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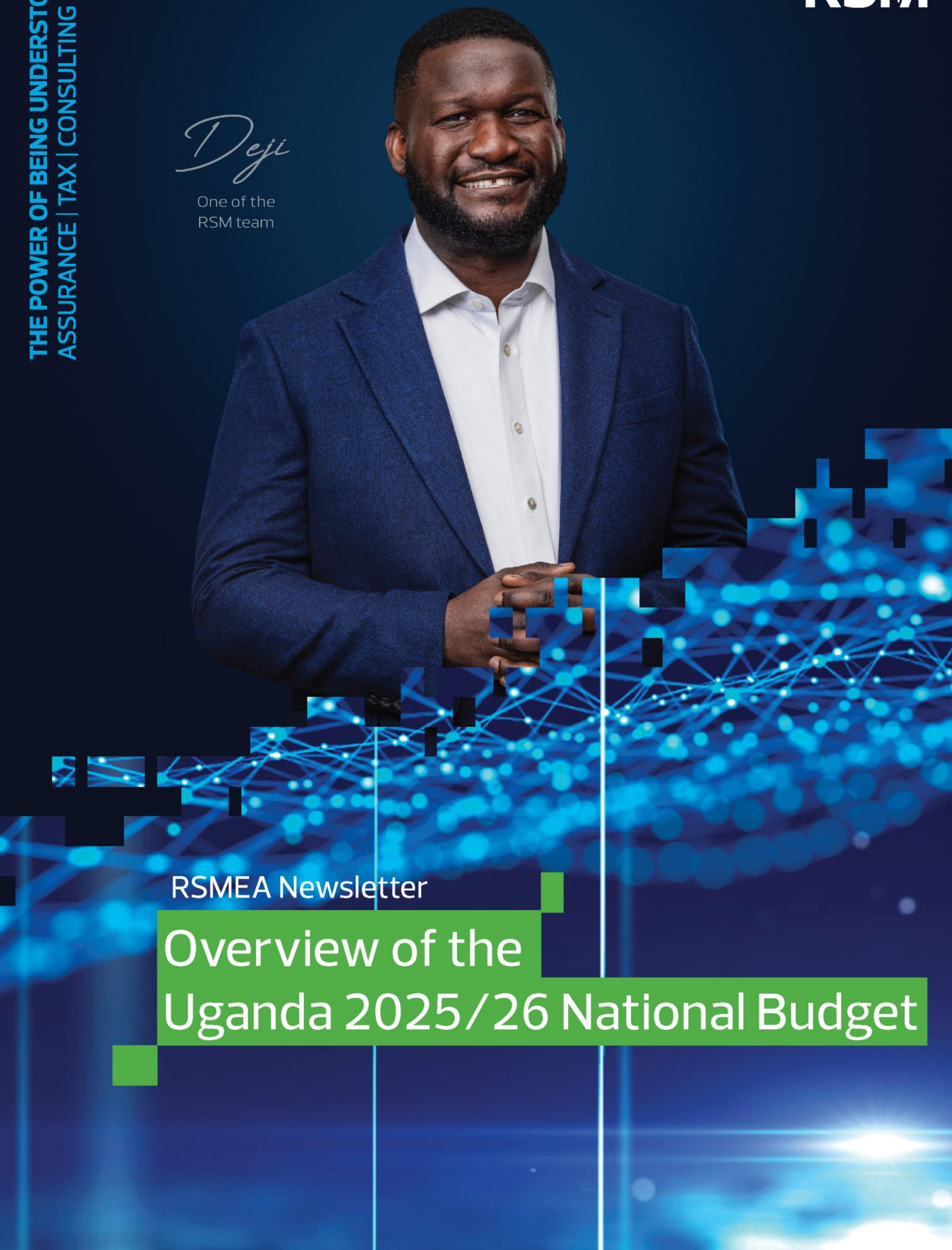

RSMEA Newsletter

Overview of the Uganda 2025/26 National Budget

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INTRODUCTION

Welcome to our 2025/26 annual budget newsletter!

The start of FY 2025/26 marks a significant point in Uganda's development journey—it is both the final phase of the Third National Development Plan **(NDPIII)** and the beginning of the Fourth National Development Plan **(NDPIV),** which ushers in the second half of **Vision 2040**. The national budget plays a central role in guiding the economy as it continues its efforts to transition from a predominantly subsistence economy to one that is industrialised and digital.

This edition of the newsletter provides an overview of Uganda's economic outlook for FY2024/25, key expectations, resource envelope and tax amendments for the new fiscal year 2025/26.

UGANDA ECONOMIC HIGHLIGHTS

In May 2025 Bank of Uganda maintained the Central Bank Rate at 9.75%. In the same Monetary Policy Statement, the growth projection for 2024/25 remains at **6.0% to 6.5%.** Below is a brief outlook of the macroeconomic performance, trade and regional integration outlook and view of the social and economic indicators as per the Ministry of Finance Planning and Economic Development publication of June 2025 on the background to the budget fiscal year 2025/26:

- **GDP Growth**: The economy grew by **6.3% in FY 2024/25**, up from 6.1% the previous year, driven by agriculture, manufacturing, and services;
- **Per Capita Income**: Reportedly rose to **USD 1,263**, more than double the figure from FY 2010/11 (USD 506);
- **Outlook for FY 2025/26**: Growth is projected to accelerate to **7.0%**, with GDP per capita projected at **USD 1,324;**
- **Total Trade**: Increased to **USD 9.78 billion** in the 12 months to April 2025 – a **30.2%** increase compared to the previous year;
- **Exports**: For the first time, Uganda's **monthly merchandise exports exceeded USD 1 billion**, reaching USD 1.11 billion
- **Subsistence Economy**: Share of households in the subsistence economy declined from 39% in 2020 to **33.1% in 2024**;
- **Fertility Rate**: Declined from 5.8 (2014) to **4.5 children per woman** (2024); and
- **Life Expectancy**: Improved from 63.7 years (2014) to **68.2 years (2024)**, above the African average of 63.8 years

As mentioned above FY 2024/25 concludes the implementation period for the Third National Development Plan (NDPIII) and also marks the mid-point for the implementation period of Vision 2040 (2010 to 2025).

BUDGET HIGHLIGHTS

FY2025/26 ushers the country to the start of the 2nd half of the **Vision 2040** journey with a total resource envelope of **UGX 72 trillion**. It is the start year for the implementation period of the Fourth National Development Plan (FY2025/26 to FY2029/30) and the first five years of the Tenfold Growth Strategy for building a **USD 500 billion** economy by 2040. The National Budget for FY2025/26 is, accordingly, pivotal for Government's renewed commitment to fast-track full monetization and formalization of the economy.

The theme of the FY 2025/26 has been maintained from the prior year as "Full Monetization of the Ugandan Economy through Commercial Agriculture; Industrialization; Expanding and Broadening Services; Digital Transformation, and Market Access." This is further to the government's focus on accelerating economic formalisation and productivity across key sectors. The country is now entering a critical phase under NDPIV and Vision 2040, where transformative shifts rather than incremental changes will define its economic destiny.

NDPIV is themed "Sustainable Industrialization for Inclusive Growth, Employment and Wealth Creation" with a principal target of more than doubling national GDP from **USD64 billion** to **USD158 billion**. It recognizes that the country's economic transformation requires more than incremental growth – it calls for a coordinated, and productivity-driven shift across key sectors.

Based on the Background to the Budget for FY 2025/26, below are a selection of key expectations for Uganda in the new fiscal year (FY 2025/26):

- Real GDP is projected to grow by **7.0%,** up from **6.3%** in FY 2024/25, driven by agriculture, manufacturing, and services. This is part of the government's strategy to shift Uganda to a higher economic growth path, maintaining at least 7% annual growth;
- Budget Priority Focuses on **ATMS + Enablers,** i.e, Agro-industrialisation, Tourism development, Mineral-based development (oil, gas, and mining) and Science, technology & innovation (including ICT and creatives), with the enablers being the sectors that support the investment climate — infrastructure, education, health and governance mainly;
- Strong emphasis on **AfCFTA, EAC,** and **COMESA** market access with increased support for value addition in coffee, dairy, fish, and pharmaceuticals;
- NDP IV targets more than doubling the GDP from **USD 64 billion** to **USD 158 billion** by **2030;**
- Continued rehabilitation of the **railway network** (e.g., Malaba–Kampala route) and expansion of the **East African Crude Oil Pipeline (EACOP)** to improve logistics and trade; and
- Greater investment in ICT and innovation ecosystems, including the Digital Transformation Programme, to enhance government services and job creation.

The projected expansion in economic output in FY 2025/26 translates to a per capita GDP of **USD1,324**. In terms of trade, Uganda made significant strides, particularly within the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), and the African Continental Free Trade Area (AfCFTA).

RESOURCE ENVELOPE

Resource (Inflows)	Budget (UGX Billions)	Budget (UGX Billions)
	2024/25	2025/26
A. Domestic Resources	**49,138**	**48,937**
Tax revenue	29,366	33,943
Non-tax revenue	2,616	3,284
Petroleum fund	115	-
Domestic financing	16,746	11,381
Local revenue	295	329
B. Externally Resources	**10,977**	**13,412**
Grants	2,885	2,843
Concessional loans	8,092	10,569
Total Resources	**60,115**	**62,349**
C. Domestic Financing		
Domestic debt refinancing	12,022	10,027
TOTAL RESOURCE ENVELOPE	72,137	72,376

Expenditures (Outflows)	Budget (UGX Billions)	Budget (UGX Billions)
	2024/25	2025/26
A. Recurrent expenditure	**31,886**	**36,902**
Wage	7,934	8,568
Non-wage (exclusive of interest payments)	14,346	17,001
Statutory interest payments	9,606	11,333
B. Development expenditure	**15,486**	**18,239**
Government of Uganda	5,903	6,911
External financing	9,583	11,328
Total Expenditure	**47,372**	**55,141**
Domestic arrears	199	1,401
Amortisation	3,149	4,986
Domestic debt refinancing	12,022	10,028
Domestic debt payment (BOU)	9,100	492
Local Government expenditure from own revenue	2,95	328
TOTAL	**72,137**	**72,376**

Despite Uganda's promising economic outlook for FY2025/26, several challenges could impact its growth trajectory as the debt servicing burden continues to rise, placing significant pressure on the fiscal space and limiting the government's ability to fund critical development projects.

Additionally, domestic revenue mobilization remains constrained, with only **UGX 37.2 trillion** which is **52%** of the resource envelope with the rest financed through loans and grants.

The domestic revenue is broken down as below:

- Tax Revenue: **UGX 33.94 trillion**, signalling expected pressure on businesses and individuals to meet tax obligations.

- Non-Tax Revenue: **UGX 3.28 trillion**, with **UGX 328.6 billion** from local government sources.

Businesses should anticipate robust tax enforcement and audits by not only Uganda Revenue Authority (URA) but also local governments within which business operations are being held e.g., Kampala City Council Authority (KCCA). Ensure your tax filings are accurate and explore legitimate tax planning opportunities to optimize your tax position.

Approximately 48% of the budget **UGX 34.8 trillion** will be financed through borrowing, with **UGX 11.38 trillion** from domestic debt financing and **UGX 10.2 trillion** through domestic debt refinancing. This high domestic borrowing could increase interest rates and crowd out private sector access to credit. With potential increases in borrowing costs, businesses reliant on credit should review financing strategies and consider locking in rates where possible.

UGX 11 trillion of the budget is allocated to debt financing, underscoring Uganda's growing debt obligations with only **UGX 1.8 trillion** towards domestic debt payment. The prioritization of debt repayment may limit public investment in infrastructure and services, potentially affecting sectors like construction, logistics, and public-private partnerships. Enterprises should plan for potential delays in government contracts or payments.

The reliance on tax revenue suggests potential for new measures or increased enforcement in areas like VAT, Income tax, and digital services tax, below we review the tax amendments their rationale and implication.

TAX AMENDMENTS

In accordance with the Public Finance Management Act, the tax amendment bills were published on 25th March 2025 for public debate and comment. In accordance with the Constitution of the Republic of Uganda, these amendments were debated and passed into bills by the Parliament of the Republic of Uganda on 31st May 2025 and are now waiting for presidential assent. The tax bills will impact tax planning, compliance, and overall business strategy, and therefore, we encourage stakeholders to review them carefully and seek professional guidance where necessary.

In the following pages, we provide the amendment, along with its rationale and implications for your business if passed into law. The amendments affect the Income Tax Act (Cap 338), Value Added Tax Act (Cap 344), Tax Procedures Code Act (Cap 343), Excise Duty Act (Cap 336), Stamp Duty Act (Cap 339) and External Trade Act (Cap 69).

INCOME TAX (AMENDMENT) BILL, 2025

Amendment	Rationale/Implication
Exempt income – Section 21	
The extension of the exemption of income of the Bujagali Hydro power project, up to 30th June 2032, which was to end on 30th June 2024.	To maintain current electricity tariff levels.
The exemption of income derived from a business established by a citizen after 1st July 2025, for a period of three years where the: a) Business is registered with invested capital not exceeding five hundred million shillings; b) Citizen or their associate has not previously benefited from the exemption; or c) Citizen files a tax return, including a business information return referred to in Section 147.	▪ Good news for startup companies established by citizens; and ▪ Widening the tax base on which PAYE, WHT and VAT can be levied.
Roll over relief – Section 76	
Redefining the meaning of reorganisation under Rollover relief by expounding the criterion from only companies to Persons (excluding individuals.	All Persons, not just companies, can now benefit from rollover relief from a capital gain.
Taxation of non-residents providing digital services – Section 86	
Digital Service Tax (DST) shall not apply to non-residents providing digital services to an associate in Uganda, as these persons shall be taxed under Section 82 or 84.	Withholding tax rate of between 10%-15% will now apply rather than the DST rate of 5%.
Listed Institutions – Schedule 2	
Addition of the International Atomic Energy Agency (IAEA).	All incomes earned by the IAEA shall be exempt.

VALUE ADDED TAX (AMENDMENT) BILL, 2025

Amendment	Rationale/Implication
Public International Organisations – Schedule 2	
Addition of: ▪ United Nations related Agencies and specialised Agencies ▪ Replacement of: International Atomic Agency (IAA) with "International Atomic Energy Agency (IAEA)	This is to allow expedited VAT refunds.
Exempt supplies	
Removal of: ▪ Raw materials for the manufacture of composite lanterns; and ▪ Billets for further value addition in Uganda.	▪ These will become taxable supplies effective 1st July 2025; and ▪ To discourage the importation of billets to the disadvantage of local producers.
Addition of: ▪ The supply of biomass pellets.	These will no longer attract VAT effective 1st July 2025.
Zero-rated supplies	
Addition of: ▪ The supply of aircraft	A boost to the aviation sector. Currently, only the supply of leased aircraft is zero-rated.

TAX PROCEDURES CODE (AMENDMENT) BILL, 2025

Amendment	Rationale/Implication
Tax Identification Number – Section 4	
The proposal intends to use the following as tax identification numbers for tax purposes: (a) a national identification number issued by the National Identification Registration Authority (NIRA) under the Registration of Persons Act, in the case of an individual; (b) a registration number issued by the Uganda Registration Services Bureau, in the case of a person who is a non-individual: and (c) a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.	▪ The proposal will replace Section 4 of the TPCA to enhance tax administration since it simplifies the integration of various data sources. The proposal also expands the tax base with a wider coverage of individuals and non-individuals ▪ Taxpayers will be required to include their NIN or BRN on any return, notice, communication or document lodged for purposes of tax. This follows a public notice that was issued in January 2022 by the URA, requesting taxpayers to update their registration details to include their NINs and BRNs. ▪ This amendment is to align with the current Section 4 (9) of the TPCA by extending this requirement to include NINs and BRNs. ▪ The amendment aligns with the current Section 4 (10) of the TPCA to ensure Stamp Duty obligations are linked to traceable taxpayer information, further promoting tax compliance and business formalisation.

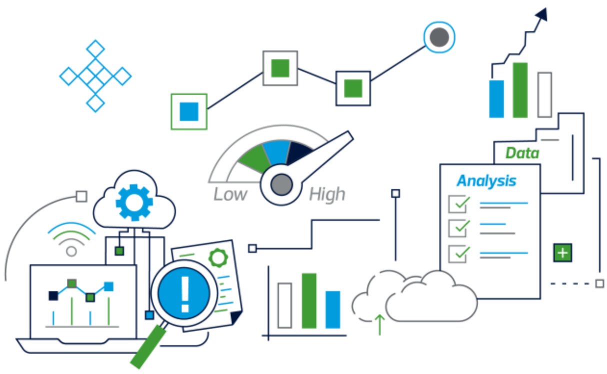
Amendment	Rationale/Implication
Waiver of interest and penalty on payment of principal Tax – Section 47B	
▪ Any interest and penalty outstanding as at 30th June 2024 shall be waived where the taxpayer pays the principal tax by 30th June 2026. ▪ Where the taxpayer pays part of the principal tax o outstanding as at 30th June 2024 by 30th June 2026, the payment of interest and penalty shall be waived on a pro-rata basis.	A positive proposal giving taxpayers additional time to resolve outstanding tax issues and settle obligations without interest and penalties.
Penal Tax relating to electronic receipting and invoicing – Section 93	
▪ The amendment is in subsection (l), by substituting for the words "tax due on the goods or services, or four hundred currency points, whichever is higher", with the words "double the tax due on the goods or services"; and ▪ in subsection (2), by substituting for the words "tax due on the goods or services or three hundred currency points whichever is higher," the words "double the tax due on the goods or services."	▪ The current penalties impose either the tax due on the goods or services, or four hundred currency points (UShs. 8 million), whichever is higher or the tax due on the goods or services or three hundred currency points (UShs. 6 million), whichever is higher, for not using the EFRIS System. ▪ The amendment seeks to replace the above penalties with a revised provision imposing a penalty of double the tax due on the goods or services, thus an increase in penal tax to be suffered by the taxpayer.
Gaming and betting centralised payments gateway system – Section 93A	
▪ An operator of a casino, gaming or betting activity shall only receive a wager or money staked and only make payouts through the gaming and betting centralised payments gateway system licensed by the Bank of Uganda under the National Payment Systems Act. ▪ The gaming and betting centralised payments gateway system shall be linked to the Uganda Revenue Authority electronic notice system.	This provision is intended to enforce compliance given the substantial cash flows and heightened risk of non-compliance in the gaming and betting sector.
Penal tax relating to gaming and betting centralised payments gateway system – Section 93A	
An operator of a casino, gaming or betting activity who does not use or is not integrated with the gaming and betting centralised payments gateway system is liable to pay a penal tax equivalent to double the gaming or withholding tax due or five thousand five hundred currency points, whichever is higher.	▪ The amendment is to help minimise the risk of tax evasion and improve oversight of the industry's financial activities. ▪ A taxpayer will be liable to a penal tax of double the gaming or withholding tax or a penal tax of UShs. 110 million.
Failure to comply with requirements for tax exemption– Section 93c	
▪ A taxpayer exempted from tax under a tax law shall at all times maintain the requirements for the taxpayer to be granted an exemption under the tax law. ▪ A taxpayer that fails to comply with subsection (l) 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 proposed amendment resolves the current issue where there is no clear guidance on what happens when an exempt taxpayer no longer satisfies the legal criteria for their exemption. ▪ Therefore, this specifies that the exemption will not apply for any period in which the conditions are not met, and the taxpayer will incur any tax due on supplies made, but may resume once the taxpayer regains compliance.

Amendment	Rationale/Implication
• For subsection (2). The tax due shall be paid personally by the taxpayer who failed to maintain the exemption requirements."	

EXCISE DUTY (AMENDMENT) BILL, 2025

Proposed Amendment	Implication
13A. 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 The application will be accompanied by: a) proof that the 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 bill further states 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 in reduction of any other duty due from the person liable to pay excise duty; or b) at the written option of the person liable to pay excise duty, apply the excise duty paid on damaged, expired or obsolete goods in reduction of any outstanding liability of the person liable to pay excise duty with regard to other taxes not in dispute."	The proposal aims to provide relief for taxpayers by ensuring they are not unfairly taxed on goods that are damaged, expired or obsolete and therefore, unsellable.

Schedule 2– New Excise Duty Rates		
Product	**2024/2025**	**Proposed duty rate**
a) Cigarettes		
▪ Soft cap		
○ Locally manufactured	UShs. 55,000 per 1,000 sticks	**UShs. 65,000 per 1,000 sticks**
○ Imported	UShs. 75,000 per 1,000 sticks	**UShs. 150,000 per 1,000 sticks**
▪ Hinge lid		
○ Locally manufactured	UShs. 80,000 per 1,000 sticks	**UShs. 90,000 per 1,000 sticks**
○ Imported	UShs. 100,000 per 1,000 sticks	**UShs. 200,000 per 1,000 sticks**
b) Beer		
▪ Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent	30% or UShs. 650 per litre, whichever is higher	**30% or UShs. 900 per litre, whichever is higher**
▪ Beer produced from barley grown and malted in Uganda	30% or UShs. 950 per litre, whichever is higher	**Repealed**
c) Non- alcoholic beverages Fruit juice and vegetable juice, except juice made from at least 50% of pulp from fruit and vegetables locally grown in the Partner State	10% or UShs. 250 per litre, whichever is higher	10% or UShs. 250 per litre, whichever is higher; The amendment seeks to increase the percentage of pulp composition from 30% to 50%
d) 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 sacks, and bags for direct use in the manufacture of sanitary pads;	Nil	2.5% or USD 70 per tonne, whichever is higher



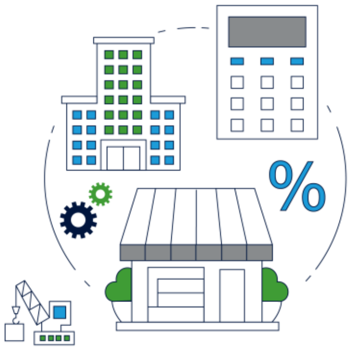
STAMP DUTY (AMENDMENT) BILL, 2025

Proposed Amendment	Implication	
Schedule 2– Stamp Duty on instruments		
Instrument	2024/2025	Proposed rate
Agreement or memorandum of an agreement.	UShs. 15,000	Nil
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
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.	UShs. 15,000	Nil
Mortgage of a crop, including any instrument endorsement, note, attestation, certificate or entry not being a 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.	UShs. 15,000	Nil

THE EXTERNAL TRADE (AMENDMENT) BILL, 2025

Infrastructure levy – Section 3A	
There shall be charged a levy to be known as the infrastructure levy on all goods imported into the country for home use. The infrastructure levy shall be at the rate of one point five percent (1.5%) of the customs value of the goods and shall be paid by the importer of such goods at the time of entering the goods into the country for home use. However, this section shall not apply to; a) Goods and products prescribed in the Fifth Schedule to the East African Community Customs Management Act, 2004; b) Plant and machinery as prescribed under chapters 84 and 85 of the East African Community Common External Trade harmonised commodity description and coding system; and c) Goods under a special operating framework with the Government of Uganda, specified in the approved measures on import duty rates in the East African Community Common External Tariff (EAC CET).	The amendment intends to introduce an infrastructure levy to be charged at the rate of 1.5% on the customs value of all imported goods from outside the EAC region for home use.
Import declaration fee – Section 3B	
There shall be paid a fee to be known as the import declaration fee on all goods imported into the country for home use. The import declaration fee shall be at the rate of one percent (1%) of the customs value of the goods and shall be paid by the importer of the goods at the time of entering the goods into the country for home use. However, this section shall not apply to: a) Goods and products prescribed in the Fifth Schedule to the East African Community Customs Management Act, 2004;	The amendment intends to introduce an import declaration fee to be charged at the rate of 1% on the customs value of all imported goods for home use.

b) Plant and machinery as prescribed under chapters 84 and 85 of the East African Community Common External Trade harmonised commodity description and coding system; and c) Goods under a special operating framework with the Government of Uganda, specified in the approved measures on import duty rates in the East African Community Common External Tariff (EAC CET).	
Imposition of export levy on wheat bran, cotton cake and maize bran – Section 4A	
There shall be charged a levy on wheat bran, cotton cake and maize bran at the rate of USD 10 per metric tonne, consigned out of Uganda The levy shall be paid by the consigner to the Uganda Revenue Authority at the time when the wheat bran, cotton cake or maize bran is consigned out of Uganda."	The amendment introduces a levy on the export of wheat bran, cotton cake and maize bran, and in the long run, encourages local value addition.



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NAIROBI

1st Floor, Pacis Centre,
Slip Road, off Waiyaki Way, Westlands
P.O. Box 349, 00606
Nairobi, Kenya

Tel: +254 20 3614000/4451747/8/9
Mobile: +254 706 347950/772 786111
Email: info@ke.rsm-ea.com
Website: www.rsm.global/kenya

Contact: Elvis Ogeto (Managing Partner)

MOMBASA

Acacia Center, Mezzanine 1,
Nyerere Avenue
P.O. Box 87227, 80100
Mombasa, Kenya

Tel: +254 41 2311778/2312640/2224116
Mobile: +254 707 613329
Email: infomsa@ke.rsm-ea.com
Website: www.rsm.global/kenya

Contact: Ashif Kassam (Managing Partner)

KAMPALA

6th Floor, DTB Centre,
Plot 17/19, Kampala Road
P.O. Box 31704,
Kampala, Uganda

Tel: +256 414 342780
Email: info@ug.rsm-ea.com
Website: www.rsm.global/uganda

Contact: John Walabyeki (Managing Partner)

DAR ES SALAAM – ASSOCIATE OFFICE

1st Floor, Plot No. 1040,
Haile Selassie Road, Masaki
P.O. Box 79586
Dar es Salaam, Tanzania

Tel: +255 22 2602714 / 2602774
Email: info@tz.rsm-ea.co.tz
Website: www.rsm.global/tanzania

Contact: Lina Ratansi (Managing Partner)

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