. 55,000 per 1000 sticks. Shs.75,000 per 1000 sticks.	Shs. 65,000 per 1000 sticks. Shs. 150,000 per 1000 sticks.
(b)	Cigarettes: Hinge lid Locally manufactured Imported	Shs 80,000 per 1,000 sticks Shs. 100,000 per 1000 sticks.	 Shs 90,000 per 1000 sticks Shs. 200,000 per 1000 sticks.
2(b)	Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent	30% or Shs. 650 per litre, whichever is higher.	30% or Shs. 900 per litre, whichever is higher.
2(c)	Beer produced from barley grown and malted in Uganda	30% or Shs 950 per litre, whichever is higher.	**Repealed**

Item	Excisable good or service	2024/2025	2025/2026 Proposal
5 (b)	Fruit juice and vegetable juice, except juice made from at least 50% of pulp from fruit and vegetables locally grown in Partner State (Proposed change: increases the percentage composition of excepted fruit and vegetable juice from 30% to 50% of pulp from fruit and vegetables locally grown in Partner State).	10% or Shs. 250 per litre, whichever is higher	10% or Shs. 250 per litre, whichever is higher.
11	Plastics - Sacks and bags of polymers of ethylene and other plastics under HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juices, tea and coffee snacks, and bags for direct use in the manufacture of sanitary pads;	-	2.5% or USD 70 per tonne, whichever is higher.

Tax Procedures Code (Amendment) Act, 2025

1. Tax Identification Number (TIN) -section 4

The Act seeks to broaden the definition of a Tax Identification Number to include;

a. National identification numbers (NIN'S) issued by the National Identification Registration Authority (NIRA), in case of an individual;

b. Business Registration Numbers (BRN's) issued by the Uganda Registration Services Bureau (URSB), in case of a person who is non-individual; and

c. Tax Identification Number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.

The Amendment provides that URSB shall establish and maintain a centralized register of all non-individuals registered, incorporated, or carrying on business in Uganda.

The Amendment further provides for taxpayers to state their national identification numbers or business registration numbers, or TINs issued by a foreign tax authority with whom Uganda has a treaty or agreement for the exchange of information, on any return, notice, communication or other document furnished, lodged or used for tax purposes

The Amendment directs all local authorities, Government institutions and regulatory bodies not to issue any license or any form of authorization necessary for purposes of conducting business to any individual or company without a NIN or BRN.

The Amendment further directs all local authorities, Government Institutions and Regulatory bodies not to register any instrument required to pay stamp duty under the Stamp Duty Act unless the person lodging the instrument for registration has a NIN for an individual and a BRN for a non – individual or a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty for exchange of information.

The Amendment gives the Minister power to prescribe the procedure and requirements for registering and issuing registration numbers to non -individuals. The Minister will issue these guidelines in due course. .

This Amendment is aimed at widening the tax base through enabling an interlink between the NIRA and URSB information / database with the e-Tax system.

2. Waiver of Interest and penalty outstanding as at 30 June 2024 - Section 47B inserted

The Amendment seeks to introduce the following provisions

1) Any interest and penalty outstanding as at 30th June 2024, shall be waived where the taxpayer pays the principal tax by 30th June 2026.

2) Where the taxpayer pays part of the principal tax outstanding as at 30 June 2024, by 30 June 2026; the waiver of interest and penalty shall be on a pro-rata basis.

3) For avoidance of doubt, subsections (1) and (2) shall apply to the interest that accrues on the principal tax from 1st July 2024 to the date the tax payer pays the principal tax.

Subsection 3 implies that any penalties that accrue on principal tax from 1st July 2024 to date of payment shall be payable. Only the interest will be waived.

The Amendment is meant to incentivize taxpayers to pay principal tax due by 30 June 2024, by 30 June 2026 and to encourage taxpayers to clean up their tax ledgers and take advantage of the interest and penalty waiver if any liabilities arise after the ledger reconciliation with URA.

3. Penal Tax relating to electronic receipting and invoicing – amendment to section 93

The Amendment seeks to revise penalties for non-compliance with the Electronic Fiscal Receipting and invoicing Solution (EFRIS) to "double the tax due on goods and services".

The current law prescribed penalties of "the tax due on the goods or services in question"; or "Shs. 8,000,000 if one did not use an electronic fiscal device machine" or "Shs 6,000,000 if one did not issue an e-invoice or e-receipt for goods or services or tampered with an electronic fiscal device" ; whichever was higher.

This provision is meant to ensure compliance with EFRIS and fair penalties for non-compliance.

4. Gaming and betting centralised payments gateway system - insertion of sections 93A

This Amendment aims to introduce a mandatory policy where Operators of casinos, gaming or betting activities shall only receive a wager or money staked and only make payouts through the gaming and betting centralised system licensed by the Bank of Uganda which shall be linked to the Uganda Revenue Authority electronic notice system.

This tax provision is aimed at obtaining real time information on gaming and betting activities for better monitoring by Uganda Revenue Authority. This is expected to widen the tax base through use of TINs and enhance the regulation of the activities of operators of casinos, gaming and betting activities in Uganda.

5. Penal tax relating to gaming and betting centralised payments gateway system – Section 93B

Operators of casinos, gaming or betting activities who do not use a gaming and betting centralised payments gateway system shall be liable to pay a penal tax equivalent to double the gaming or withholding tax due or five thousand five hundred currency points (Ushs.110 million) whichever is higher.

The penal provision is meant to prohibit and deter operators of casinos, gaming or betting actives from transacting outside the gaming and betting centralised payment gateway system.

6. Failure to comply with requirements for tax exemption - Section 93C

A taxpayer exempted from tax shall always maintain the requirements for granting the exemption under the law.

A taxpayer who fails to comply with the above proposal shall be liable to pay the tax due for the period for which the taxpayer fails to maintain the requirements required for the taxpayer to be granted an exemption under the tax law.

The Amendment further proposes that the tax due shall be personally paid by the taxpayer who fails to maintain the exemption requirements.

This Amendment is meant to ensure that taxpayers with exemptions always maintain all the exemption requirements during the exemption period.

Stamp Duty (Amendment) Act, 2025

The Act proposes to amend Schedule 2 of the Stamp Duty Act, cap 339 to provide for nil duty for agreements or memorandum of an agreement and, a mortgage deed

Item	2024/2025	2025/2026 Proposal
"5. Agreement or memorandum of an agreement	Shs 15,000	Nil
"42. (a) Mortgage deed - of the total value. A mortgagor who gives a power of attorney to collect rent or a lease of the property mortgaged is deemed to give possession within the meaning of this item.	0.5%	Nil
"b) Where a collateral or auxiliary or additional or substituted security is given by way of further assurance where the principal or primary security is duly stamped.	Shs 15,000	Nil
"43. MORTGAGE OF A CROP - including any instrument endorsement, note, attestation, certificate, or entry not being protest of a bill of note, made or signed by a notary public in the execution of the duties of his or her office or by any other person lawfully acting as a notary public.	Shs 15,000	Nil

External Trade (Amendment) Act, 2025

i. Infrastructure levy of 1.5% on all imports for home use

The amendment seeks to introduce a compulsory infrastructure levy of 1.5% of the customs value on all goods imported into the country for home use.

In customs terms, goods for home use are those that are imported solely for the purpose of sale or final use within Uganda.

Currently, the infrastructure levy of 1.5% is only applicable to selected dutiable items imported from outside EAC Region. The amendment implies that all goods imported into Uganda from outside the EAC region for home use, and that are not listed in the exemption schedule, must pay this compulsory levy, effective 01 July 2025.

The exceptions to this amendment include;

— Goods and products prescribed in the Fifth Schedule to the East Africa Community Customs Management Act (EACCMA), 2004;

— Plant and machinery as prescribed under chapter 84 and 85 of the East Africa Community Common External Tariff (EACCET); and

— Goods under a special operating framework with the Government of Uganda specified in the approved measures on import duty rates in the EACCET.

Introducing the infrastructure levy to all categories of goods is a direct and deliberate move by government to promote domestic production and consumption. Upon enforcement of this law, the additional 1.5% levy will raise the cost of imports into the country and thus make them more costly to the local consumers.

It will thus boost the production and sale of locally produced substitute products, such as garments, textiles, tiles, furniture, etc., and thus protect and support the local industry. This is a long-run drive towards import substitution strategy and promotion of the BUBU (Buy Uganda, Build Uganda) initiative.

ii. Declaration fees on imports for home use

The amendment seeks to introduce import declaration fees of 1% of the customs value on all goods imported into Uganda for home use effective 01 July 2025.

The import declaration fee shall not apply to:

— Goods and products that are exempted from customs duty as listed in the Exemptions Regime, Fifth Schedule of the EACCMA, 2004. Some examples include goods specially designed for use by PWDs, rally drivers, containers and pallets, passenger baggage, mosquito nets, seeds for sowing, agricultural inputs, education materials, refrigerated trucks, hotel equipment, emergency relief goods, diagnostic reagents and equipment, etc.

— Plant and machinery under chapter 84 and 85 of EACCET. Chapter 84 includes nuclear reactors, boilers, machinery and mechanical appliances, parts thereof. Chapter 85 includes electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.

— Goods under a special operating framework with the Government of Uganda specified in the approved measures on import duty rates in the EACCET. Currently, there are no fees charged on import declarations made my importers

iii. Export Levy

This amendment introduces export levy on three items – wheat bran, cotton cake and maize bran.

Effective 01 July 2025 there will be an export levy of USD 10 per metric tonne on the above three items, sold and consigned out of Uganda.

Currently, most exports out of the country are not taxed. Only a few of the goods such as fish, gold, raw hides and skins pay export duty.

The introduction of export levy on these goods will raise their costs of exportation and consequently their prices in the foreign market. In the long run, it may reduce their demand in overseas market and increase their domestic supply. This is also meant to boost the use of those items within for value addition.

iv. Taxes on Textiles

The amendment seeks to reduce import duty on imported textiles for value addition.

Effective 1st July 2025, the duty on imported fabrics will reduce from USD 3 per kilogram or 35% whichever is higher to USD 2 per kilogram or 35% percent whichever is higher.

Duty on imported garment will also reduce from USD 3.5 per kilogram or 35% whichever is higher to USD 2.5 per kilogram or 35 percent whichever is higher.

Contacts

Stephen Ineget
Managing Partner
KPMG Uganda

T: +256 704 811 262
E: SIneget@kpmg.com

Peter Kyambadde
Partner
Tax and Regulatory Services
KPMG Uganda

T: +256 704 811 262
E: pkyambadde@kpmg.com

Disclaimer

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.