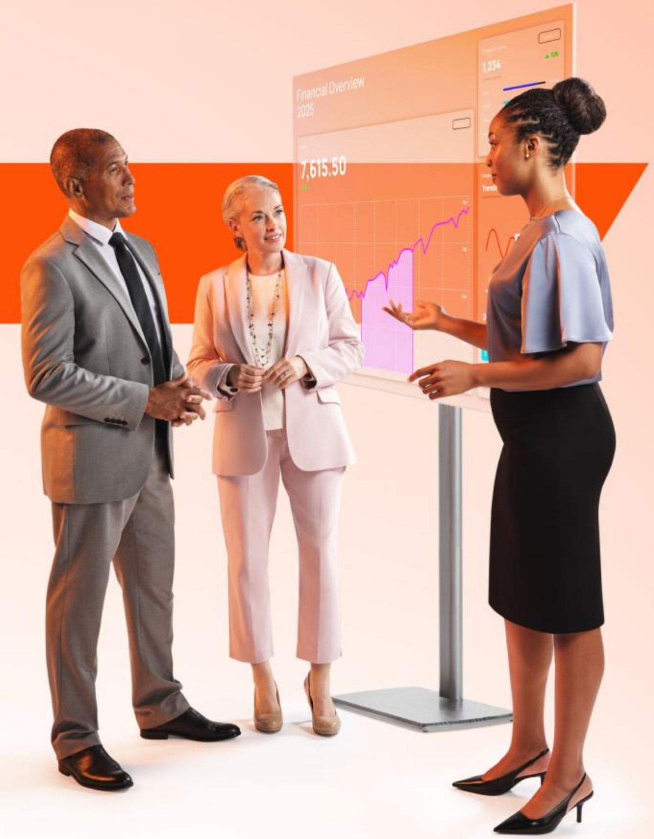
Budget 2026/27: Full Monetisation of Uganda’s Economy through Priority Sectors and enablers for Tenfold Growth



National Budget Bulletin

June 2026
PwC

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Macroeconomic Outlook

Economic Outlook

Global Economic Outlook

According to the IMF's World Economic Outlook Report (WEO), April 2026, the global economy is now operating under the shadow of war following the outbreak of conflict in the Middle East at the end of February 2026.

Over the past year, the global economy has navigated a complex landscape shaped by shifting trade policies, which introduced notable uncertainties. These pressures were partially mitigated by strong investment in technology, improving financial conditions, and supportive fiscal and monetary policy environments. However, this fragile balance has been disrupted by the escalation of the Middle East conflict, which has adversely affected commodity markets, heightened inflation expectations, and tightened global financial conditions.

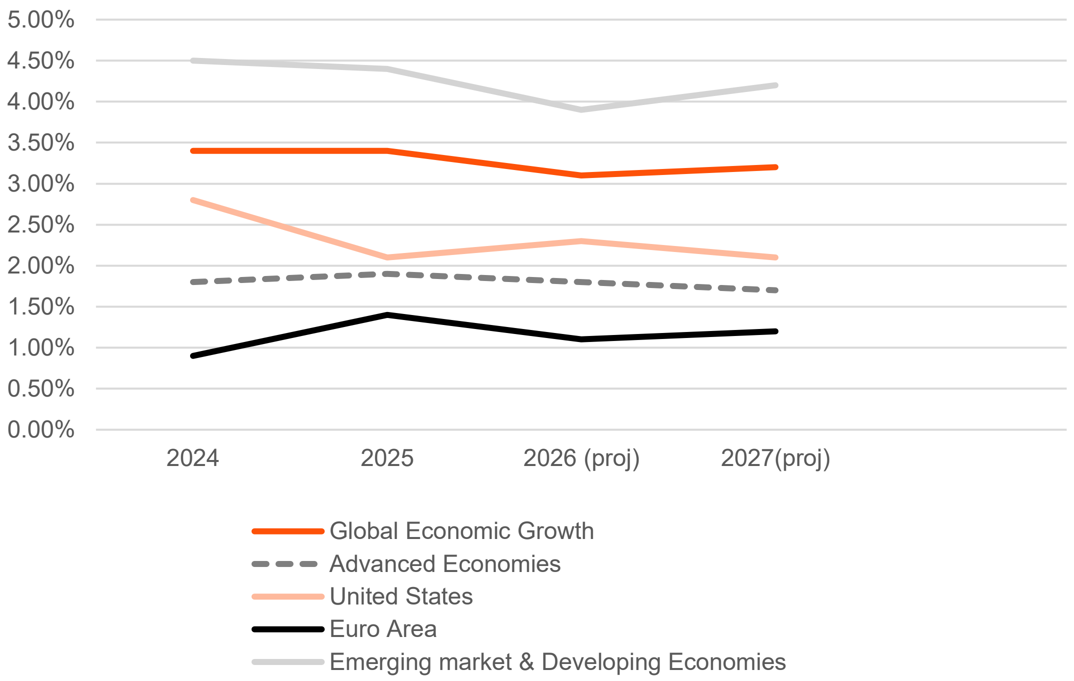
Global growth is projected to drop to 3.1% in 2026 from 3.4% in 2025. It is projected that in 2027, growth will recover modestly to 3.2%. This is a downward revision which reflects disruptions from the conflict with an expected rise of energy commodity prices of 19% in 2026, with oil prices projected at approximately $82 per barrel.

The inflation outlook has also worsened. Global headline inflation is expected to increase from 4.2% from 2025 to 4.4% in 2026. It is projected that in 2027, inflation will decline to 3.7%. If the geopolitical environment worsens, downside risks to the outlook will persist, potentially slowing global growth to 2.5% under an adverse scenario.

-0.3%

Reflecting the direct and indirect effects of the Middle East conflict on energy prices, supply chains, and financial conditions

Overview of the global economic growth



Source: IMF, World Economic Outlook, April 2026

Economic Outlook – cont'd

Sub-Saharan Africa

-0.2%

Sub-Saharan Africa's growth outlook remains resilient, supported by domestic demand, although fiscal pressures and limited external financing continue to moderate stronger expansion.

Sub-Saharan Africa's growth is projected to ease to 4.3% in 2026 from 4.5% in 2025. It is projected that in 2027, growth will recover slightly to 4.4%. The impact varies across countries, with oil-importing countries being more negatively affected by the Middle East conflict through higher energy, food, and transport costs. The region's most vulnerable economies, particularly oil-importing non-resource-intensive countries, face the steepest economic downgrades.

Inflation in Sub-Saharan Africa has moderated markedly within a gradually improving macroeconomic environment, reflecting tighter monetary policy, easing global price pressures, and improving exchange rate stability in several economies. Average inflation is projected to decline to 8.8% in 2026, down from 12.5% in 2025 and significantly below the peaks of nearly 20% recorded in 2023/24, with projections indicating that inflation will stabilise at around 8.8% in 2027. This outlook is subject to risks, including external shocks from commodity price volatility, exchange rate pressures, and evolving global financial conditions, which could influence the pace of disinflation across the region. (IMF, Regional Economic Outlook for Sub-Saharan Africa, April 2026)

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 continue to threaten critical sectors such as health and education. There is therefore a growing need for countries to build resilience through domestic revenue mobilisation, efficient public spending, and credible fiscal frameworks.

The OECD Economic Outlook report for April 2026 noted growth level is below the pace required for strong development gains, and is increasingly challenged by high public debt, elevated borrowing costs, and reduced external financial inflows, which limit both public and private investment.

Economic Outlook – cont'd

East Africa outlook

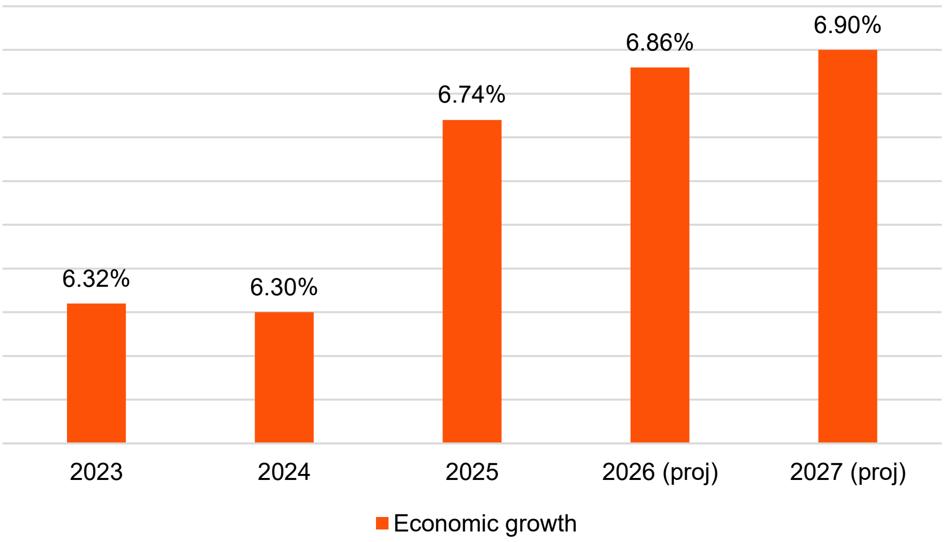
Growth in the East African ("EA") region is projected to accelerate from 6.74% from 2025 to 6.86% in 2026 and projected at 6.9% in 2027. This reflects resilience in some of the countries in the region including Uganda and Rwanda, which are projected to register an average growth of 7.2% or higher in 2026/27.

Growth across countries remains robust but uneven. Uganda is projected to grow by 7.5% in 2026 and accelerate to 8.2% in 2027, making it one of the fastest-growing economies in the region. Rwanda is also expected to maintain robust growth at 7.2% in 2026, rising to 7.6% in 2027, while Ethiopia leads at 9.2% in 2026, before moderating to 7.9% in 2027. Tanzania's growth is projected at 5.9% in 2026, improving to 6.1% in 2027, supported by infrastructure and tourism recovery.

According to the IMF, Kenya's growth is expected to slow to 4.5% in 2026 from 4.9% in 2025, with a modest recovery to 4.7% in 2027. This slowdown is attributed to the country's vulnerability to external shocks affecting oil importing economies, including higher fuel and fertiliser costs, rising inflation and weaker tourism and remittance inflows, which have weighed on domestic demand.

Economic activity in the region is still driven by construction, transport, telecommunications, and agriculture, although performance varies across countries depending on domestic conditions and exposure to external risks.

Economic growth in the East African Region



Source: IMF, World Economic Outlook, April 2026

Economic Outlook – cont'd

East Africa outlook (cont'd)

Inflation across the region has eased and is still stable within the 3–5% range. In 2026, inflation is projected at 4.0% in Uganda and Tanzania, 5.9% in Kenya, and 5.6% in Rwanda. This has allowed central banks to support balanced monetary policies, supporting private sector activity. In 2027, inflation is expected to remain contained, although Uganda's inflation may rise slightly to 4.9%, while easing in countries such as Rwanda.

The region's growth continues to be supported by public infrastructure investment, expansion in agriculture value chains, growth in services, and increased regional trade integration under the EAC and AfCFTA. These factors are strengthening domestic production capacity and supporting economic diversification.

However, the outlook is subject to downside risks. The Middle East conflict has increased global energy and food prices, raising import costs, inflation, and pressure on trade balances, particularly for oil-importing economies. In addition, declining external financial flows, reduced aid, and tighter global financial conditions are expected to weigh on investment and growth.

Overall, East Africa's outlook for 2026 is strong, with continued growth expected into 2027. However, the region is transitioning from rapid expansion to more stable growth, and sustaining momentum will depend on prudent macroeconomic management, continued structural reforms, and effective management of external risks.

Economic Outlook – cont’d

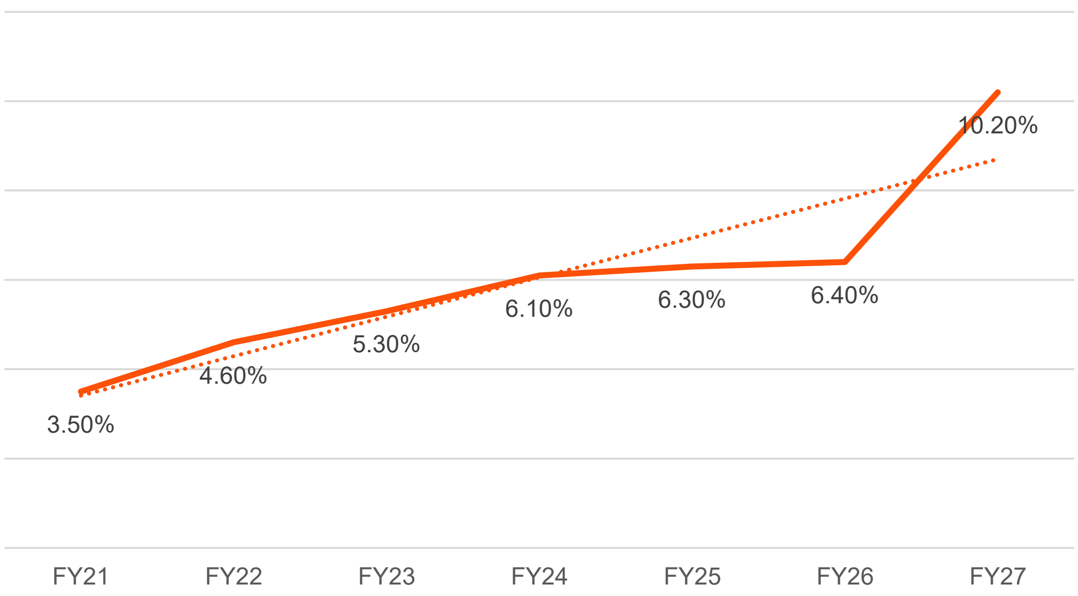
Uganda’s economic outlook

Uganda's economy has been on a steady upward growth trajectory with real growth acceleration from 3.5% in FY2020/21 to a projected 6.4% in FY2025/26. This is mainly because it is grounded in strong macroeconomic fundamentals such as stable inflation and exchange rate stability, strategic investments, and a clear development vision.

The size of the economy is estimated at UGX 250.4 trillion (USD 65.9 billion) in FY2025/26 and is projected to reach UGX 287.2 trillion (USD 75.6 billion) in FY2026/27. This broad-based performance will be supported by increased aggregate demand, rising investment, favourable weather conditions, and the continued implementation of Government's strategic programmes including the Parish Development Model, Emyooga, and financing through the Uganda Development Bank.

According to the Budget for the FY2026/2027, the Government continues to prioritise the full monetisation of the economy through commercial agriculture, industrialisation, expanding and broadening services, digital transformation, and market access.

Uganda's Real GDP Growth Rate (FY21-FY27)



Source: UBOS, IMF Economic outlook and MOFPED Background to the budget

Economic Outlook

Uganda’s economic outlook

In FY25/26, one of the Government’s key focus area was scaling up wealth creation and last-mile service delivery programmes, with the Parish Development Model completing its stabilisation phase in FY2025/26, reaching over 2.2 million beneficiaries, disbursing UGX 529 billion, and reducing subsistence levels from 30.4% to 25.8%. This shows Government’s commitment to leverage targeted interventions to enhance household incomes, deepen financial inclusion and support the ongoing structural transformation of the economy.

In FY2026/27, focus will shift to sustaining these gains through expansion of last-mile internet connectivity, strengthening frontline service delivery staffing, and advancing the sustainability phase of the Parish Revolving Fund.

The Central Bank of Uganda has also played a key role in maintaining macroeconomic stability in FY2025/26 by keeping the Central Bank Rate at 9.75% and implementing prudent monetary policies, which helped keep inflation low and stable at an average of about 3.3%. Through active liquidity management and strengthening foreign exchange reserves to USD 6.2 billion, the Central Bank supported exchange rate stability and confidence in the Uganda Shilling, while taking prompt measures such as increasing the cash reserve requirement to address emerging inflation risks.

Uganda's public debt situation reflects a growing dependence on both domestic and external borrowing to finance Government operations and development projects with debt service obligations for FY2025/26 at approximately at UGX 26.8 trillion. These are expected to be financed through both domestic market borrowing and external disbursements.

Foreign direct investment remains strong, driven by oil and gas investments, with 260 licensed projects worth USD 1.9 billion and nearly 29,000 expected jobs, while the current account deficit is projected to improve and shift to a surplus over time supported by regional trade and future oil exports.

Overall, the Macroeconomic outlook for FY2025/26 is positive and transformative with robust growth of 10.2% expected, driven by the commencement of oil production, increased investment and expansion in key sectors such as agriculture, tourism and manufacturing.

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Fiscal Performance

Fiscal Performance

The strategic policy direction for Uganda's fiscal strategy for FY 2026/27 and the medium term is centred on driving socio-economic growth and transformation as a foundation for building a self-sustaining economy. This is guided by the ambition to grow the economy tenfold to US$ 500 billion by 2040, and in the medium term, double GDP growth by FY 2029/30.

UGX 84 Tn

budget for FY 2026/27

Domestic Revenue - FY 2026/27

UGX 45.96 Tn

Domestic Revenue - FY 2025/26

UGX 37.6 Tn

Borrowings and other sources – FY 2026/27

UGX 38.4 Tn

Borrowings and other sources – FY 2025/26

UGX 34.8 Tn

22.4% increase in domestic revenue

10.3% increase in borrowing and budget support

Fiscal Performance (cont'd)

Budget implementing Strategy and Financing

The government has planned an ambitious UGX 84.4 trillion budget for FY 2025/26, representing a 16.6% increase (UGX 12 trillion) compared to the previous two years.

The resource envelope for the coming year will be financed by a mix of domestic and external resources. However, with the continued shift toward reducing reliance on external financing, greater pressure is placed on domestic revenue mobilisation, with at least 90% of domestic revenues expected to be obtained from taxes and oil revenues.

It is therefore not surprising that the domestic revenue contribution is expected to increase by 22.4% from UGX 37.556 trillion in FY25/26 to UGX 45.96 trillion in FY 2026/27. Debt financing and budget support will also increase by 10.3% from UGX 34.8 trillion in FY 2025/26, to UGX 38.4 trillion in FY 2026/27.

Of the domestic revenue, UGX 40.16 trillion (UGX 33.9 trillion in FY 2025/26) will be financed by tax revenue, UGX 4.02 trillion (UGX 3.284 trillion in FY 2025/26) by non-tax revenue sources, and withdrawals from oil revenues contributing UGX 1.442 trillion.

Revenue source	FY 2025/26 (UGX'billion)	FY 2026/27 (UGX'billion)	Change
Domestic revenues	37,556	45,962.7	8,407
- o/w Tax Revenue	33,943.1	40,160.6	6,217
- o/w Non-Tax Revenue	3,284.2	4,019.7	736
- o/w Oil revenues	-	1,442.6	1,443
- o/w Local government	328.7	339.8	11
Budget support	2,084.3	1,220.0	- 864
Domestic borrowing	21,409.1	25,941.8	4,533
-o/w Domestic debt refinancing	10,027.8	13,967.8	3,940
- o/w Domestic borrowing	11,381.3	11,974.0	593
External financing	11,327.1	11,270.1	- 57
Total Envelope (inflows)	72,376.5	84,394.6	12,018.1

Source: Budget Speech for FY 2026/27

Fiscal Performance (cont’d)

Enhancing domestic revenue mobilisation strategies

The decline in development assistance in Sub-Saharan Africa has underscored the Government’s need to intensify domestic resource mobilisation efforts, while preserving incentives for investment, production and enterprise growth.

The growing pressure on domestic revenue is reflected in the rise in the tax to GDP ratio from 11.7% in FY 2017/18 to the expected outrun of 13.7% for FY2025/26; a demonstration of the evolution in the tax landscape.

In FY 2026/27, domestic revenue is projected to increase to UGX 45.6 trillion, representing 15.9% of GDP, but still below the NDPIV target of 18.3%.

Overall, over 54% of the resource envelope for FY 2026/27 is to be financed by domestic revenue on account of anticipated growth in economic activity in the country, and enhanced domestic revenue enhancement strategies.

While government borrowing in FY 2026/27 is expected to increase, Government also plans to safeguard debt sustainability and maintain overall fiscal stability in the medium term.

The Government’s domestic revenue enhancement and other fiscal strategies for FY 2026/27 will include among others:

- implementing scientific and forensic methods as well as exchange of information to enhance tax revenue collection;
- broadening the tax base;
- enhancing tax administration;
- improving compliance;
- ensuring efficient and transparent management and collection of oil revenues;
- expenditure rationalising, adapting prudent borrowing strategies such as appraising financing options, prioritising concessional borrowing and ensuring effective debt portfolio management.

Fiscal risks to the FY 2026/27 budget that could undermine budget implementation include among others:

- changes in the global trade that could disrupt export markets;
- volatility in the global financial landscape that could distort borrowing rates and change debt repayment obligations;
- increased spread of Ebola outbreak; and
- geopolitical risks and climate change.

Fiscal Performance (cont'd)

Government Spending

The budgeted government expenditure and net lending for FY 2026/27 is also projected to surge by 16.6% (UGX 12 trillion) from UGX 72.4 trillion in FY 2025/26 to UGX 84.4 trillion in FY 2026/27.

Of this, spend on recurrent expenditure will increase by 16.5% to UGX 42,984 trillion (UGX 36,902 trillion in FY 2025/26) to cover wages and salaries, interest, other commitment fees and other recurrent expenditure. Projected spend on development activities for FY 2026/27 is also expected to increase by 20.9 % to UGX 22,054 trillion.

Vision 2040 Tenfold Growth fiscal strategy

The Government's strategic actions to grow the country's GDP tenfold to US$ 500 billion by 2040 and double the GDP by FY 2029/30 under NDP IV include:

- Repurposing resources to high impact areas such as ATMS and growth accelerators, including enhancing salaries for scientists and security, emyooga, and maintenance of district roads;
- Improved efficiency and functionality of government organs;
- Completing unfinished business such as enhanced governance and supervision, fight against corruption, innovative financing, public procurement reforms, increased domestic revenue mobilisation; and
- Clearing the current stock and stop creating new domestic arrears.

Sectoral priorities and key enablers

Consistent with the previous year, in FY 2026/27 the Government will continue prioritising sustainable investments in the priority growth drivers under ATMS in

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

Focus on strengthening the growth accelerators, 'Enablers', is also expected to continue. The Enablers include: security, transport infrastructure, electricity, irrigation, social services, industrial parks, domestic revenue mobilisation, regional economic integration, environmental protection, disaster management, and eliminating corruption.

Fiscal Performance (cont'd)

Government expenditure

Government Expenditure	FY 2025/26 Budget	FY 2026/27 Budget
		UGX' billion
Recurrent expenditure		
Wages and salaries	8,568	9,709
Non-wage (excluding interest payments)	17,001	19,165
Interest payments	11,333	14,110
o/w: domestic	*9,479*	*12,351*
o/w: foreign	*1,854*	*1,759*
Total recurrent expenditure	**36,892**	**42,984**
Development expenditure		
o/w: External borrowing	*11,327*	*6,796*
o/w: Domestic borrowing	*6,912*	*8,567*
Total development expenditure	**18,239**	**22,054**
Other spending	1,401	317
Domestic debt refinancing and debt repayments	15,507	18,697
Local government spend of own revenue	329	339.8
TOTAL EXPENDITURE	**72,376**	**84,392**

Government approved spend (excluding debt repayments and local government spend) for the coming fiscal year is expected to be UGX 65.355 trillion, a 15% jump from FY 2025/26's UGX 56,541 trillion.

Spend on total debt repayments, refinancing and interest, including debt funded development expenditure is expected to increase from UGX 45 trillion in FY 2025/26 to over UGX 54.861 trillion in FY 2026/27, taking over 65% of the total resource envelope.

65% spend on debt financing

	FY 2025/26	FY 2026/27
		UGX 'billion
Interest payments	11,333	14,110
Development expenditure	18,239	22,054
Domestic debt refinancing	10,028	13,968
External debt repayments	493	547
Loan refinancing costs	4,986	4,182
Debt servicing and repayment	**45,079**	**54,861**

3

Priority sectors

Agro-industrialisation

UGX 2.7t

UGX 2.7 trillion has been allocated to agro-industrialisation in the FY2026/27 National Budget, marking a substantial increase from the UGX 1.8 trillion provided in FY2025/26—equivalent to a 23% rise in expenditure.

Rising exports especially for coffee and cocoa have underscored the need for value addition. Government therefore has committed to prioritising value addition and enablers such as market access and infrastructure to further drive growth of the sector. Strategic investments will target the expansion of agro-processing capacity for coffee, dairy, fish, and cereals, while also strengthening irrigation systems, storage facilities, and rural electrification to reduce post-harvest losses.

In addition, financing through the Agricultural Credit Facility and the Uganda Development Bank is expected to be scaled up, complemented by continued support for the Agricultural Insurance Scheme and the promotion of climate-smart technologies to enhance resilience and productivity.

Tourism

Uganda's tourism sector is projected to expand significantly in FY2026/27, driven largely by preparations for the much-anticipated AFCON 2027 tournament scheduled between 19 June and 17 July 2027. Government has earmarked UGX 567 billion for tourism, a notable 31% increase from UGX 431 billion in FY2025/26.

Foreign exchange earnings from tourism have progressively increased since COVID reaching USD 1.7 billion in 2025, and Government now targets growth to USD 10 billion by 2030. To achieve this, priority investments in FY2026/27 will focus on destination branding and tourism infrastructure, with initiatives such as the "Ki Uganda Kinyuma" campaign designed to boost both inbound and domestic tourism. Planned interventions include upgrading major roads and airports, expanding accommodation capacity, and strengthening conservation efforts across national parks and cultural heritage sites. Together, these measures aim to consolidate FY2025/26 achievements while positioning tourism as a key driver of foreign exchange, employment, and national visibility in the years ahead.

UGX 567b

Government expenditure for FY2026/27 in the tourism sector will focus on destination branding and tourism infrastructure.

Science, Technology, and Innovation (STI)

+23%

Priority will be placed on strengthening research and development capacity, supporting innovation hubs and technology parks, and promoting commercialisation of locally developed technologies

Science, Technology, and Innovation (STI) sector is expected to play a pivotal role in driving industrialisation, competitiveness, and knowledge-based growth. Government has allocated UGX 627 billion in FY2026/27, up from UGX 498 billion in FY2025/26, representing a 23% increase in expenditure. Priority areas include strengthening research and development capacity, supporting innovation hubs and technology parks, and promoting commercialisation of locally developed technologies. Investments will also focus on digital transformation, biotechnology, and renewable energy solutions to enhance productivity and resilience.

In FY2025/26, significant achievements were recorded, such as the operationalisation of the National Science, Technology, Engineering and Innovation Centre (NSTEIC), expansion of incubation programmes for start-ups, and increased patent registrations, which boosted Uganda's innovation profile. Looking ahead, the FY2026/27 strategy seeks to consolidate these gains by scaling up funding for applied research, fostering public-private partnerships, and positioning STI as a cornerstone of Uganda's Vision 2040 and NDPIV targets.

Sustainable Extractives Industry Development

There has been a notable 46% reduction in budget allocations to the extractives sector, falling from UGX 877 billion in FY2025/26 to UGX 473 billion in FY2026/27. The rationale for this sharp decrease is not clear, particularly given that most other priority sectors have received higher allocations in the FY2026/27 budget. This development raises questions about how such a contraction in funding will affect government's long and short-term ambitions, especially the commencement of commercial oil production slated for later this year and its NDPIV target of generating UGX 7 trillion in revenues from extractive industries by FY2029/30.

Nonetheless, the main priority areas for FY2026/27 will include strengthening mineral exploration and mapping, promoting value addition through local refining and processing, and enhancing regulatory frameworks to attract responsible investment. Infrastructure development, particularly in energy and transport, is also being aligned to support mineral-based industries. Significant achievements recorded in FY2025/26 included operationalisation of the Moroto Gold Refinery and increased investment in the oil and gas industry.

-46%

Notable reduction in Government expenditure allocated to the extractives industry

Financial Services

The financial services sector developed a response plan to demonstrate how the banking sector and financial system can support and accelerate the ATMS vision. It recognizes that achieving tenfold growth requires unprecedented capital mobilisation, beyond public expenditure and conventional bank lending. The sector aims to support Uganda's ATMS strategy by expanding private sector credit to UGX 490 trillion (about USD 134.2 billion) by 2040. This will be achieved through increased financial inclusion, mobilization of deposits, and alternative financing options such as capital markets, Islamic finance, and green finance.

Government focus

The financial services sector is a key enabler of Uganda's economic transformation, supporting savings mobilisation, investment, and private sector development.

In FY2026/27, Government continues to prioritise the sector as a cross-cutting driver of growth, particularly in facilitating the Agricultural Credit Facility, Large-Scale Commercial Farmers Financing Scheme etc.

As of December 2025, Uganda's total public debt stood at USD 34.86 billion. Of this, domestic debt was USD 19.02 billion. This has remained sustainable and is projected to stay so over the medium and long term.

The debt has financed strategic investments that are transforming the productivity capacity of the economy.

Key policy interventions

Capitalisation of Development Finance Institutions

Government has cumulatively capitalised Uganda Development Bank (UDB) with UGX 1.6 trillion to provide long-term patient capital to strategic sectors vital for industrialisation and value addition

UDB has extended over UGX 2.45 trillion in financing to more than 600 businesses across agriculture, manufacturing, tourism, construction, and services.

An additional UGX 442.2 billion has been allocated in FY 2026/27 to further capitalise UDB.

Co-financing and credit support schemes

Government through the Microfinance support centre, introduced the "Katale Loan Facility" to expand affordable working capital for market vendors and urban informal operators.

Additionally, the Government has invested a total of UGX 371.7 billion in the Agriculture Credit Facility as co-financing with participating financial institutions.

Interest subsidy and risk-sharing mechanisms

Government is implementing interest rate support mechanisms to incentivise credit expansion. Currently interest payments for large-scale farmers are subsidised while financial institutions provide the principal financing. This approach enhances bank willingness to lend as well as lowering borrowing costs for priority sectors.

Financial Services – cont'd

Digital financial inclusion

The budget highlights significant growth in digital financial services. As of March 2026, mobile money transactions had reached UGX 392.7 trillion, mobile money accounts stood at 36.7 million and the number of mobile money agents was totalling to 1.22 million.

This signifies the continued importance of the telcos and how their role in financial inclusion.

Government recognises digital platforms as a critical channel for financial inclusion, enhancing access to payments, credit, and financial services.

Expansion of targeted financing programme

Government is focused on improving access to credit through setting up a range of government backed funds such as Emyooga, Youth and Women Funds etc.

These programmes improve access to working capital, strengthen enterprise development and extend the reach of financial services through partnerships with financial institutions.

Developing Capital Markets and Domestic Financing

The FY2026/27 budget underscores the importance of deepening Uganda's capital markets and domestic debt framework, including:

- Continued issuance of government securities, such as treasury bills and bonds, to finance the fiscal deficit;
- Promotion of longer-term government and corporate bonds to support infrastructure financing;
- Initiatives to broaden participation in the Uganda Securities Exchange and diversify financing instruments.

Manufacturing

The manufacturing sector has continued to serve as a key enabler of Uganda's FY2026/27 ATMS priorities by supporting value addition, industrialisation and the development of integrated value chains across agriculture, minerals, and services. By processing raw materials into higher-value products, the sector continues to enhance export competitiveness and market access, while creating linkages with sectors such as agro-industrialisation and tourism.

Government focus

Government continues to prioritise manufacturing as a key driver of industrialisation, job creation and export diversification under the FY2026/27 budget. The sector is positioned as central to achieving import substitution, enhancing domestic value addition and improving Uganda's trade balance.

The Background to the Budget highlights sustained commitment to value addition to Uganda's raw materials, particularly in agro-processing, minerals and petroleum-related industries, as a means of increasing domestic productivity and expanding the country's export base.

Key policy interventions

Industrialisation and Value Addition

- Continued emphasis on agro-processing and light manufacturing, particularly in sectors such as coffee, dairy, textiles, steel, and pharmaceuticals.
- Promotion of value addition to agricultural produce to reduce export of raw materials.

Import Substitution

- Targeted support to locally produced goods to reduce reliance on imported finished products.
- Strengthening of Buy Uganda Build Uganda (BUBU) policy implementation.

Key policy interventions cont'd

Industrial Parks and Infrastructure

- Expansion and operationalisation of industrial parks across the country.
- Provision of serviced land, utilities, and logistics infrastructure to attract investment.

Access to Finance

- Continued capitalisation of development finance institutions (e.g., Uganda Development Bank) to provide affordable long-term financing to manufacturers.
- Support for SMEs transitioning into manufacturing activities.

Manufacturing – cont’d

Key policy interventions cont’d

- **Export Promotion**
  - Encouragement of export-oriented manufacturing through incentives and market access initiatives.
  - Leveraging regional markets (EAC, AfCFTA) to scale locally produced goods.

Tax and Incentive Measures

Tax and Incentive Measures

- Extension and/or introduction of tax incentives for manufacturers, including:
  - Duty exemptions on machinery, raw materials and industrial inputs.
  - Preferential treatment for investors in priority manufacturing segments.
- Rationalisation of tax compliance frameworks to reduce the cost of doing business.

Expected Outcomes

Expected Outcomes

- Increased industrial output and capacity utilisation.
- Growth in manufacturing sector contribution to GDP.
- Expansion of employment opportunities, especially for youth.
- Improved export earnings through value-added products.

The manufacturing sector is expected to expand steadily in FY2026/27, underpinned by strong fiscal support, infrastructure development, and industrial policy reforms. However, achieving the full potential will depend on effective implementation of projects, easing financing constraints, and improving trade competitiveness.

4

Tax Amendments

Impact of the Proposed Tax Amendments

Revenue performance

Despite the consistent growth trends, the domestic revenue collections for FY 2025/2026 are projected at UGX 35.7 trillion against a target of UGX 37.2 trillion, indicating a potential shortfall in revenue collections. This is partly explained by the overall 10 months revenue performance as at 30 April 2026 where revenue shortfalls were registered for both direct, indirect and international taxes.

The revenue to GDP ratio is projected to increase by 0.9 percentage points, from 14.2% of GDP in FY2024/25 to 15.2% of GDP in FY2025/26. However, the tax to GDP ratio is projected at 13.7% which remains below the NDP IV target of 18.3% as well as the Africa average of 16% as determined by the OECD Revenue in Africa statistics report of 2024.

Amendments to the Income Tax (Amendment) Bill, 2026

This Bill had not been assented to by the President at the time of this publication. However, a number of the proposals under the Bill were presented as part of the tax measures in the FY26/27 Budget Speech which include:

a) Extension of the Income Tax Exemption for Bujagali Energy Limited until 2032 to support affordable electricity tariffs.

b) Tax exemption 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.

c) Increase in the Pay As You Earn threshold from UGX 235,000 to UGX 335,000 per month and introduction of a new 20% tax bracket.

d) Introduction of a 5 percent withholding tax on payment of interest to foreign lending institutions to ensure equitable taxation of interest income.

e) Provision for individuals to file and pay rental income tax monthly to improve voluntary compliance and reduce tax arrears.

Follow link to our detailed analysis of the above Bill.

Impact of the Proposed Tax Amendments – cont’d

Value Added Tax (Amendment) Act, 2026

The Value Added Tax (Amendment) Bill, 2026 was assented to by the President in May 2026 and is effective 1 July 2026, the following are some of the amendments:

a) Increase in the annual VAT registration threshold from UGX 150 million to UGX 300 million, which would also increase the quarterly registration trigger from UGX 37.5 million to UGX 75 million. This is intended to ease compliance for small businesses and improve tax administration.

b) Introduction of an exemption to a designated person from VAT withholding on payments where a designated person pays for taxable supplies and receives an e-invoice or e-receipt. The amendment is intended to promote the use of the EFRIS system and address cash flow challenges.

c) Introduction of a new input tax credit for Hotel and Tourism facility developers with a minimum investment threshold of USD 10 million for a foreigner and USD 5 million for citizens. This aligns with the government ten-fold growth strategy to promote tourism as one of the strategic sectors.

d) Extending VAT deferment to Plant and Machinery and inputs for the mining sector to support the government’s mineral development agenda under the ATMS framework and the tenfold growth strategy.

Impact of the Proposed Tax Amendments – cont'd

e) Revision to the threshold above which a taxpayer will not be entitled to interest on a delayed refund by the URA, where the refundable amount ultimately exceeds the amount originally applied for. The amendment replaces the fixed monetary threshold with a proportional test, such that the threshold is set at 5% of the total refund amount claimed. This is intended to ensure that there is a fair application of interest on overpayments and late refunds.

f) Inclusion of the Arab Bank for Economic Development in Africa (BADEA) and Austrian Development Agency (ADA) on the list of Public International Organisations. This implies these institutions VAT refunds will be expected to follow a preferential refund criteria.

g) Extension of the existing VAT exemption under Schedule 3 of the VAT for goods and services supplied to contractors and subcontractors of hydro-electric power, solar, geothermal, bio-gas, and wind energy projects to also cover nuclear energy projects. The current exemption under paragraph 1(z) of Schedule 3 did not include nuclear energy. This addition aligns the VAT treatment with Uganda's developing nuclear energy ambitions.

Impact of the Proposed Tax Amendments – cont'd

Amendments to the Excise Duty (Amendment) Bill, 2026

The Excise Duty (Amendment) Bill, 2026 proposes to amend Schedule 2 of the Excise Duty Act as follows. This Bill had not been assented to by the President at the time of this publication.

a) Revision of the excise duty rates on certain goods and services under Schedule 2 of the Bill as follows:

Excisable goods or services	Duty rates 2025/2026	Proposed duty rates 2026/2027
Cement, adhesives, grout, white cement or lime	UGX.500 per 50kgs	UGX.1,000 per 50kgs
Motor spirit (gasoline)	UGX.1,550 per litre	UGX.1,750 per litre
Gas oil (automotive, light, amber for high-speed engines)	UGX.1,230 per litre	UGX.1,430 per litre
Motorcycles; at first registration	UGX.200,000	UGX.500,000
Cooking oil	UGX.200 per litre	UGX.400 per litre

Follow link to our detailed analysis of the above Bill.

Amendments to the Tax Procedures Code Act

The Tax Procedures Code (Amendment) Bill, 2026 was assented to by the President in May 2026 and is effective 1 July 2026, the following are some of the amendments:

a) Introduction of a waiver of any tax including penal tax and interest owed by a taxpayer as at 30 June 2016 and is outstanding as at 1 July 2026. This means that any tax arising before 30 June 2016 will be waived.

b) Extension of the waiver of interest and penalties outstanding from 30 June 2024 to 30 June 2025 provided the principal tax is fully or partially paid by 30 June 2027. Where a partial payment of principal tax is made, the waiver will be pro-rated.

c) Reduction of the fixed penalty for possession of goods not affixed with a digital tax stamp from UGX 50,000,000 to UGX 2,000,000 or double the tax due on goods and services whichever is higher.

d) Introduction of new penal tax of UGX 200,000 or double the tax due on goods and services, whichever is higher, for taxpayers required to use an electronic fiscal device. Similar penalties will arise where a taxpayer does not issue an e-receipt or e-invoice for goods or services or who tampers with an electronic fiscal device.

Impact of the Proposed Tax Amendments – cont'd

Amendments to the Stamp Duty Act

The Stamp Duty (Amendment) Bill, 2026 was assented to by the President in May 2026 and is effective 1 July 2026, the following are some of the amendments:

a) Introduction of a requirement for persons carrying on the business of financial services to file monthly stamp duty returns. Failure to file this return will attract a penalty computed as 2% (simple interest) of the duty payable for every month the return remains outstanding.

b) Introduction of a requirement to retain documents or records for a period of at least five years from the date the document was generated. This aligns with section 15(1)(c) of the Tax Procedures Code Act which provides for a period of five after the end of the tax period within which a taxpayer is required to retain a document or record.

c) Introduction of stamp duty on the first registration and transfer of all automobiles as below:

   i. motorcycle, tricycle or quadricycle – UGX 50,000
   ii. any other motor vehicle – UGX 200,000

Amendments to the External Trade Act

The External Trade (Amendment) Bill, 2026 was assented to by the President in May 2026 and is effective 1 July 2026, the following are some of the amendments:

a) Exemption of imported vaccines, medicines, medical supplies, pesticides, rodenticides, acaricides, and insecticides from both the 1% import declaration fee and the 1.5% infrastructure levy.

b) Introduction of an environmental levy of 30% on the Cost, Insurance and Freight (CIF) value of worn clothing and other worn articles. This amendment seeks to discourage the importation of low-quality second-hand clothing, commonly known as "mivumba", by increasing its cost, thereby reducing the volume of such imports entering the country.

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East Africa Highlights

East Africa Highlights

EAC Tax policies - attracting investment and regional harmonisation

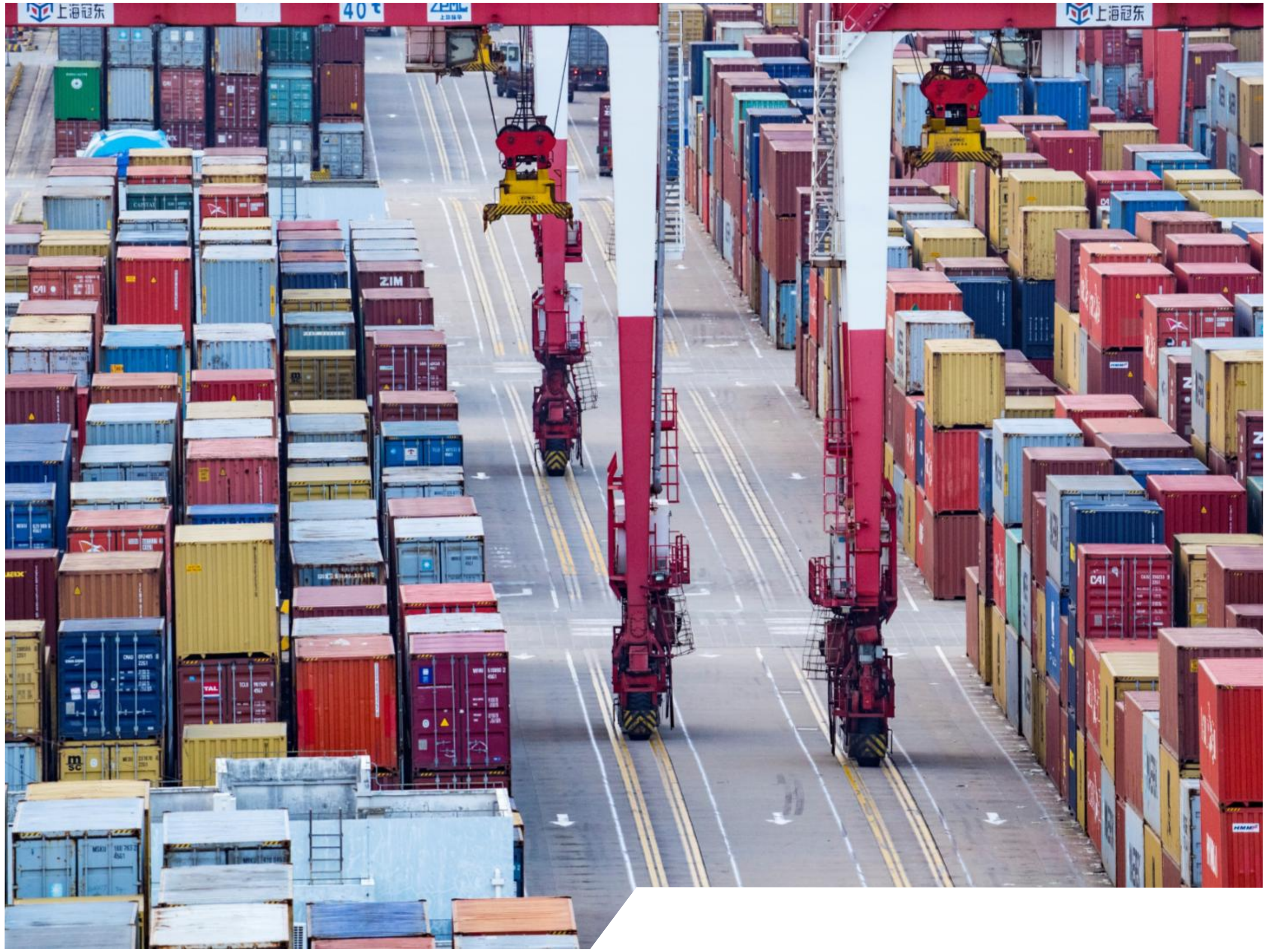
The East African Community continues to focus on revenue mobilisation, supporting regional integration, and promoting economic resilience. EAC Partner States are pressing ahead with efforts to harmonise VAT, excise duties, and income tax to reduce internal competition and create a level playing field for local and foreign investors.

Taxes on employers and employees

- Employer taxes (social security, SDL, workers comp, maternity): Tanzania 14%, Kenya nominal, Uganda 10%, Rwanda 8.3%.
- Employee taxes (income tax, social security, maternity): Tanzania 40%, Kenya 35%, Uganda 45%, Rwanda 36.3%.

Growth Outlook

- Growth in East Africa projected to accelerate from 6.74% in 2025 to 6.86% in 2026 and 6.9% in 2027.
- Uganda projected to grow at 7.5% in 2026, Rwanda at 7.2%, Tanzania at 5.9% and Kenya at 4.5%



East Africa Highlights – cont'd

EAC overview - Expanding the tax base

Green Taxation

- Proposals to introduce or expand environmental taxes (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 formalising the informal sector and improving taxpayer registration.
- Use of technology and data analytics to enhance compliance and reduce tax evasion.

Digital Taxation

- Digital taxes introduced across the region to capture revenue from the growing digital economy.
- All EAC states 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.

East Africa Highlights – cont'd

Tanzania - Proposed tax policy changes 2026/27

Income Tax

- Rationalisation of taxes on SMEs - seeking lower CIT rate of 25%
- Abolish Alternative Minimum Tax (AMT) where both AMT and CIT could apply in the same year
- FX gains on long-term loans to apply on realisation basis only
- Extractive sector: make royalty cost deductible for CIT; expand change-in-control exemptions
- Banking sector: exclude banks from thin capitalisation rules (aligning with Kenya)

SDL and WCF

- Reduction of Skills Development Levy to 3% from 3.5%
- SMEs to be exempted from SDL

VAT

- VAT deferment scheme: remove 2026 time-limit; expand to broader capital goods
- Operationalise 16% reduced VAT rate on digital platform payments
- Exempt VAT on park fees and government charges in tourism
- Guidance on zero-rating and effective use and enjoyment provisions

Excise Duty

- Reduce excise duty on electronic communication services from 17.5% to 10%
- Overhaul Excise Duty Act: single-stage tax, exclude exported services
- Exemption of excise duty on aseptic bags

Other

- Removal of 25% import duty on certified cereal and potato seeds
- Reinstate VAT exemption on smartphones to boost digital adoption

East Africa Highlights - cont'd

Kenya - Proposed tax policy changes FY2026/27

Income Tax

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

Employment Tax

- Per diem threshold increased 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

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
- Status changes: pharma raw materials, animal feed, EVs, mobile phones from zero-rated to exempt

Excise Duty

- Excise applied to non-resident digital services
- New excise duty of KES 500/litre on undenatured extra neutral alcohol

Tax Administration

- Integration between KRA, eCitizen and other digital systems.
- Expansion of eTIMS and digital invoicing
- Targeting of professional services, landlords and informal sector

East Africa Highlights – cont'd

Rwanda - Proposed tax policy changes

Digital Services Tax

- Introduction of DST 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 based on vehicle age: <3 yrs 5%, 3-8 yrs 10%, 8+ yrs 15%

Capital Gains Tax

- Increased from 5% to 10%; now includes licences, debt instruments, options, guarantees
- Declaration obligation shared between buyer and shareholder

Gambling Activities

- Removal of CIT exemption for gambling operators
- Gaming tax increased from 13% to 40%; WHT on winnings 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 (30%+ local content): 5% to 10%
- Beer (70%+ local content): 30% to 40%; other beers: 60% to 65%
- Wine: 30% to 40%
- Cigarettes: Frw 130 to Frw 230 per pack

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Thank you

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