Budget 2025/26: Monetising Uganda's Economy through Priority Sectors and Growth Enablers

National Budget Bulletin

June 2025

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Macroeconomic Outlook

Economic outlook

Global Economic outlook

According to the International Monetary Fund's World Economic Outlook Report (WEO), April 2025, global growth was stable through 2024 and was projected to remain so in 2025, following an unprecedented series of shocks in the preceding years.

However, the landscape has changed as governments around the world re-order policy priorities following a series of new tariff measures by the United States. The unpredictability with which these measures have been unfolding has also had a negative impact on economic activity and the outlook. The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have a significant impact on global economic activity, with global growth projected to drop to 2.8% in 2025 down from 3.3% as at the end of 2024. This is stemming from disruption in trade from trade giants such as United States, Canada, and Mexico and China.

The inflation outlook has improved but has not yet fully returned to the pre-pandemic patterns. Global headline inflation is expected to decline to 4.3% in 2025 and further to 3.6% in 2026.While inflation is expected to gradually move towards central bank targets by 2026, the process is expected to be slower, especially in countries most affected by the tariffs.

The OECD Economic Outlook (June 2025) reports that countries are gradually consolidating fiscal policy to ensure public debt sustainability amid elevated debt levels and rising spending pressures, with some easing to support growth and others tightening to restore fiscal buffers.

-1.5% **The IMF revised global trade growth for 2025 down by 1.5%, reflecting both direct and indirect effects of the tariffs.**

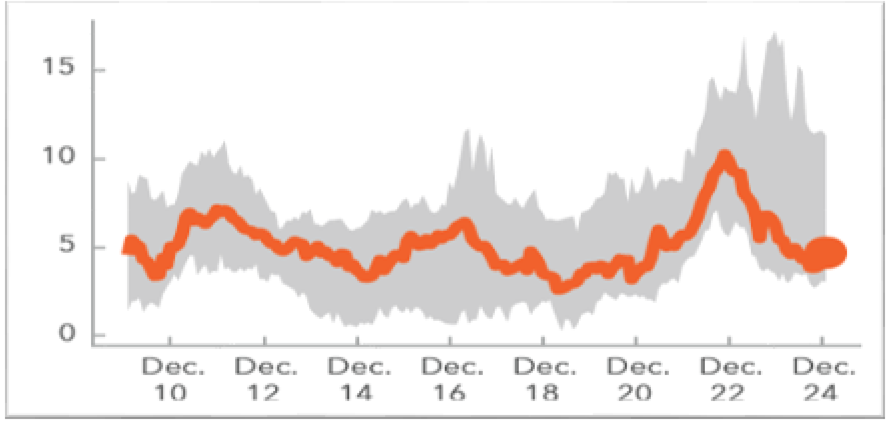
Sub-Saharan Africa

In 2025, Sub-Saharan Africa's economic outlook reflects a fragile recovery disrupted by global shocks and heightened uncertainty. After a stronger-than-expected performance in 2024, with regional GDP growth reaching 4.0%, growth is projected to ease to 3.8% in 2025. Key sectors expected to drive growth include public investment, services, and commodity exports, particularly in countries like Nigeria and Côte d'Ivoire

This is attributable to the weaker global demand, lower commodity prices, and tighter financial conditions. The region's most vulnerable economies particularly commodity exporters and those with significant trade exposure to the United States face the steepest downgrades.

Inflation in sub-Saharan Africa has eased significantly, with median headline inflation falling to 4.5% in early 2025 from nearly 10% at the end of 2022, though several countries from West and Central Africa continue to face elevated inflation requiring tight monetary policies.

Sub-Saharan Africa inflation trend (2010 -2024)



Source: IMF, World Economic Outlook database, and IMF staff calculations.

Economic outlook (cont'd)

Sub-Saharan Africa (cont'd)

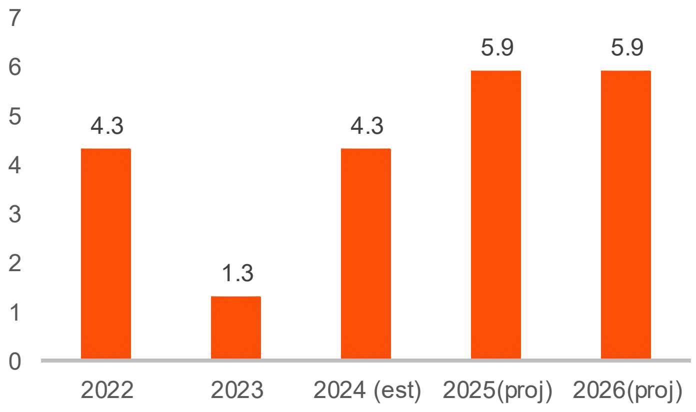
On the downside, the region continues to grapple with tighter global financial conditions, which have raised borrowing costs and limited access to international capital markets. Declining official development assistance especially from major donors like the U.S. and EU threatens critical sectors such as health and education. In addition trade disruptions have emerged in some countries like Lesotho and Madagascar that are more exposed to U.S. tariffs.

There's therefore growing need for countries to build resilience through domestic revenue mobilisation, efficient public spending, and credible fiscal frameworks. This also highlights the importance of continued international support, particularly for fragile states, to ensure inclusive and sustainable development across the region.

East Africa outlook

Growth in the East Africa ("EA") region is projected to accelerate from 4.3% in 2024 to 5.9% in 2025 and 2026. This reflects resilience in some of the states in the region including Rwanda, Uganda, and Tanzania, which are all expected to attain an average growth rate of 6% or higher in 2025–26.

Economic growth of the EAC region over the years



Source: ADB Africa Economic Outlook 2025

This growth is expected to be supported by continued public investments to deepen domestic value chains in the agriculture sector and domestic energy infrastructure.

However, the region has faced a series of shocks that have contributed to some downside risks, including global trade disruptions from new U.S. tariffs and retaliatory measures as well as high debt levels and declining external financial flows due to reduced aid. These factors have heightened economic vulnerability, which has adversely impacted the projected growth for 2026.

According to the African Development Bank's African Economic outlook, 2025, the East African region remains resilient to these shocks due to its relatively diversified economies, robust intra-regional trade, and strategic public investments, with continued growth being driven by investment in agriculture value chains and energy infrastructure.

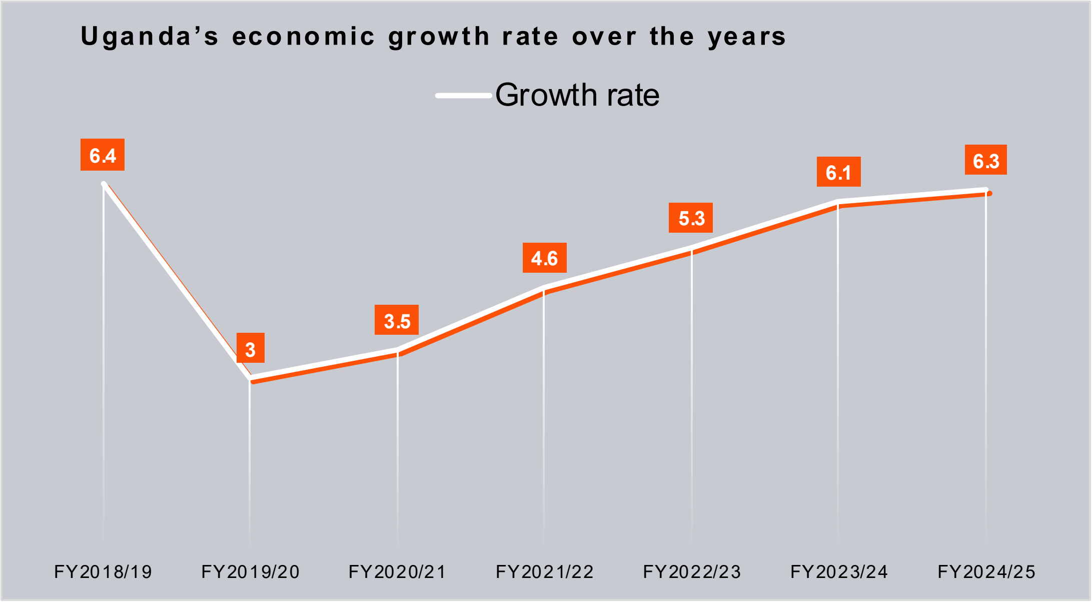
Economic outlook (cont'd)

Uganda outlook

Uganda's economic outlook is optimistic and grounded in strong macroeconomic fundamentals, strategic investments, and a clear development vision.

The economy is projected to grow by 6.3% in FY 2024/25 and 7.0% in FY 2025/26, with expectations of double-digit growth once commercial oil production begins. The size of the economy is estimated at UGX 224.9 trillion (USD 60.4 billion) and is projected to reach USD 65.7 billion in the next fiscal year (FY26).

This growth is expected to translate into improved livelihoods, with poverty levels falling to 16% and income inequality declining from 41% to 38%.The economic growth is underpinned by the robust export sector performance, with merchandise exports growing by 26% to USD 9.3 billion, led by gold, coffee, and industrial products.



Source: MoFPED Background to the Budget 2025/2026

Economic outlook (cont'd)

Uganda outlook (cont'd)

The government is prioritising agro-industrialization, mineral development, tourism, and science and technology as key drivers of economic transformation. Strategic investments in infrastructure, including roads, electricity, and irrigation, are underway to support industrialisation and agricultural productivity.

In addition, the government has committed to continue scaling up wealth creation programs such as the Parish Development Model (PDM) as a way of transitioning households from subsistence to the money economy.

The Central Bank of Uganda played a key role in managing inflation during FY2024/25 through several strategic interventions such as reducing the Central Bank Rate from 10.25% to 10% in August 2024, and further to 9.75% in October 2024 which contributed to stimulation economic activity and creation of a stable inflation outlook. As a result, inflation has remained low and stable at around 3.4%, supported by a strong Ugandan shilling and declining fuel prices.

On the downside, Uganda's debt situation as detailed in the FY2025/26 budget background, reveals a growing dependence on both domestic and external borrowing to finance government operations and development projects. The fiscal deficit for FY2024/25 is projected at UGX 17.24 trillion (7.6% of GDP), up from the planned 5.7%. This is due to the lower-than-expected domestic revenue collections coupled with increased Government expenditure.

Consequently, domestic borrowing is expected to increase by 26% in FY2025/26, while external debt repayments are expected to increase by 25%. These trends underscore rising debt service obligations, prompting the need for the government to focus on fiscal discipline, enhanced domestic revenue mobilisation, and more efficient public spending.

Foreign direct investment (FDI) is projected at USD 3.8 billion, with tourism and remittances contributing USD 1.5 billion and USD 1.4 billion, respectively. Further FDI growth is projected to be bolstered by the oil and gas sector, particularly as Uganda transitions from exploration to development phases in preparation for commercial oil production.

Overall, Uganda's economic outlook for 2025 is one of resilience, diversification, and inclusive growth, underpinned by deliberate policy choices and continued investment in strategic sectors

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Fiscal Performance

Fiscal Performance

The overarching goal of Uganda's fiscal strategy over the medium term is to shift the economic growth path to a higher sustainable level, by tapping into new sources of growth and enhancing new ones.

Budget implementing Strategy and Financing

Similar to the current year's budget, the government has planned a UGX 72.3 trillion budget for FY 2025/26.

The resource envelope for the coming year will be financed by a mix of domestic and external resources; but with the continued decline in external financing, there will be more pressure to leverage gains from implementing the Domestic Revenue Mobilisation strategy (DRMS), with at least 91.2% of domestic revenues expected to be obtained from taxes.

Domestic revenue is targeted to increase by 16% from the FY 2024/25 outrun of UGX 31.2 trillion to UGX 37.2 trillion in FY 2025/26. Of this, UGX 33.943 trillion (UGX 29.373 billion in FY 2024/25) will be financed by tax revenue, and UGX 3.284 trillion (UGX 2.609 trillion in Fy 2024/25) from non-tax revenue sources.

A UGX 72.3 trillion

budget for FY 2025/26

Revenue source	FY 2024/25 (UGX'billion)	FY 2025/26 (UGX'billion)
Domestic revenues	31,981.0	37,227.2
Budget support	1,393.7	2,084.3
Petroleum fund	115.0	-
BOU recapitalisation	7,778.5	-
Net domestic borrowing	8,968.0	11,381.3
Domestic refinancing	12,021.7	10,027.8
Local government revenue	293.9	293.9
Project support (external financing)	9,583.5	11,327.1
Total Envelope (inflows)	**72,135.3**	**72,341,6**

Source: Background to the Budget for FY 2025/26

Fiscal Performance (cont'd)

Enhancing domestic revenue mobilisation strategies

Given that 51.5% of the budget is to be financed by domestic revenue, to achieve its domestic revenue target, the Government plans to reinforce the DRMS to sustain budgetary needs as external financing continues to the decline. More focus is therefore expected on the following:

- Amending existing tax laws to close the loopholes that cause revenue leakage;
- Strengthening the Uganda Revenue Authority (URA)'s capacity to enforce compliance effectively;
- Rationalising tax exemptions to focus on those that support industrialisation, and introduce sunset clauses
- Intensifying audits on large taxpayers, with focus on transfer pricing and rental tax
- Investments in ICT to modernize tax administration; and
- Continuing to leverage EFRIS and DTS to fight tax evasion, tackling corruption and smuggling, among others.

Some rewards could also be realised with the recent implementation of the automatic exchange of information with other tax authorities to combat illicit financial flows through mandatory reporting of reportable transactions for non-residents by financial institutions.

The government is also considering alternative financing mechanisms that include, among others:

- reforms to the pensions, insurance, capital markets (such as infrastructure bonds) to unlock their financing potential;
- promoting corporate debt financing to relieve Government of the debt burden with more favourable terms;
- integrating public private partnerships; sukuk bonds, private equity, climate finance, panda bonds, diaspora bonds etc
- further exploration of oil and gas reserves; and
- attracting more foreign direct investment.

Fiscal Performance (cont'd)

Government spending

The total government expenditure and net lending for FY 2025/26 is projected at UGX 56.541 trillion; an increase from the UGX 51.526 trillion projected outrun FY 2024/25. Of this, spend on recurrent expenditure will amount to UGX 36.902 trillion, while spend on development expenditure will amount to UGX 18.239 trillion.

Sectoral priorities

In the coming year, the Government plans to continue prioritising investments in ATMS in:

- Agro-industrialisation;
- Tourism;
- Minerals based industrial development including oil and gas; and
- Science, Technology, Innovation including ICT and Creative Art industry.

Special attention will also be given to specific growth enablers to accelerate the growth of the above priority sectors.

Fiscal risks and mitigating measures

The risks that could undermine the implementation of the FY 2025/26 budget mainly include global factors resulting in high interest rates and other external trade shocks, climate change effects and inefficiency of public institutions. Mitigating measures include:

- continued efforts to enhance domestic revenue mobilisation;
- Implementation of climate change adaption and mitigation measures across the various programmes; and
- effective implementation of public sector efficiency reforms including the ongoing rationalisation of Government institutions, digitalization of tax administration, increasing audits of public funds and programmes, and intensifying the fight against corruption.

Fiscal Performance (cont'd)

Government expenditure

Government Expenditure	FY 2024/25 (projected outrun)	FY 2025/26 Budget
	UGX' billion	UGX' billion
Recurrent expenditure		
Wages and salaries	8,120	8,568
Non-wage	17,532	17,001
Interest payments	9,808	11,333
o/w: domestic	8,218	9,479
o/w: foreign	1,591	1,854
Total recurrent expenditure	**35,461**	**36,902**
Development expenditure		
External	6,550	11,327
Domestic	8,679	6,912
Total development expenditure	**15,229**	**18,239**
Total government expenditure and net lending	**51,526**	**56,541**
Domestic debt refinancing and debt repayments	24,230	15,507
Local government spend of own revenue	240	329

Source: Background to the Budget for FY 2025/26 and Budget Speech for FY 2025/26

Government expenditure for the coming financial year is expected to be UGX 56.541 trillion, a 9.7% increase from the current year.

Government spend on debt repayments and refinancing is generally expected to decrease from the current year's UGX 24.23 trillion to UGX 15.5 trillion in FY 2025/26.

UGX15.5 Trillion

Spend on debt financing and repayments

	FY 2024/25 (UGX 'billion)	FY 2025/26 (UGX 'billion)
Domestic debt refinancing	12,022	10,028
External debt repayments	3,109	4,986
Domestic debt repayments to Bank of Uganda	9,100	0.493
Debt expenditure	**24,230**	**15,507**

3

Priority Sectors

Priority sectors

Government will continue to prioritize investments in peace and security, roads, railways, electricity, irrigation, reducingthe cost of capital, human capital development in health and education, international relations and disaster management. However, specific focus will be placed on the following sectors:

Agro-industrialisation

The Government remains committed to agro-industrialization to strengthen linkages between agricultural production and processing. The purpose of this commitment is to boost exports and create jobs in the agricultural sector, which contributes 23% of the country's GDP. The global rise in prices of key products such as coffee and cocoa have underscored the need for value-based addition to agricultural exports.

The Government has allocated UGX 1.86 trillion in the FY25/26 for agro-industrialisation aimed towards increasing agricultural productivity and production. These funds will support investments in:

1. agricultural research;
2. agricultural inputs including fertiliser;
3. water for irrigation;
4. extension services;
5. agro-processing and value addition;
6. post-harvest handling and storage facilities;
7. inspection, surveillance,
8. certification, enforcement of quality standards, and market access.

Tourism Development

Restrictions to both domestic and international travel during the COVID-19 pandemic saw a decline of over 60% in tourism revenue contributions to the country's GDP between 2019 and 2020. However, since then, there has been a gradual recovery of the industry. This trend is expected to continue owing to the relatively stable political and social environment.

The Government is committed to increasing annual tourism receipts to USD 50 billion by 2040 and has allocated UGX 430 billion in the FY25/26 as direct investment and approximately UGX 2.2 trillion as indirect investment in tourism support investments.

Specific emphasis will be placed on targeted marketing and branding of the country's tourism sites, development of critical tourism infrastructure, strategic security, human capital development and encouragement of domestic tourism.

Both the CHAN '25 and AFCON '27 football tournaments alone are expected to bring in more than 1.5 million visitors in the 3 East African hosting nations. Significant preparations are in progress including upgrading critical road infrastructure, rehabilitation of the Mandela National Stadium and ongoing construction of the Hoima and John Akii Bua Stadiums.

Priority sectors (cont'd)

Science and technology

Digital transformation was identified as a key contributor to the realization of the Fourth National Development Plan (NDP IV) by enhancing efficiencies in Government and business processes. Major progress has been achieved in implementing the Digital Transformation Road map 2023/24 – 2027/28 including achieving 55% National broadband coverage with minimum speeds of 8mbps.

Priority programmes for FY25/26 will include:

i. Implementation of smart cities including establishment of a Markets Management Information System for 10 cities;
ii. Automation of postal services and integration with other government systems;
iii. Digitalisation of Government services;
iv. Enhancement of compliance with ICT policies, laws and regulations;
v. Support for local innovation and commercialisation of homegrown products; and
vi. Strengthening implementation and enforcement of the Data Protection and Privacy Act and its Regulations.

Minerals, oil and gas industry

The oil and gas industry continues to be a major centre of hope for the transformation of Uganda's economy with expected annual revenues of over USD 25 billion by 2040. However, challenges in securing debt financing have delayed construction of the 1,443km East African Crude Oil Pipeline (EACOP) project which has in turn pushed the start date for commercial oil production from 2025 to early 2027.

The Government has earmarked UGX 875 billion for the FY25/26 and priority inventions in the minerals, oil and gas industry will include:

i. Finalisation of the construction of the EACOP;
ii. Finalisation and operationalisation of the Kabalega International Airport;
iii. Capitalisation of the Nation Mining Company as a commercial vehicle for investment and trade of minerals;
iv. Quantification and documentation of mineral resources in the country;
v. Identification of private investors for the construction of the Oil refinery; and
vi. Strengthening the governance structure and fiscal framework for the exploration and development of the mineral sector.

4

Tax Amendments

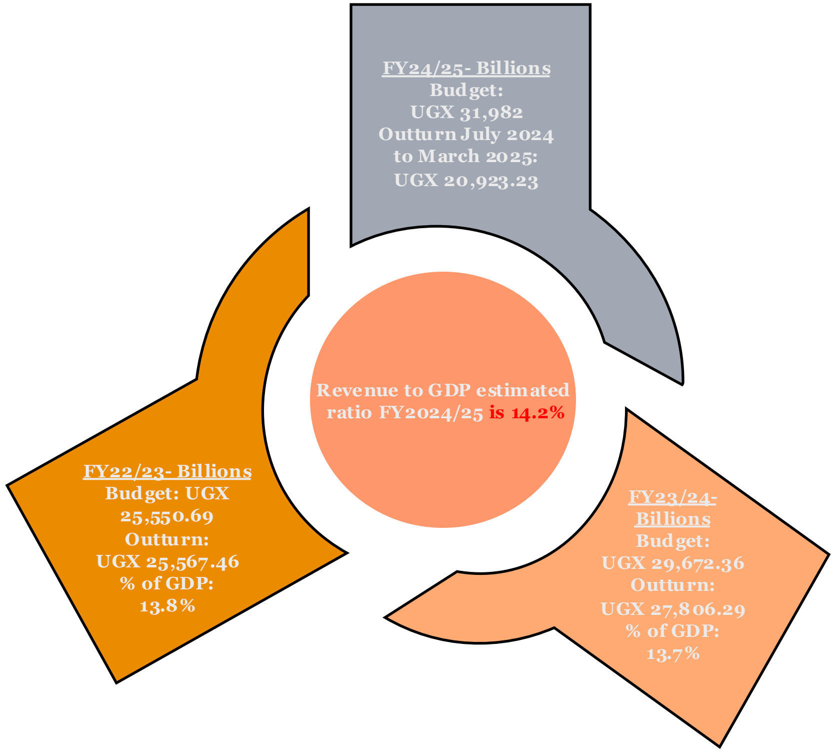
Impact of the proposed tax amendments

Similar to FY2024/2025, the Government acknowledges that there is pressing need to reinforce the Domestic Revenue mobilisation Strategy (DRMs) to sustain budgetary needs with the decline in external financing. The strategy is geared towards raising additional revenues, encourage a healthy flow of investment while addressing issues of fairness and transparency in the tax system.

Despite expectations that the DRMs would result in a 16-18% tax to GDP ratio within five years of implementation i.e. FY23/2024, the tax to GDP ratio in FY24/25 was projected at 14.2%, which remains below the target and Africa average of 16% as determined by the OECD Revenue statistics report of 2024.

Some of the challenges pronounced in the FY24/25 economic performance reports point towards shortfalls in three major tax categories i.e. taxes on international trade transactions, consumption taxes i.e. Value Added Tax and Excise duty and income tax i.e. Pay As You Earn and Rental income tax reported significant shortfalls.

To this end, the government is prioritising amending tax laws to close the loopholes that cause revenue leakage, provide clarity to encourage voluntary compliance, and strengthen the Uganda Revenue Authority's capacity to enforce compliance effectively.



The Tax (Amendment) Bills, 2025 ("Bills") were tabled before and discussed by Parliament. The proposed changes in the various Bills which are yet to come into force on 1 July 2025 are aimed at boosting tax revenues collected by the Government of Uganda.

The proposed amendments will become law once assented to by the President.

Amendments to the Income Tax Act

i) Introduction of an income tax exemption for businesses established by citizens after 1 July 2025 for a period of three years. This is intended to support start-ups that struggle with high initial investment costs. This exemption will be subject to the following criteria:

a) The business should be registered with an investment capital not exceeding UGX 500 million;

b) The citizen or their associate should not have previously benefited from the exemption; and

c) The citizen will be required to file a tax return as well as a business information return in the format that will be prescribed by the Commissioner General.

Impact of the proposed tax amendments (cont'd)

2. Extension of the exemption of income of Bujagali hydro power project to 30 June 2032 from 30 June 2025. This is intended to mitigate the rise in electricity tariffs.

3. Broadening the definition of reorganisation for roll over relief to mean "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." This exempts from capital gains tax transactions where an individual transfers assets to a company that they have established but also under their control.

4. Clarification that the 5% Digital Services Tax will not apply on income derived by a non-resident from providing digital services to its associate in Uganda. However, such income will be subjected to the normal withholding tax applicable on non-resident payments.

5. Inclusion of International Atomic Energy Agency as a listed institution exempt from income tax.

Amendments to the Value Added Tax Act

1. Expansion of the scope of activities that fall within the scope of schemes that taxpayers use to obtain undue tax benefits to include imports of goods under separate consignments, which if aggregated would qualify the importer to be registered under the VAT Act;

2. Inclusion of United Nations related Agencies and Specialised Agencies to the list of the Public International Organisations. This implies that their VAT refunds will be expected to follow a preferential refund criteria

3. Reduction of the penalty from UGX 6 million per invoice to twice the tax owed by a taxpayer for non compliance with the Electronic Fiscal Receipting and Invoicing System (EFRIS).

4. Exemption of certain items under Schedule 3 of the VAT Act:

- Replacing the exemption of the supply of composite lanterns with the supply of solar lanterns;
- Removing the supply of billets from the VAT exemption list; and
- Including the supply of biomass pellets as an exempt supply.

5. Expansion of Schedule 4 of the VAT Act to include the supply of aircraft as a zero-rated supply.

Amendments to the Excise Duty Act

i) Introduction of a mechanism for remission of duty paid on Ex- Factory Goods under the Excise Duty Act subject to certain conditions such as proof that the duty was paid, goods delivery documentation etc

ii) Revision of the excise duty rates on certain goods and services under Schedule 2 of the Act.

Impact of the proposed tax amendments

Amendments to the Tax Procedures Code Act

i) Replacement of Tax Identification Numbers with National Identification Numbers (NINs) for individuals as issued by the National Identification and Registration Authority (NIRA). For non- individuals, registration numbers issued by Uganda Registration Services Bureau to replace the TINs.

ii) Increase in the tax amnesty period for the waiver of interest and penalties outstanding as at 30 June 2024 if the principal tax is paid by 30 June 2026. Partial payment of principal tax will result in a pro-rata waiver of penalties and interest. This is intended to encourage compliance and provide relief to businesses.

iii) Introduction of a requirement for casino, gaming, or betting operators to conduct transactions through a centralised payment gateway system licensed by the Bank of Uganda and linked to the Uganda Revenue Authority.

iv) Introduction of a requirement for entities granted tax exemptions to continuously meet the relevant exemption criteria.

Amendments to the Stamp Duty Act

Introduction of a nil stamp duty rate on any agreement or memorandum of an agreement and on mortgage deed. This is intended lower the financial burden on businesses and individuals.

Amendments to the External Trade Amendment Act

i) Introduction of 1% import declaration levy and 1.5% infrastructure levy on the customs value of all goods imported into the country for home use with the exception of the following:

a) Goods listed in the fifth schedule of the East African Community Customs Management Act ("EACCMA") that are exempted from payment of customs duty

b) Plant and machinery as prescribed under chapter 84 and 85 of the EACCMA

c) Goods under a special operating framework with the Government of Uganda (special projects executed on behalf of the Government with national interest).

2. Introduction of export levy of USD 10 per metric tonne on wheat bran, cotton cake and maize bran

5

EAC Highlights

EAC Tax policies will be enhanced to attract investment

The East African Community will continue to focus on revenue mobilisation, supporting regional integration, and promoting economic resilience.

- The EAC Partner States have continued their efforts to harmonise the VAT, excise duties, and income tax to reduce competition and create a level playing field for local and foreign investors.

- Corporate income tax rates are lowest in Rwanda at 28%, compared to 30% in Tanzania, Kenya, and Uganda. Taxes on employers—which include social security, the skills development levy, workers' compensation, and maternity benefits—stand at 14% in Tanzania, are nominal in Kenya, 10% in Uganda, and 8.3% in Rwanda. Taxes on employees, covering income tax, social security, and maternity benefits, are 40% in Tanzania, 35% in Kenya, 45% in Uganda, and 36.3% in Rwanda.

- The WHT on dividends and service supplies for non-residents range from 10% to 15% across EAC countries. There is a need to review these rates and harmonise them with WHT on local supplies to encourage competition and ease the movement of goods, services, service suppliers, workers, capital, and investment.

EAC overview - More effort will be put into expanding the tax base

Green Taxation

- Proposals to introduce or expand environmental taxes (e.g., carbon taxes, plastic levies) to support climate change mitigation.
- Encouraging sustainable practices through tax incentives for green investments.

Tax Base Expansion

- Measures to broaden the tax base by formalizing the informal sector and improving taxpayer registration.
- Use of technology and data analytics to enhance compliance and reduce tax evasion.

Digital Taxation

Owing to the increase in digital services across the region, digital taxes have been introduced to capture revenue from the growing digital economy.

All EAC states will continue to focus on taxing cross-border digital transactions and e-commerce platforms.

Customs and Trade Facilitation

- Implementation of the EAC Single Customs Territory (SCT) to streamline tax collection at borders.
- Enhanced use of electronic cargo tracking systems and risk-based inspections.

Tax Incentives for Investment

- Review of tax incentives to ensure they are targeted, transparent, and cost-effective.
- Support for priority sectors such as manufacturing, agriculture, and ICT through tax reliefs.

Some of the proposed tax policy changes per country include the following:

Tanzania

Income Tax:

- Rationalisation of taxes on SMEs - a lower CIT rate to 25%
- Abolish Alternative Minimum Tax (AMT) considering a potential for both AMT and CIT (30%) to apply on the same year.
- Foreign exchange - realisation basis to apply only on long term loans
- Indexation of cost on disposal of shares under investment income
- Amend the single instalment tax provisions (section 90 ITA 2004) to align with the economic and legal reality of how a transaction is concluded
- Application of CFC rules
- Applicability of withholding tax on resident service providers

SDL & WCF

- Reduction of the Skills Development Levy to 3% from 3.5% and allocation of 2.5% for VETA and 0.5% for WCF
- Rationalisation of taxes on SME - Exempt from SDL

VAT:

- Guidance on "effective use and enjoyment" in context of zero-rating provisions
- VAT refund rejections – intending traders, international transportation and ancillary services
- Clarify meaning of "..allowed and accounted for at the time of supply" in the context of discounts and rebates to be excluded from consideration or remove the clause
- Amend definition of the term "entertainment"
- VAT deferment scheme – remove 2026 time-limit on imported goods deferment; expand the scope of deferment to cover broader range of capital goods

Excise Duty:

- Overhaul of the Excise Duty Act, to exclude services supplied to intermediaries from the scope of excise duty (i.e. single-stage tax), exclude exported services from the scope of excise duty, reduce excise duty rate e.g. telcos i.e. from 17% to 10%, align excise duty tax points to VAT considering excise in some cases is twice that of the price (e.g. ENA).

Kenya

Income Tax:

- Limitation of tax loss carry over to 5 years (currently indefinite).
- Removal of 100% and 150% investment deduction rates for investments over KES 1 billion outside Nairobi and Mombasa.
- Expansion of "royalty" definition to include software distribution with regular payments.
- Elimination of the KES 5 million threshold to trigger Significant Economic Presence Tax.
- Reduction of Digital Asset Tax from 3% to 1.5%.
- Introduction of Advance Pricing Agreements for transactions under Transfer Pricing rules.

Employment Tax:

- Increase of tax-exempt per diem threshold from KES 2,000 to KES 10,000.
- Repeal of tax exemptions for certain expatriate employees.
- Tax exemption for gratuity payments from both public and private schemes.
- Mortgage interest deductions for construction of residential premises.
- Repeal of tax exemption on early pension withdrawals.
- Alignment of Fringe Benefit Tax rate with resident corporate tax rate.

VAT:

- VAT refund claim period reduced from 24 to 12 months.
- Bad debts VAT refund period reduced from 3 to 2 years.
- Mandatory issuance of tax invoice for all supplies.
- Tax imposed on exempt or zero-rated goods misused for other purposes.
- Change in VAT status: From zero-rated to exempt: raw materials for pharmaceutical manufacturing, animal feed, electric vehicles, mobile phones. From exempt to standard-rated (16%): inputs for locally assembled tourist transport vehicles and passenger motor vehicles.

Excise Duty:

- Definition of "digital lender" expanded to include all electronic credit providers (excluding banks, SACCOs, MFIs).
- Excise applied to non-resident digital services.
- Commissioner to respond to excise license applications within 14 days.
- New excise duty of KES 500/litre on undenatured extra neutral alcohol.

Some of the proposed changes per country include the following:

Rwanda

The tax policy reform plan for 2024/2025 to 2029/2030 aims to broaden tax base by reducing exemptions, aligning tax rates with regional benchmarks, reducing dependency on external funding and promoting public health by taxing harmful products.

The tax reforms include:

Digital Services Tax
- DST will be imposed at 1.5% of revenue for companies with substantial presence.

Transport and Mobility:
- Removal of VAT exemption on hybrid vehicles.
- VAT exemption on electric vehicles valid until 30 June 2028.
- Excise duty imposed based on age: < 3 years: 5%; 3–8 years: 10% and ≥ 8 years: 15%

Capital Gains Tax
- Increased from 5% to 10%. Now includes licenses, debt instruments, options, and guarantees. Declaration obligation shared between buyer and shareholder.

Gambling Activities:
- Removal of CIT exemption. Gaming tax increased from 13% to 40%. Withholding tax on winnings raised from 15% to 25%.

ICT Taxation:
- VAT exemption removed on ICT equipment, mobile phones, and SIM cards.
- Gradual increase in excise duty on airtime: From 10% to 15% over 3 years.

Consumer Product Excise Duties:
- Natural juice (with ≥30% local content): 5% to 10%.
- Beer (with ≥70% local content): 30% to 40%.
- Other beers: 60% to 65%. Wine: 30% to 40%.
- Cigarettes: from Frw 130 to Frw 230 per pack.

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Thank you

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