Budget Brief & Tax Highlights for Uganda

Background

On Thursday, 11th June 2026, the Honorable Minister of Finance presented Uganda's budget speech for the financial year 2026/2027, under the theme "Full Monetisation of Uganda's Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Services, Digital Transformation, and Market Access".

In this brief, we provide you with insights on Uganda's economic performance, proposed budget and tax amendments.

Economic Outlook

World Economic Outlook

Global growth is estimated at about 3.2% in 2027, reflecting modest but stable expansion despite heightened uncertainty. The growth trajectory is being shaped by offsetting forces, including strong investment in technology especially artificial intelligence, easing financial conditions in some economies, on one hand, and geopolitical conflicts, trade tensions, and high public debt on the other. The recent geopolitical conflicts in the Middle East have particularly led to increased energy prices, inflationary pressures, and tighter financial conditions. These shocks are expected to slow growth in the near term, especially for energy-importing economies.

For advanced economies, growth is projected to averagely remain in the range of 1.8% in 2027.

Africa & Regional Economic Outlook

Africa's growth outlook for FY2026/2027 remains resilient within the global context. East Africa continues to lead in the continent's economic expansion and is projected to grow at 6.4% compared to 4.4% for the greater Sub-Saharan Africa region.

Growth in East Africa is driven by strong performance in services, tourism, agriculture, transport and construction, alongside increasing contributions from digital innovation and energy investments. The growth is further supported by deepening regional integration under the East African Community (EAC) and the continued implementation of the African Continental Free Trade Area (AfCFTA). However, risks to the growth include energy market disruptions, tight global financial conditions, climate-related shocks and fiscal constraints.

Uganda's Economic Performance

GDP: GDP is projected to grow at 10.2% for the financial year 2026/27 compared to 6.4 % in FY2025/26. The growth will be driven by the commercial oil production expected to commence later during the year. Oil production is expected to boost other sectors such as transport, construction, and financial services.

Size of the Economy: The economy is projected to increase to approximately USD 69.3 billion (i.e. Ugx.250.4 trillion), by the end of June 2026 in nominal terms. In purchasing power parity terms, Uganda's GDP is estimated at USD 197.1 billion. And GDP per capita of USD 1,420.

Inflation: Average inflation during FY 2025/26 is estimated at 3.8%, compared to 3.5% recorded the previous financial year.

External Trade: Over the last five years, exports of goods and services have expanded by approximately 204%. Total export earnings were USD 18.04 billion in the twelve months to March 2026. The leading exports include gold, coffee, cocoa, fish products, steel products, and sugar. Coffee exports reached USD 2.46 billion for the year ending March 2026, up from USD 1.84 billion a year before. Uganda's export market is diversified led by the Middle East (USD 6.3 billion), Africa (USD 4.1 billion), Asia (USD 2.0 billion), the European Union (USD 2.5 billion) and rest of the world (USD 3.1 billion).

Against this strong export performance, remittances and investment inflows, Uganda recorded a Balance of Payments surplus of USD 2.47 billion for the twelve months to March 2026.

Foreign Direct Investment, Remittances, and Tourism: The inflow of Foreign Direct Investment (FDI) to Uganda amounted to USD 3.2 billion in the twelve months ending March 2026. While remittances from Ugandans working abroad increased to USD 2.8 billion for the same period compared to USD 1.9 billion for the previous year. The tourism sector fully recovered from the effects of the COVID-19 pandemic and reported increased receipts of USD 1.86 billion. This was remarkable recovery compared to receipts of USD 562 million recorded in 2020, demonstrating international confidence in Uganda as a destination for business, investment and leisure.

Employment: The services sector accounts for 50.5% of total employment, up from 47%, while the share of employment in agriculture has declined from 40% to 37.1%. And industry accounts for 12.4% of total employment. Employment in private formal establishments has increased by 245% from approximately 672,300 workers in FY 2016/17 to over 2,319,683 workers in FY 2024/25. This is in addition to the 503,738 public sector jobs and 10,513,014 informal jobs reported in April 2026.

Fiscal Performance: For the financial year ending June 2026, domestic revenue collections are projected at Ugx. 35.7 trillion, compared to Ugx. 32.3 trillion for FY2024/2025. Domestic revenues funded 80.9% of the total discretionary budget of Shs 44.1 trillion. For the FY 2026/27, domestic revenue is projected to increase to Ugx. 45.6 trillion equivalent to 15.9% of GDP. Ugx. 40.16 trillion of the projected domestic revenues will be tax revenue, Ugx. 4.02 trillion is nontax revenue, Ugx. 1.44 trillion is petroleum revenue and Ugx. 339.8 billion is Local Government revenue.

Uganda's debt remains sustainable at approximately 53% of GDP; as of December 2025, total public debt stood at USD 34.86 billion (Ugx. 126.19 trillion). External debt accounted for USD 15.84 billion while domestic debt was USD 19.02 billion.

Exchange Rate: the Uganda Shilling has remained one of the best-performing freely floating currencies. This stability reflects prudent macroeconomic management, a liberalised foreign exchange regime and strong foreign exchange inflows from exports, tourism, FDI, portfolio inflows and remittances. As a result, Uganda's foreign exchange reserves are now at USD 6 billion in the twelve months to March 2026, up from USD 3.6 billion a year before.

Financing and Expenditure for FY 2024/5

Resource Envelope

The total resource envelope for FY 2026/27 is Ugx. 84.392 Trillion as detailed below:

Resource Envelope	Amount/ Ugx Billions
Domestic tax revenue	4,016.0
Domestic non-tax revenue	4,020.0
Petroleum revenue	1,440.0
Local Government revenue	339.8
Domestic borrowing	1,1970.0
Domestic debt refinancing	13,970.0
External borrowing for general budget financing	1,220.0
External financing for projects	11,270.0

Expenditure Allocations

The allocations are heavily concentrated in recurrent expenditure with Ugx. 9.709 trillion for Wages and Salaries and Ugx. 33.276 trillion for non-wage recurrent expenditure. Development expenditure is allocated Ugx. 22.054 trillion for investment in infrastructure and productive sectors. Debt-related obligations remain high, about 23% of the total resource envelope; with Ugx.13.967 trillion for refinancing, Ugx. 4.181 trillion for debt amortization, Ugx. 547 billion for repayment to the Bank of Uganda and domestic arrears of Ugx. 317 billion.

Sector allocations

Sector	Priority Areas	Allocation (Ugx)
Agro-Industrialisation	▪ Agricultural research and innovation; ▪ Irrigation and water for production ▪ Extension services	2.26 trillion
Tourism Development	▪ Branding and marketing of Uganda as a tourism and investment destination. ▪ Tourism infrastructure development. ▪ Construction of highway sanitation facilities and tourism site refreshment centres.	567.32 billion
Mineral-based industrial development, mining, and oil and gas	▪ Mineral exploration, quantification and certification. ▪ Capitalisation of the Uganda National Mining Company. ▪ Establishment of mineral markets and buying centres.	473.51 billion
Science, Technology and Innovation, ICT and the creative industries	▪ Commercialisation of innovations especially Kiira motors vehicles, coffee, Dei BioPharma drugs, vaccines and banana products. Establishment of a Hi- Tech City. ▪ Additional investment in scientific research (R&D) and Innovation.	1.140 trillion
Security, Governance and Rule of Law Priorities	▪ modernisation, training and welfare of the UPDF. ▪ Full equipping of the National Referral Military Hospital, and Completion of the UPDF Headquarters. ▪ Strengthening of border security counter – terrorism and regional peace support operations.	10.21 trillion

Sector	Priority Areas	Allocation (Ugx)
Transport infrastructure development	▪ Construction of the Malaba Kampala Standard Gauge Railway and competition of rehabilitation of the Meter Gauge Railway ▪ Construction, upgrade and maintenance of national city, district, urban and community Access roads. ▪ Construction and maintenance of strategic bridges	8.79 trillion
Energy development	▪ Expansion of generation capacity by commencing the 380-megawatt kiba hydro electricity Plant, a floating solar plant at Isimba, and 500 megawatts of utility scale solar in the Elgon and Acholi regions. ▪ Preparatory work for nuclear energy generation at Buyende ▪ Expansion of transmission and associated substation infrastructure	2.07 trillion
Health sector	▪ Maternal and child health ▪ Nutrition improvement ▪ Expanded immunisation	5.23 trillion
Safe water and sanitation services	▪ Expand access to safe water and sanitation services across the country. ▪ Ensure universal access to safe water and sanitation services.	1.013 trillion
Education	▪ Expanding access to quality UPE and USE ▪ Strengthening STEM and vocational education ▪ Improving teacher welfare and training with emphasis on pre-primary teachers	6.66 trillion
Social Protection Priorities	▪ Expanding economic empowerment programmes ▪ Strengthening labour standards ▪ Supporting youth employment initiatives	173.55 billion
Manufacturing and industrial development	▪ Additional capitalisation of UDC to drive industrial development. ▪ Industrial infrastructure development, particularly in industrial parks, including new fully serviced plug and play parks. ▪ Value addition to agricultural raw materials and minerals.	1.03 trillion
Environmental Protection and Disaster Management	▪ The funds will protect 1.26 million hectares of forest reserves and wetlands. ▪ To restore 10,000 hectares of degraded wetland.	494.08 billion
Contingency Fund	▪ To strengthen our national disaster response next financial year.	361.88 billion
Administration of Justice	▪ Expand access to justice and further decentralise appellate services. ▪ Recruit and deploy judicial officers. ▪ Reduce case backlog through alternative dispute resolution and mobile courts.	665.55 billion
Legislation and Oversight	▪ Parliament to fulfil its constitutional mandates of legislation, appropriation, oversight, and effective representation.	1.23 trillion

Key Tax Amendments FY 2026/27

Income Tax (Amendment) Bill, 2024

i) Increase in the PAYE threshold from Shs. 235,000 to Shs. 335,000 per month to raise take-home pay for low-income workers, at an estimated revenue cost of Shs 96 billion. The amendment of the income tax rates for resident individuals as follows:

Chargeable Income	Rate
Not exceeding Ugx 4,020,000 [335,000pm]	Nil
Exceeding Ugx 4,020,000 [335,000 pm] but not exceeding Ugx 4,920,000 [410,000pm]	20% of the amount by which chargeable income exceeds Ugx 4,020,000 [335,000 pm]
Exceeding Ugx 4,920,000 [410,000 pm] but not exceeding Ugx 5,820,000 [485,000pm]	Ugx 180,000 [15,000 pm] + 25% of the amount by which chargeable income exceeds Ugx 4,920,000, [410,000 pm]
Exceeding Ugx 5,820,000 [485,000pm] but not exceeding Ugx 120,000,000 [Ugx 10,000,000 pm]	Ugx 405,000 [33,750 pm] plus 30% of the amount by which chargeable income exceeds UGX 5,820,000 [485,000 pm]
Exceeding Ugx 120,000,000 [10,000,000 pm]	a) Ugx 405,000 [33,750 pm] plus 30% of the amount by which chargeable income exceeds UGX 5,820,000 [485,000 pm] and; b) Where the individual's income exceeds Ugx. 120,000,000 [10,000,000 pm], an additional 10% charged on the amount by which chargeable income exceeds UGX.120,000,000.

ii) Introduction of a 5% withholding tax on payment of interest to a foreign lending institution to ensure equitable taxation of interest income.

iii) Introduction of a tax holiday for developers of hotels and other ultra-luxury tourism facilities investing at least USD 10 million for foreign investors, and USD 5 million for Ugandan investors.

iv) Equalization of tax treatment of Tier 4 financial institutions by allowing deductions for provisioning for bad debts, thereby reducing the cost of capital.

Value Added Tax

Increase in the annual VAT Threshold from Ugx. 150 million to Ugx. 300 million to ease compliance for small businesses and improve tax administration efficiency. This measure is projected to generate Ugx. 349 billion.

Excise Duty

Budget proposal	Item description	FY2025/26 duty rate	FY2026/27 duty rate
Increase in Excise Duty of alcoholic drinks like Uganda Waragi, Black Label, Cognac, and Amarula to generate Ugx. 85 billion;	Any other undenatured spirits (ii) that are imported, of alcoholic strength by volume of less than 80%.	60% or shs.1700 per litre, whichever is higher.	80% or Shs 3,500 per litre, whichever is higher.
Increase in Excise duty for Cement from Shs.500 to Shs.750 per 50-kilogram bag to generate Shs.15 billion;	Cement, adhesives, grout, white cement or lime	Shs 500 per 50 kg.	Shs 750 per 50 kg.
Increase in Excise Duty on Diesel and Petrol by Ugx. 200 per litre to generate Ugx. 450 billion.	Motor spirit (gasoline)	Shs. 1550 per litre	Shs 1750 per litre
	Gas oil (automotive, light, amber for high-speed engines)	Shs.1230 per litre	Shs 1430 per litre
Increase in Excise Duty for Sugar from Shs.100 to Shs.200 per kilogram to generate Shs.25 billion	Cane or beet sugar and chemically pure sucrose in solid form	Shs. 100 per kg	Shs 300 per kg
Increase in Excise Duty for Single-use plastics from 2.5% or USD 70 per ton to 25% or USD 1,500 per ton to protect the environment and raise Shs.10 billion;	Sacks and bags of polymers of ethylene and other plastics except vacuum packaging bags for food, juices, tea and coffee sacks, and bags for direct use in the manufacture of sanitary pads	2.5% or USD 70 per tonne, whichever is higher,	25% or USD 1,500 per tonne, whichever is higher"
	Disposable plastic cups, lids, plates, cutlery, bags, sachets, bottles, straws and stirrers, cling films and wraps, Jars and lids		25% or USD 1,500 per tonne, whichever is higher"
Increase in Excise Duty for Motorcycles at first registration from Ugx. 200,000 to Ugx. 500,000, to generate Ugx. 26 billion;	Motorcycles; at first registration	Shs.200,000	Ushs.500,000
Introduction of Excise Duty on Paints, Varnishes and lacquers to generate Ugx.24 billion	Locally manufactured or produced paints, varnishes and lacquers;		3% or Ushs 50 per litre or per kg, whichever is higher
	Imported paints, varnishes and lacquers.		10% or Ushs 2000 per litre or per kg whichever is higher.
Introduction of Excise Duty of cooking fat to generate Ugx.15 billion	Cooking fat		Ushs 500 per litre or kg

Stamp Duty

Stamp duty has been introduced on the first registration and transfer of motor vehicles and motorcycles

Item	Current item description	Proposed item description	Current duty rate	Amended duty rate
67	N/A	Registration or transfer of (a) Motorcycle, tricycle or quadricycle;	N/A	Ugx 30,000
	N/A	(b) Any other motor vehicle.	N/A	Ugx 200,000

Tax Procedures Code Act

i) Waiver of principal tax, penalty and interest owed by a taxpayer to URA as at 30th June 2016 and is still outstanding.
ii) Extension of the waiver of interest and penalties outstanding as at 30th June 2025, provided the Principal Tax is paid by 30th June 2027.

External Trade

The environmental levy on imported used clothing has been increased from 15% to 30% of CIF value to support local manufacturing and support local manufacturing and generate Ugx. 40 billion.

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