

**PRIVATE SECTOR POSITION PAPER ON THE TAX POLICY
PROPOSALS FOR CONSIDERATION IN THE FY 2025/26 NATIONAL
BUDGET**

SUBMITTED

**TO THE
MINISTRY OF FINANCE PLANNING & ECONOMIC DEVELOPMENT**



Business growth is our business

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1.0 Introduction

The Private Sector Foundation Uganda (PSFU) expresses its appreciation to the Ministry of Finance, Planning, and Economic Development (MoFPED) for consistently engaging the private sector in the national budget development process. Through this collaboration, over 82% of the proposals submitted by PSFU were included in the budget, along with several key tax policy proposals.

In line with our mandate, PSFU has conducted scientific studies on critical topics, such as the impact of digital tax stamps on the economy, the effect of the excise duty regime on internet-related jobs and investment, capital gains tax, Capacity utilisation and Cost drivers of the Ugandan manufacturers and strategies to widen the tax base. These studies informed consultations across 12 sectors, including manufacturing, agriculture, tourism, construction, trade and commerce, oil and gas, human resources, financial services, creative arts, logistics, professional services, and ICT.

The proposals generated from these studies have been discussed at the sector level and harmonized across sectors, leading to well-rounded and comprehensive recommendations for policy improvements.

2.0 General Tax Policy issues - Cross Cutting areas

- i. **Promote a Stable and Predictable Tax Regime:** A **stable tax environment** supports enterprise planning and investment. **New tax measures** should be evaluated for their impact on **macroeconomic stability** and **competitiveness**, aligning with **NDP III, export promotion, and import substitution**. Notably, taxes comprise **45%-55%** of final product prices. We commend government for the last three years of **tax policy stability**.
- ii. **Strengthen Tax Administration; Presumptive taxes negatively impact MSMEs**, promoting informality. **URA's tax administration capacity is low** and needs strengthening. **PSFU proposes effective Public-Private Partnerships**, allowing URA to license private tax experts to conduct proper audits and assessments. **This will close tax leakages**, generate data in areas like real estate, **widen the tax base**, and **increase collections**.
- iii. **Establish varied excise duty thresholds for new, innovative products using local agricultural raw materials**. Consider lower rates for products in the **introduction stage** to offset **sunk costs** like research, as taxing these discourages **innovation** and reduces potential **revenue** from the **value chain**, including **supply chains**.
- iv. **Expand the Tax Base;** Implement measures that **stimulate economic growth** to broaden the tax base. Proposed mechanisms include:
 - a) **Establish a special purpose vehicle for the construction industry** to boost private sector **public procurement participation** from **30% to 60%** in 2 years. This will create **13,000 jobs** and yield **USD 3 billion** in **VAT and corporation tax**. Enact the **National Local Content Bill 2020** to support local firms.

- b) **Enact the Real Estate Agency Bill** to regulate real estate actors, incorporating **over 1 million** currently unregistered players into the **tax base**, boosting revenue from **corporation tax**. This measure will formalize the sector, enhancing **tax compliance** and supporting broader **economic stability**.

- c) **Regulate the Scrap Industry**: The scrap industry **harms the environment**, **promotes infrastructure vandalism**, and **lacks oversight**, enabling **tax evasion** and distorting the **steel industry**. **Active regulation** of scrap trade, including **imports and exports**, is essential for **VAT management** and **environmental protection** through proper **input-output ratios** at Customs.

- d) **Enforce anti-illicit trade laws** in collaboration with private sector bodies like **PSFU** to curb illicit trade, particularly in **fast-moving goods**. Uganda loses over **USD 15 billion** in tax revenue annually: **USD 7 billion** (beer), **USD 4 billion** (cigarettes), **USD 2 billion** (cosmetics), and **USD 1 billion each** (steel, electronics).

The tax proposals in this paper are categorized under the **Income Tax Act**, **Value Added Tax (VAT)**, **Withholding Tax (WHT)**, **Excise Duty Act**, **East African Community Customs Management Act (Import Duty)**, **Stamp Duty**, and **Tax Procedures Code**.



3.0 Specific Tax Proposals on the Different Tax Acts (Arranged by alphabetical letters)

No.	Issue	Proposal	Justification
A	Income Tax Act		
1.	<p>Payment of Multiple Taxes by Insurance Agents</p> <p>Insurance agents face multiple taxes, including 10% Withholding Tax and Pay as You Earn (PAYE) ranging from 0% to 30% based on income brackets.</p>	<p>Insurance Agents: Amend the Income Tax Act to classify insurance agents as individuals for whom Withholding Tax (WHT) is a Final Tax and increase it from 10% to 15%</p>	<p>Classifying Withholding Tax as final for insurance agents simplifies tax compliance, while a 15% rate aligns contributions with income levels.</p>
2.	<p>Employment Definition and Consultant Classification</p> <p>The Income Tax Act defines employment as a position with fixed or measurable remuneration (wages, salary, bonuses, etc.). However, it lacks clarity on taxing consultants through BPO firms, creating classification ambiguity.</p>	<p>Amend the Income Tax Act to clearly define the tax treatment for consultants working through BPO firms, addressing the current ambiguity. This ensures consistent tax application on consultant earnings and promotes compliance.</p>	<p>Clarifying consultant tax classification in the Income Tax Act ensures fairness, reduces ambiguity, enhances compliance, and promotes consistent tax application for BPO-driven consultancy services.</p>
3	<p>PAYE threshold</p> <p>Uganda's PAYE threshold of UGX 235,000 per month, unchanged since 2012, no longer reflects today's higher cost of living. Similarly, the top 40% tax rate, applied at UGX 10 million, has lost purchasing power. Uganda's PAYE rates remain the highest in East Africa.</p>	<p>To align Uganda's PAYE rates with regional standards and adjust for inflation, we propose increasing the tax-free threshold from UGX 235,000 (\$63) to UGX 500,000 per month. Raise the top 40% tax rate threshold from UGX 10 million to UGX 15 million per month. This adjustment makes Uganda's rates more comparable to Tanzania's (\$108 threshold, 30% top rate) and Kenya's (\$160 threshold, 30% top rate).</p>	<p>Increasing Uganda's tax-free PAYE threshold to UGX 500,000 and raising the top 40% rate threshold to UGX 15 million adjusts for inflation and aligns with regional peers like Tanzania (\$108 threshold, 30% top rate) and Kenya (\$160 threshold, 30% top rate), enhancing fairness and competitiveness.</p>
4	<p>No Income Tax Relief for CMOs: Collective Management Organizations (CMOs) in Uganda, such as UPRS, URRO, and UFMI, face VAT, Income Tax, WHT, and PAYE</p>	<p>Tax Policy Proposal to Grow Uganda's Creative Sector</p> <p>Grant Income Tax relief to Collective Management</p>	<p>Waiving income tax for CMOs enhances financial stability, boosts artists' royalties by up to 30%, and clears UGX 200 million in</p>

No.	Issue	Proposal	Justification
	obligations on collected royalties. UPRS holds UGX 200 million in income tax arrears, impacting artists' royalties and CMOs' efficiency in supporting members.	Organizations (CMOs) like UPRS, URRO, and UFMI . Waive UGX 200 million arrears to reduce tax burdens and boost the creative sector .	UPRS arrears, supporting a sustainable Uganda's creative industry .
5	Double Taxation on Real Estate Developers Under the current system, real estate developers face double taxation . They pay 30% corporation tax on property sales and an additional 30% rental income tax (on 50% of annual rental income) if they retain properties. This burdens developers by requiring income source separation for varied tax treatments, creating unfairness and discouraging sector growth.	Revise the Rental Income Tax regime by raising allowable deductions from UGX 2,820,000 to UGX 5,000,000 for individuals . Permit non-individuals (e.g., companies) to deduct expenses up to 70% of annual gross rental income. Reduce tax rates from 30% to 19% to encourage sector growth and alleviate double taxation burdens.	Uganda's 2.4-million-unit housing deficit demands growth in real estate. Raising individual deductions to UGX 5,000,000 , allowing 70% deductions for companies, and reducing tax rates from 30% to 19% will support developers, boost investment, and enhance affordability.
6	Enhancing Competitiveness in Uganda's Film Industry Uganda's film industry faces challenges in attracting foreign productions , with the last major project in 2016 . The tax regime (minimum 10% import duty , 18% VAT , 15% withholding tax , and 1.5% infrastructure tax) hinders revenue and job creation , while competing countries offer better tax incentives for foreign investment .	Introduce a 35% cash rebate for qualifying productions, matching countries like South Africa . Implement tax exemptions on import duties for film equipment and establish a National Film Fund to support local and foreign projects.	Uganda's film industry employs 5,000 directly and 10,000 indirectly , contributing 3.5% to GDP . Enhanced incentives could boost these numbers. South Africa earned USD 106.7 million from foreign productions in 2023 , proving potential. Attracting 3-5 foreign productions annually through tax rebates could yield millions in foreign investment , 500-1,000 jobs , and crucial skills training for Uganda's industry.
7	Corporate Tax in Uganda In Uganda, the corporate income tax rate is 30% for both resident and non-resident companies , higher than the global average of 23.45% . This rate leads to reduced profit margins ,	Reduce Uganda's corporate tax rate from 30% toward the global average of 23.45% to boost profit margins , stimulate investment ,	Reducing Uganda's corporate tax rate from 30% toward the global average of 23.45% enhances profit margins , attracts FDI , and promotes

No.	Issue	Proposal	Justification
	investment and expansion constraints, impacts cash flow and liquidity, and generally discourages foreign direct investment (FDI).	improve cash flow, and attract FDI. Additionally, provide tax exemptions for companies offering free or subsidized healthcare to low-income communities, promoting public health improvements.	reinvestment in infrastructure, technology, and healthcare. Tax exemptions for companies offering free/subsidized healthcare directly improve public health for low-income communities.
B	Value Added Tax (VAT)		
8	Section 42 (1) of the VAT Act requires the Commissioner General to issue a refund if input tax credit exceeds liability within one month of the due date. However, URA audits often delay refunds over one-year, restricting cash flow, business productivity, and investment. Prioritizing audits could expedite refunds, boosting business growth and economic productivity.	Amend Section 42 of the VAT Act to require URA refund audits to complete within one year. This ensures timely refunds, improves business cash flows, and boosts productivity and investment.	URA's lengthy audits delay refunds over a year, restricting cash flow and hindering productivity and investment. Reducing audit duration to one year would expedite processing, enabling faster, more efficient refunds.
9	Payment of VAT refunds Section 42(2)(a) of Uganda's VAT Act provides for the refund of VAT paid on goods and services used exclusively in the production of goods or services that are exported from Uganda. The offset starts at Ushs 5,000,000.	To enhance Section 42(2)(a) of the VAT Act, it is proposed to raise the VAT offset threshold from Ushs. 5 million to Ushs. 50 million and amend it to allow continuous refunds for taxpayers in offset positions beyond a single month.	This amendment would enable businesses exporting goods and services to recover a larger amount of VAT paid on inputs used exclusively for exports, thereby improving cash flow and competitiveness in international markets.
10	Delays in processing VAT refund Section 44(3) of the VAT Act exempts interest if URA's confirmed refund exceeds the taxpayer's claim by more than UGX 50,000, a threshold set in 1996. This allows URA to delay refunds and deny interest.	Amend the variance threshold from UGX 50,000 to UGX 3 million and exclude non-taxpayer errors, incentivizing URA to expedite refunds and alleviate cash flow issues for taxpayers..	Raising the variance threshold to UGX 3 million and excluding non-taxpayer errors will encourage URA to process refunds faster, reducing delays and easing cash flow burdens on compliant taxpayers.
11	The VAT threshold The Ugandan VAT threshold requires businesses with an annual taxable turnover exceeding UGX 150 million	Amend the Act to raise the VAT registration threshold from UGX 150 million to UGX 500	Raising the VAT threshold to UGX 500 million will ease the tax burden on small businesses,

No.	Issue	Proposal	Justification
	to register for VAT , obligating them to charge and remit VAT on taxable supplies .	million ; this aims to reduce small business tax burdens , promote formalization , and stimulate growth in Uganda's private sector .	encourage formalization , boost business growth , and support broader economic development by enabling smaller enterprises to thrive in Uganda .
12	VAT Deferment on Machinery Imports Uganda's VAT deferment on imported machinery over US\$4,000 allows VAT-registered businesses to postpone payments . However, new manufacturers often miss out due to the UGX 150 million registration threshold , limiting access to essential machinery and hindering start-up growth .	Introduce VAT deferment for start-ups importing machinery valued at USD 2,000+ . Lower the UGX 150 million registration threshold to include new businesses , allowing access to essential machinery without immediate tax burdens , thus fostering growth .	Lowering the VAT deferment threshold to USD 2,000 and reducing the registration threshold enables start-ups to access essential machinery without immediate tax burdens. This change overcomes current barriers caused by high initial costs and fosters early-stage business development .
		Amend Regulation 4 of the 2013 VAT Deferment on Plant and Machinery to include spare parts , not just machinery , ensuring businesses can defer tax on all essential equipment for efficient operations .	Including spare parts in VAT deferment under Regulation 4 will ensure businesses can maintain efficient operations , reduce costs , and improve productivity , ultimately supporting start-up growth and contributing to economic development .
13	Unclaimable 18% VAT on Residential Housing Developments The VAT Act imposes 18% VAT on taxable supplies , including real estate transactions . Real estate developers incur 18% input VAT on construction services and materials for residential developments but cannot claim this, directly increasing development costs and raising housing project expenses .	Amend the VAT Act to permit real estate developers to claim the 18% VAT input on construction services and materials for residential housing developments .	Allowing real estate developers to claim input VAT would lower development costs , expand the supply of affordable housing , stimulate economic growth , enhance the real estate sector , attract foreign investors , and support broader development goals .
14	VAT Deeming and Financing in Oil and Gas	Expand VAT deeming to apply throughout the oil and gas supply chain ,	Extending VAT deeming across the oil and gas supply chain relieves cash

No.	Issue	Proposal	Justification
	To incentivize oil and gas , Uganda introduced a VAT deeming provision in July 2015 . Section 24(5) of the VAT Act deems VAT paid for contractors to Licensees , exempting them from remittance to URA . However, this creates cashflow challenges where VAT deeming doesn't apply further down the supply chain.	addressing cash flow challenges for downstream contractors and ensuring consistent incentives to support industry growth and sustainability.	flow constraints for downstream contractors, fostering industry growth , enhancing financial sustainability , and boosting investment attractiveness in Uganda's oil and gas sector .
15	VAT on BPO Salary Disbursements URA requires VAT on salary disbursements made by clients of Business Process Outsourcing (BPO) companies, applying VAT to the total cost (salary + management fees) rather than just the management fees . This diverges from standard practices in Kenya, Rwanda, Burundi, South Sudan, and Tanzania , where VAT is applied only to management fees in the BPO sector . Uganda's approach creates double taxation (as salaries are also subject to PAYE, NSSF, and LST) and increases costs, making Uganda the most expensive BPO provider in the region. This policy hampers Uganda's competitive position in the BPO market , potentially discouraging investment and growth in the sector.	Amend Uganda's VAT policy for Business Process Outsourcing (BPO) companies to align with regional standards. Apply VAT only on management fees rather than the total cost (salary + management fees) to eliminate double taxation . This approach, already adopted by Kenya, Rwanda, Burundi, South Sudan, and Tanzania , would lower operational costs for BPOs, enhance Uganda's competitiveness in the regional BPO market , and attract more investment in the sector	Aligning Uganda's VAT policy by applying VAT only on management fees for BPO companies would eliminate double taxation , reduce operational costs , enhance investment appeal , foster sector growth , and position Uganda as a competitive BPO hub in East Africa .
C	Withholding Tax (WHT)		
16	15% WHT, 18% VAT on imported services . The Income Tax Act and VAT Act impose non-reclaimable 15% withholding tax on non-resident payments and 18% VAT on imported services, raising farmers' costs, reducing profit margins, and straining cash flow.	Introduce tax relief by exempting farmers from the 15% withholding tax on non-resident payments and allowing recovery of the 18% VAT on imported services . This measure will reduce costs and support financial sustainability in the agricultural sector.	Exempting farmers from withholding tax and allowing VAT recovery on imported services would significantly reduce operational costs , improve cash flow , and enhance profitability . These adjustments are essential for supporting the sustainability and competitiveness of

No.	Issue	Proposal	Justification
			Uganda's agricultural sector .
17	<p>Taxation of the Fish maw</p> <p>Uganda imposes an 8% export levy total value, US\$11 per kilogram import duty, and a 6% withholding tax, while Kenya has no export tax. Tanzania charges a lower export tax of US\$2.69 per kilogram, making Uganda less competitive</p>	<p>To enhance Uganda's competitiveness, we propose reducing the fish maw export levy to align with Tanzania's US\$2.69 per kilogram and eliminate the US\$11 import duty. Adjust the 6% withholding tax to encourage local and international trade, positioning Uganda more favourably against Kenya and Tanzania.</p>	<p>Reducing Uganda's fish maw export levy and removing the US\$11 import duty will align Uganda with Tanzania's competitive rates, boosting trade. Adjusting the 6% withholding tax will promote exports, attract traders, and strengthen Uganda's position in the East African market against Kenya and Tanzania.</p>
18	<p>Double taxation on Kenyan tea brokers.</p> <p>Uganda imposes double taxation on Kenyan tea brokers, violating East African Community agreements and harming Uganda's tea industry, as the tax directly affects Ugandan tea farmers and traders.</p>	<p>PSFU proposes that URA collaborates with Kenya's tax authorities to implement a single tax on tea brokers, reducing the tax burden on farmers, ensuring compliance, and safeguarding the tea industry from financial strain.</p>	<p>Aligning tea broker taxation between Uganda and Kenya would reduce double taxation, ease the financial burden on farmers, promote fair competition, enhance industry compliance, and support sustainability in the tea sector.</p>
19	<p>6% Withholding Tax Burden in Real Estate and Construction</p> <p>The Uganda Revenue Authority (URA) requires real estate and construction companies to collect a 6% withholding tax as agents. This obligation adds significant financial and administrative burdens on companies in these sectors.</p>	<p>Reduce or eliminate the 6% withholding tax collection obligation for real estate and construction companies to alleviate financial and administrative burdens, promoting growth and operational efficiency within these sectors.</p>	<p>Reducing or eliminating the 6% withholding tax for real estate and construction lowers costs, encourages formal sector participation, eases compliance, and promotes sector growth by discouraging informal operations.</p>
20	<p>WHT Tax Exemption to players in Oil and gas sector: Players in the Oil and Gas sector, irrespective of the tier, ought to be granted automatic 6% WHT exemptions on payments.</p>	<p>URA should implement an Oil and Gas industry-specific checklist for Withholding Tax (WHT) exemption eligibility. This approach would objectively</p>	<p>An industry-specific checklist for WHT exemptions in Oil and Gas ensures fair assessment, reduces capital requirements to UGX 500</p>

No.	Issue	Proposal	Justification
		assess tax exemptions, reducing the capital requirement from UGX 2 billion to UGX 500 million .	million , encourages investment, and eases financial strain on companies.
D	Excise Duty Tax		
21	12% excise duty on internet data , The 12% excise duty on internet data, combined with 18% VAT , results in a 32% total tax, hindering digital access. Medical and education exemptions exist but are rarely applied due to unclear qualification criteria.	Consider lowering the excise duty on internet from 12% to 6% to boost consumption, improve infrastructure, and differentiate mobile and desktop data pricing. Expanding access can reduce prices through economies of scale. A PSFU study estimates over 132,600 jobs were lost due to the 12% duty , affecting financial services, real estate, and media sectors.	Uganda's internet cost, at \$1.5 to \$2.5 per GB , is higher than regional peers like Kenya (\$0.5 to \$1.0) and Rwanda (\$1.0 to \$2.0) , largely due to the 12% excise duty. Reducing this tax to 6% would lower data costs, benefiting Uganda's 11-13 million smartphone users and promoting internet access and economic growth.
22	Current Beer Excise Rates The Excise Duty Act 2014 imposes 60% or UGX 2050 per litre on Malt Beer and 30% or UGX 650 per litre on 75% local-content beer . This structure burdens private sector players by increasing production costs, potentially limiting competitiveness and discouraging investment in locally sourced materials.	Amend the Excise Duty Act to introduce a new Clause 3(C) (iii) with the following proposals. For Ready-to-Drink (RTD) spirit-based beverages (ABV ≤ 8%): Imported finished RTDs should be taxed at 80% or UGX 1700 per litre . RTDs with local raw material content below 75% should incur 60% or UGX 2050 per litre , while those with 75% local content or more should be taxed at 30% or UGX 650 per litre . This aligns with excise duty differentiation for products like 5.5% ABV RTDs and portable spirits with 40% ABV .	The proposal distinguishes potable spirits (minimum 35% ABV) from Ready-to-Drink (RTD) beverages, which are closer to beer and should be taxed similarly. According to UNBS standards, RTDs have 1.0-8.0% ABV , aligning with beer (0.5-5.5% ABV), while spirits are distilled and have higher ABV. RTDs are packaged like beer, often sold in crates with returnable bottles. Recent UGX 24 billion investment in a UBL RTD plant (300,000 hectolitres/year capacity) currently runs at 25% capacity ; tax harmonization would unlock 75% growth for local and export markets. Enhanced RTD production

No.	Issue	Proposal	Justification
			would double industrial sugar use (1,200 to 2,400 tons/year), increase revenue collection , and promote local fruit sourcing from Ugandan farmers. Aligning RTD tax with EAC countries like Kenya and Tanzania would establish regional consistency in excise duty based on alcohol content .
23	Increased Excise Duty Rates on Fuel The construction industry heavily relies on fuel for transportation and machinery. Recent increases in excise duty—petrol rising from UGX 1,450 to UGX 1,550 per liter and diesel from UGX 1,130 to UGX 1,230 per liter— have raised operational costs, impacting industry productivity and financial sustainability.	Reduce excise duty rates on petrol and diesel for the construction industry to lower operational costs, enhance productivity, and support sustainable growth in Uganda's infrastructure sector.	Reducing excise duty rates on petrol and diesel lowers operational costs across the private sector , promoting productivity, easing financial strain, and fostering sustainable growth in Uganda's economy by supporting business expansion.
24	High Tax on Mobile Money The government imposes significant taxes on mobile money transactions , essential in the ICT sector for digital payments. Since November 2018 , Uganda has applied a 0.5% tax on mobile money withdrawals under the Excise Duty (Amendment) Act 2018 . Additionally, there is a 15% excise duty on fees charged by telecom companies for money transfers and withdrawals , increasing costs for users and impacting digital financial inclusion.	To boost digital financial inclusion and support the ICT sector , eliminate the 0.5% tax on mobile money withdrawals and reduce the 15% excise duty on transaction fees to 5% . This adjustment promotes affordability and accessibility of digital payments for consumers and small businesses, fostering economic growth.	Eliminating the 0.5% withdrawal tax and reducing the 15% transaction fee duty to 5% would improve affordability , increase digital adoption , and boost economic growth .
E	East African Community Customs Management Act (Import Duty)		
25	Harmonizing Import Duty Exemptions: Uniform import duty exemptions across sectors are essential. Currently, international oil companies and Tier 1 entities enjoy up to 100% exemptions , while local	Implement uniform import duty exemptions of up to 100% on capital goods for local companies , extending to two additional tiers with Customs Procedure	Equalizing import duty exemptions at up to 100% for local firms reduces cost disparities , enhancing competitiveness and promoting growth against international counterparts.

No.	Issue	Proposal	Justification
	firms face up to 25%, impacting competitiveness unfairly.	Codes (CPCs) in ASYCUDA, ensuring targeted exemptions for Oil and Gas imports only and fostering competitiveness.	
26	High Import Duty on Electric & Hybrid Vehicles and Electric Motorcycles: In FY 2024/25, Uganda raised import duty to 25% on electric and hybrid vehicles and electric motorcycles to boost local production. However, this has significantly raised prices; for example, the Nissan Leaf—a more affordable electric vehicle—has surged by over UGX 51 million, from UGX 204.3 million to UGX 255.3 million. In FY 2023/24, the 0% import duty encouraged growth, increasing hybrid car imports from 17 units to 420 units, including 20 fully electric vehicles.	Reinstate a 0% import duty on electric and hybrid vehicles to drive economic growth and job creation. In FY 2023/24, this policy spurred imports from 17 to 420 units, reducing costs and promoting sustainable local production innovation, positioning Uganda as an eco-friendly market leader in East Africa.	A 0% import duty on electric and hybrid vehicles fosters affordability, increasing demand, which boosts economic growth through heightened sales and related services. The policy also drives job creation in vehicle assembly and maintenance, stimulating local production innovation for a sustainable, eco-friendly market.
27	Motor Vehicles Used for Transporting Goods: Uganda imposes a 25% import duty on goods vehicles weighing 5 to 20 tons under HS code 8704.22.90, raising operational costs for transporters and traders, and reducing market competitiveness. For example, a vehicle valued at UGX 50 million incurs an additional UGX 12.5 million in import duties, totalling UGX 62.5 million. This cost increase often results in higher transportation fees for consumers.	Reduce import duty on goods vehicles (5-20 tons) from 25% to 15% under HS code 8704.22.90. For instance, a UGX 50 million vehicle would then incur only UGX 7.5 million in duty, totalling UGX 57.5 million, lowering transportation fees and boosting market competitiveness.	Reducing import duty to 15% on goods vehicles will lower operational costs for transporters and traders, decreasing transportation fees for consumers and enhancing market competitiveness for Ugandan businesses in regional markets.
F	Stamp Duty Act		
28	Stamp Duty on Insurance in Uganda: The Stamp Duty Act imposes a UGX 35,000 fee on policies like motor third-party (MTP) insurance, raising premiums and discouraging uptake. For example, on a UGX 6,000 motorcycle premium, stamp duty is over five times the premium, creating a financial burden for consumers and limiting	Reform stamp duty on insurance by adopting a 1% premium-based fee, aligning with Kenya, Tanzania, and Rwanda, or implement a UGX 5,000 flat fee for motorcycles. This adjustment reduces financial barriers, boosting	Reducing stamp duty to 1% or UGX 5,000 for motorcycles makes insurance affordable, aligns Uganda with Kenya (3.2% penetration) and Rwanda (1.8%), and boosts low-cost policy adoption, benefiting low-income earners and

No.	Issue	Proposal	Justification
	insurance penetration. In 2023, Uganda's insurance penetration was 39% (700,000 of 1.8 million vehicles), compared to 49% in Kenya, 40% in Tanzania, and 45% in Rwanda. Additionally, Kenya's insurance contributes 3.2% to GDP, Rwanda's 1.8%, while Uganda's sector is only 1%. In contrast, Kenya, Tanzania, and Rwanda charge a 1% premium-based stamp duty, highlighting Uganda's flat UGX 35,000 fee as restrictive.	insurance uptake and market penetration in Uganda.	increasing market penetration.
G	Tax Procedures Code Act		
29	Issue with Tax Stamps for Manufacturers: Regulation 4 of Uganda's Tax Procedures Code mandates procurement and use of tax stamps but lacks a re-order threshold. This gap hinders inventory management, impacting manufacturers' ability to maintain compliance and manage operational efficiency.	Amend Regulation 4: Establishing a re-order threshold for tax stamps ensures production continuity by triggering timely restocking, improves operational efficiency, and aids cost management for manufacturers. This change enhances compliance and reduces supply delays, supporting streamlined operations.	Setting a re-order threshold benefits designated manufacturers with fluctuating production, e.g., those using 10,000 stamps monthly. A 12,000-stamp threshold ensures compliance and prevents shortages, reducing risk of penalties for non-compliance.
30	Regulation 9 of Uganda's Tax Procedures Code (Tax Stamps) Regulations lacks allowances for process losses, which imposes unfair tax burdens on designated manufacturers. Amending this regulation is essential for achieving fair tax treatment in production.	Add subsection (6) after 9(5), allowing for 1.5% wastage and damages on unaccounted excise stamps when computing excise duty, supporting operational efficiency.	Allowing for process losses in Uganda's DTS process, as practiced in Kenya, would ease compliance for manufacturers like UBL, NBL, Crown Beverages, and Century Bottling among others, who face challenges tracking damaged stamps on breakable packaging, ensuring fairer and more practical tax treatment.
31	Section 23 of the TPCA: Section 23 allows for amendment of returns (additional assessment) within 3	Amend Section 23(3)(a) to state that a taxpayer under investigation may apply to	Allowing a taxpayer to amend a tax return post-investigation ensures

No.	Issue	Proposal	Justification
	years, except for taxpayers under investigation . However, the law does not clarify if a taxpayer can amend returns for all tax heads after the investigation is completed.	the Commissioner to amend any tax return within 3 years following the investigation's completion, provided the Commissioner is notified within this 3-year period .	fairness , particularly when investigations yield no findings or were erroneous. Without this amendment option, taxpayers risk losing money unjustly due to uncorrectable returns.
32	Current Tax Burden in the Tourism Sector: Uganda's tourism sector faces a heavy tax burden with 25 to 27 different taxes and licenses , such as hotel taxes, bar licenses, liquor licenses , and various local council fees . For example, hoteliers must pay for swimming pool licenses, conference hall licenses , and other operational permits, often resulting in overlapping or duplicate charges .	Streamlining taxes by merging overlapping levies into a single tax could simplify compliance , reduce administrative burdens , and save tourism businesses time and resources spent on managing multiple taxes.	The amendments will lead to increased profitability for tourism operators by reducing costs, improving compliance through clearer obligations, and enhancing competitiveness by lowering the tax burden , making Uganda a more attractive destination for tourists and investors .

4.0 Conclusion

The **business community** believes that adopting these targeted **tax reforms** will directly grow **businesses** and strengthen **value chains**, leading to increased **tax revenue** and expanded **employment**, thereby contributing to Uganda's vision of **prosperity for all**. We extend our gratitude to the **Parliament of Uganda** for its continued support and engagement with the **private sector** on critical matters. By implementing these reforms, Uganda can establish a more **robust** and **sustainable tax system** that not only supports the private sector but also drives **national development**.

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