

Our Ref: MDA/012

30 September 2025

The Permanent Secretary/ Secretary to the Treasury,  
Ministry of Finance, Planning & Economic Development,  
Plot 2-12, Apollo Kaggwa Road,  
P.O Box 8147, Kampala.  
[finance@finance.go.ug](mailto:finance@finance.go.ug)

Dear Sir,

**ICPAU TAX AND ECONOMIC POLICY PROPOSALS FOR THE FY 2026/27 BUDGET**

Reference is made to your letter, reference no. TPD 184/280/04 and dated 28 July 2025, requesting ICPAU to submit tax policy issues and proposals from our stakeholders for consideration by the Ministry in the preparation of tax policy measures for FY 2026/27.

The Institute of Certified Public Accountants of Uganda (ICPAU) is grateful for the opportunity to provide Tax Policy Proposals for consideration by the Ministry for the FY 2026/27 Budget. We hereby provide our proposals (attached in Appendix I). We have also attached Economic Policy Recommendations derived from the CPA Economic Forum discussions as part of the accountants' efforts to contribute towards the economy's growth and priorities for the government's budgeting process next FY 2026/27 (attached in Appendix II).

ICPAU is dedicated to serving the public interest by strengthening the accountancy profession and contributing to the growth and development of Uganda's economy.

For any inquiries on the submission, please contact Charles Lutimba on 0774 - 544 774 or email [clutimba@icpau.co.ug](mailto:clutimba@icpau.co.ug).



CPA Derick Nkajja,

**SECRETARY/CEO**

Encl/ Appendices I & II

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**INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OF UGANDA**

## **ICPAU TAX POLICY PROPOSALS FOR FY 2026/27 NATIONAL BUDGET**

**SEPTEMBER 2025**

## **ICPAU TAX POLICY PROPOSALS FOR FY 2026/27 NATIONAL BUDGET**

The Paper highlights the Tax Policy Measures proposed by the Institute of Certified Public Accountants of Uganda (ICPAU). We give the current provisions of the law where applicable, the Challenge(s) arising from the current status, and the Proposed Measure(s).

The Tax Measures enlisted within the Paper are listed below;

### **A. INCOME TAX ACT, CAP. 338**

1. Consider Exempting the Income of Environmentalists under the Income Tax Act
2. Review the Exemption of Startup Businesses Provision
3. Provide for WHT Tax on Royalty Payments to Resident Persons
4. Reinstate WHT Tax on Agriculture Supplies
5. Progressive Personal Income Tax Reforms
6. Review Employer-Employee Benefit Amount Not Subject to Tax
7. Consider Tax Exemption on Employer-Sponsored Wellness Support
8. Taxation of Insurance Business

### **B. VAT ACT, CAP. 344**

9. Repeal Provisions Relating to VAT Withholding
10. Review the Annual VAT Registration Threshold

### **C. STAMP DUTY ACT, CAP.339**

11. Exempt Reinsurance Contracts from Stamp Duty

### **D. TAX PROCEDURES CODE ACT, CAP. 343**

12. Provide for Companies Deregistered by URSB

**E. TAX APPEALS TRIBUNALS ACT, CAP. 341**

13. Align Appeal to Alternative Dispute Resolution and TAT Timelines

**F. EXTERNAL TRADE ACT, CAP. 69**

14. Infrastructure Levy and Import Declaration Fees

15. Fifth Schedule of the EACCMA, 2004

## A. THE INCOME TAX ACT (CAP. 338)

### 1. CONSIDER EXEMPTING THE INCOME OF ENVIRONMENTALISTS UNDER THE INCOME TAX ACT

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| Issue               | "Environmental Conservationists" should be included in "Exempt Organizations" in the Income Tax Act                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Current Law         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Challenge(s)        | <p>We note with concern the increasing effects of climate change, including droughts, floods, heatwaves, and landslides, which impact the livelihoods of vulnerable populations. Uganda's forest cover has reduced from 20% in 1986/87 to 9.5% in FY17/18, while wetland cover reduced from 13% to 10.9% over the same period. The implications are increased vulnerabilities and disparities in incomes, loss of livelihood to the population, and reduced GDP growth rates. Climate change mitigation and environmental management are critical to the achievement of increased household incomes and improvement of the quality of life of the population<sup>1</sup>.</p> <p>As a measure to achieve the objectives of SDG 13 (which is to limit and adapt to climate change) and NDP III (2020/21 - 2024/25) program on Climate Change, Natural Resources, Environment, and Water Management (that aims to stop and reverse the degradation of Water Resources, Environment, Natural Resources as well as the effects of Climate Change on economic growth and livelihood security), we propose that organizations that are formed solely for environmental protection should be given preferential treatment by exempting their incomes.</p> |
| Proposed Measure(s) | <p>We therefore propose the following:</p> <ol style="list-style-type: none"><li>Amend S.2(a) to include: <b>(v) a body incorporated solely to protect the environment.</b></li><li>Amend S.21(1) to exempt the incomes of organizations solely for environmental protection.</li><li>Introduce tax incentives/ credits for companies investing in renewable energy, sustainable agriculture, and green infrastructure.</li></ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

<sup>1</sup> THIRD NATIONAL DEVELOPMENT PLAN (NDP III) 2020/21 - 2024/25

|                      |                                                                                                                                                                                                                                                            |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Justification</b> | <ol style="list-style-type: none"> <li>1. To align with the country’s environmental and climate commitments, as well as the SDG 13 ESG Agenda.</li> <li>2. The proposals support the country’s climate goals and attract ESG-focused investors.</li> </ol> |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## 2. REVIEW THE EXEMPTION OF STARTUP BUSINESSES PROVISION

| <b>Issue</b>               | <b>Review the Exemption of Startup Businesses Provision</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Current Law</b>         | <p>The principal Act, section 21(b) provides the following:</p> <p>“(za) the income derived from a business established by a citizen after 1<sup>st</sup> July, 2025, for a period of three years, where the—</p> <ul style="list-style-type: none"> <li>(i) business is registered with an investment capital not exceeding five hundred million shillings;</li> <li>(ii) a citizen or their associate has not previously benefited from the exemption; and</li> <li>(iii) citizen files a tax return including a business information return referred to in section 147 of this Act in the format prescribed by the Commissioner General.”</li> </ul>                                                                                                 |
| <b>Challenge(s)</b>        | <p>We note that the gestation period for businesses in Uganda to break even is on average 5 years, as they ideally start making profits after year five. At the 3-year mark, businesses are merely finding their footing, whilst simultaneously grappling with complex URA systems and tax procedures. Three years are too short compared to the 10-year tax exemption period given to larger entities that invest at least USD 300,000 or non-citizens investing USD 10 million, etc. The fifth year typically marks a period when businesses have gained sufficient experience and established a stable foundation.</p> <p>The 5 years should be dedicated to mastering tax filing protocols, enabling a seamless transition into the sixth year.</p> |
| <b>Proposed Measure(s)</b> | <p>We therefore propose that the period of exemption be extended to five years, and also include businesses that existed before July 2025. The amended clause would read as follows:</p> <p><b><i>“(za) the income derived from a business established by a citizen after 1<sup>st</sup> July, 2025, <u>OR the income derived from a business established by a citizen before 1<sup>st</sup> July, 2025, but after 1<sup>st</sup> July</u></i></b></p>                                                                                                                                                                                                                                                                                                  |

|                      |                                                                                                                                                                                                                                                 |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                      | <u><b>2020, for a period of five years, where the–</b></u>                                                                                                                                                                                      |
| <b>Justification</b> | <ul style="list-style-type: none"> <li>• To allow start-ups ample time to stabilize before the tax obligation comes in.</li> <li>• The 5-year period should allow these businesses to grow and hence even pay more taxes thereafter.</li> </ul> |

### **3. PROVIDE FOR WHT TAX ON ROYALTY PAYMENTS TO RESIDENT PERSONS**

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issue</b>               | <b>Insert new Section 128A to Provide for Withholding Tax on Royalty Payments to Resident Persons</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Current Law</b>         | <p>S.127 ITA; S.128 ITA; Part IX ITA</p> <p>The current law only provides for withholding of tax on interest and dividend payments to residents, excluding royalties.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Challenge(s)</b>        | We note that all property incomes as defined in S.20 (1) of the ITA have specific taxing provisions through the withholding tax mechanism, except royalty payments made to resident persons.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Proposed Measure(s)</b> | <p>a) We propose to introduce a provision for withholding tax at a rate of 15% on royalty payments made to resident persons. We thus propose to insert a new S.128A immediately below S.128 to read as follows:</p> <p><b><i>S.128A. Payment of Royalties to Resident Persons</i></b></p> <p><b><i>(1) A resident person who pays a royalty to a resident person shall withhold tax on the gross amount of the payment at the rate prescribed in Part IX of the Schedule 4 to this Act.</i></b></p> <p>b) The tax withheld under this section shall be a final tax under S. 139 of the ITA.</p> <p><b><i>Section 139 - "Where</i></b></p> <p><b><i>(a) .....</i></b></p> <p><b><i>(b).....</i></b></p> <p><b><i>(c).....</i></b></p> <p><b><i>(d) tax has been withheld under Section 128A on a payment by a resident person of a royalty to a resident person:" .....</i></b></p> |
| <b>Justification</b>       | To enhance revenue generation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

#### 4. REINSTATE WHT TAX ON AGRICULTURE SUPPLIES

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issue               | Reinstate Withholding Tax on Agriculture Supplies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Current Law         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Challenge(s)        | <p>The agricultural sector remains largely untaxed and contributes very little (less than 1% of total tax revenue) to the overall tax burden in Uganda - statistics from UBOS FY19/20. The Sector also enjoys a multitude of subsidies and tax exemptions, which have limited tax revenue.</p> <p>Cognizant of the fact that agriculture is largely practiced by the rural populace (85% of whom are poor), we also know that supplies in this sector are very huge and there are large-scale commercial farming operations that record significant profits but contribute limited taxes.</p> <p>In 2018/19, when a 1% withholding tax was introduced on agricultural supplies in excess of UGX 1 million, it raised over UGX 32.6 billion (USD 8.6 million) in tax revenue—almost twice that collected in income tax from all agricultural taxpayers. However, the amendment was abolished the following year as the tax became politicized, and all efforts to reinstate it have repeatedly failed.</p> <p>In these current trying times, where the government is looking to alternative sources of funding to reduce foreign funders and borrowing, thinking domestically will be imperative. We agree that while the Agricultural sector is very crucial to the survival of many Ugandans, a small tax rate of between 0.5% of the gross amount of payment can contribute towards revenue generation.</p> |
| Proposed Measure(s) | <ol style="list-style-type: none"> <li>1. We propose to insert immediately after Section 136 the following:<br/> <b><i>Section 136A: Withholding of tax on payments for Agricultural Supplies</i></b><br/> <i>A person who makes a gross payment for agricultural supplies in excess of one million shillings shall withhold tax on the gross amount of the payment at the rate prescribed in part X of the Fourth Schedule, if the payer is designated by the Minister to withhold tax.</i> </li> <li>2. Amend Part X by inserting immediately after clause 3, the following clause:<br/> <b><i>Part X -Withholding Tax Rate for Goods and Services Transactions</i></b><br/> 3) -----<br/> <b><i>4) The withholding tax rate applicable for supplies under Section 136A is 0.5%.</i></b> </li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |



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|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Justification</b> | <ul style="list-style-type: none"> <li>a. This is an effective way to tax the agriculture sector, which will also see to the increased formalization of the agricultural sector. The measure also contributes to the growth of the tax register, as many unregistered taxpayers will be added to the tax register.</li> <li>b. This will generate additional tax revenue for the government.</li> </ul> |
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## 5. PROGRESSIVE PERSONAL INCOME TAX REFORMS

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <b>Issue</b>        | <b>Personal Income Tax Reforms</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Current Law</b>  | S.6(1) of the Income Tax Act (ITA) prescribes tax rates and thresholds applicable to the chargeable income of individuals as prescribed in Part 1 of the Third Schedule to the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Challenge(s)</b> | <p>We note that:</p> <ul style="list-style-type: none"> <li>a. The current PAYE threshold of UGX 235,000 per month was last revised in 2012 (about 13 years ago) from UGX 130,000. At an average exchange rate of UGX 3,635 to the US dollar, taxation of income thus begins at USD 2.12 per day. This brings low-income earners into the tax net at very low-income levels, stifling their capacity to save, invest, and consume as their disposable income shrinks in real terms, which works against the poverty alleviation objectives of the government. The government's DRMS<sup>2</sup> itself recognizes that <i>“the current personal income tax thresholds start at low levels of income and the progressivity of the rates is steep, which may encourage non-compliance or less-than-full compliance and reduce incentives to work in the formal sector, as well as disproportionately disadvantage employees whose incomes are taxed at source under PAYE”</i>.</li> <li>b. Over the years, inflation has increased considerably and has been made worse by the impact of COVID-19 and the rise in energy prices. The thresholds are not indexed yearly for the cost of living.</li> <li>c. Uganda has the highest tax bracket in the region, which makes it uncompetitive as a location for many regional head offices and projects. In the short term, high taxes may increase collections by overburdening a small group, but in the long run, they impede efforts to increase the tax base. A review of our tax bands and rates is long overdue. The government should consider harmonizing our</li> </ul> |

<sup>2</sup> Domestic Revenue Mobilisation Strategy 2019/20 - 2023/24

|                                                                                       | <p>bands with those of our neighbors, especially Tanzania, which competes with us for critical human resources and investment destination. For example, in Kenya, the current threshold is UGX 652,293, which is more than double Uganda's threshold (UGX. 235,000).</p> <p>d. The change in rates from 10 - 20 - 30% is too narrow, which makes the tax burden too high on the people in formal employment. Furthermore, the 3<sup>rd</sup> band is very wide, applying to annual incomes between UGX 4,920,001 and UGX 120,000,000. This indicates how quickly the brackets climb - UGX 4,920,001 per annum equates to just UGX 13,667 per day or USD 3.69 per day.</p> <p>e. Employees incur expenses in the production of employment income, and those expenses are not considered when computing their chargeable income. Such expenses include transport, meals, and rent, among others.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                   |             |                                            |     |                                                                                       |                                                                                   |                                                                                       |                                                                                                                  |                                        |                                                                                                       |
|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------|--------------------------------------------|-----|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------|
| Proposed Measure(s)                                                                   | <p>We propose to:</p> <p>a. Consider a <b><i>review of the PAYE threshold from UGX 235,000 per month to UGX 410,000 per month and the tax bands that have not changed for over 25 years.</i></b> This proposal is illustrated in the table below:</p> <table border="1"> <thead> <tr> <th>Chargeable income</th><th>Rate of Tax</th></tr> </thead> <tbody> <tr> <td>Not exceeding Ushs. 4,920,000 (410,000 pm)</td><td>Nil</td></tr> <tr> <td>Exceeding Ushs. 4,920,000 (410,000 pm) but not exceeding Ushs. 7,440,000 (620,000 pm)</td><td>10% of the amount by which chargeable income exceeds Ushs. 4,920,000 (410,000 pm)</td></tr> <tr> <td>Exceeding Ushs. 7,440,000 (620,000 pm) but not exceeding Ushs. 9,960,000 (830,000 pm)</td><td>Ushs. 120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Ushs. 7,440,000 (620,000 pm)</td></tr> <tr> <td>Exceeding Ushs. 9,960,000 (830,000 pm)</td><td>Ushs. 300,000 plus 30% of the amount by which chargeable income exceeds Ushs. 9,960,000 (830,000 pm).</td></tr> </tbody> </table> <p>b. <b><i>Eliminate the 40% income tax rate.</i></b> This also impedes the ability of its highest earning category to save more and drive local entrepreneurship, which would enhance jobs. This tax rate also encourages tax evasion, leaving many who earn such amounts to remain informal by under-declaring their earnings. This amount is mainly only collected from those covered by PAYE, creating an Inherent injustice in the system.</p> <p>c. <b><i>Eliminate all kinds of personal income tax exemptions,</i></b> particularly those that relate to the official</p> | Chargeable income | Rate of Tax | Not exceeding Ushs. 4,920,000 (410,000 pm) | Nil | Exceeding Ushs. 4,920,000 (410,000 pm) but not exceeding Ushs. 7,440,000 (620,000 pm) | 10% of the amount by which chargeable income exceeds Ushs. 4,920,000 (410,000 pm) | Exceeding Ushs. 7,440,000 (620,000 pm) but not exceeding Ushs. 9,960,000 (830,000 pm) | Ushs. 120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Ushs. 7,440,000 (620,000 pm) | Exceeding Ushs. 9,960,000 (830,000 pm) | Ushs. 300,000 plus 30% of the amount by which chargeable income exceeds Ushs. 9,960,000 (830,000 pm). |
| Chargeable income                                                                     | Rate of Tax                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                   |             |                                            |     |                                                                                       |                                                                                   |                                                                                       |                                                                                                                  |                                        |                                                                                                       |
| Not exceeding Ushs. 4,920,000 (410,000 pm)                                            | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                   |             |                                            |     |                                                                                       |                                                                                   |                                                                                       |                                                                                                                  |                                        |                                                                                                       |
| Exceeding Ushs. 4,920,000 (410,000 pm) but not exceeding Ushs. 7,440,000 (620,000 pm) | 10% of the amount by which chargeable income exceeds Ushs. 4,920,000 (410,000 pm)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |             |                                            |     |                                                                                       |                                                                                   |                                                                                       |                                                                                                                  |                                        |                                                                                                       |
| Exceeding Ushs. 7,440,000 (620,000 pm) but not exceeding Ushs. 9,960,000 (830,000 pm) | Ushs. 120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Ushs. 7,440,000 (620,000 pm)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |             |                                            |     |                                                                                       |                                                                                   |                                                                                       |                                                                                                                  |                                        |                                                                                                       |
| Exceeding Ushs. 9,960,000 (830,000 pm)                                                | Ushs. 300,000 plus 30% of the amount by which chargeable income exceeds Ushs. 9,960,000 (830,000 pm).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                   |             |                                            |     |                                                                                       |                                                                                   |                                                                                       |                                                                                                                  |                                        |                                                                                                       |

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|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|------------|-----------|------------|-------------|-------|---------|-------|------|
|               | <p>employment income of Members of Parliament (MPs) and now judicial officers. These individuals are Ugandan Citizens and must bear their fair share of the financial burden of administering the country. They should thus not be immune to sharing with other citizens the material burden of financing government, and therefore their payment of a non-discriminatory tax laid generally on all citizens should not be considered a burden for as long as they earn beyond the set thresholds. Taxation on MPs’ allowances alone could yield the government about 8.1bn per month (over 96bn annually), which would more than compensate for the lost tax due to raising the tax bands.</p> <p>d. <i>Index annually for inflation and publish a 3-year adjustment plan.</i></p> <p>e. <i>Allow deductions for employment income tax purposes other than LST when computing chargeable employment income.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |           |            |           |            |             |       |         |       |      |
| Justification | <ul style="list-style-type: none"><li>The threshold is quite low, and the cost of living is increasing. As such, employees are paying more in income taxes. Increasing the threshold speaks to the current realities of the economy. It has been proven that increasing the threshold does not necessarily lead to reduced tax revenue. When the threshold was increased in 2012, PAYE collections increased by 20% from 2011/2012 to 2012/13. Below is the PAYE performance as shown on Page 55 of the MoFPED Background to the Budget 2014/15 Fiscal Year:<table><tr><td></td><td>2011/2012</td><td>2012/2013</td><td>Increment</td><td>% Increase</td></tr><tr><td>PAYE UGX Bn</td><td>996.9</td><td>1,196.5</td><td>199.6</td><td>20.0</td></tr></table></li><li>Among the many persistent effects of the COVID-19 pandemic have been the loss of income and rising precautionary savings, which have in turn led to a broad-based reduction in private investment and consumption. There is limited effective demand among the population. This proposal will increase the disposable incomes of the majority of salary earners, which stimulates both savings and investments as a result of increased levels of consumption of goods and services. We are aware that, besides income taxes, Uganda’s main source of tax revenue is consumption-based taxes. In the short run, it may seem like the government is losing by raising the threshold; however, in the long run, the proposal will yield double benefits. With expanded PAYE bands, people’s disposable income increases, resulting in a wider effective demand, thereby stimulating production, profitability, and government revenue. The government is likely to reap from the consumption taxes levied on the taxable items as a result of enhanced aggregate demand.</li></ul> |           | 2011/2012 | 2012/2013  | Increment | % Increase | PAYE UGX Bn | 996.9 | 1,196.5 | 199.6 | 20.0 |
|               | 2011/2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2012/2013 | Increment | % Increase |           |            |             |       |         |       |      |
| PAYE UGX Bn   | 996.9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1,196.5   | 199.6     | 20.0       |           |            |             |       |         |       |      |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <ul style="list-style-type: none"> <li>• A tax-free threshold is intended to cushion low-income earners and enable them to have disposable income to meet their basic needs. The rise in inflation over the years has made the existing threshold of UGX 235,000 per month have little or no impact on the livelihoods of low-income earners in the country.</li> <li>• This will boost our country's competitiveness and tax collection efforts.</li> <li>• The proposals will also increase the fairness of the tax system and enhance the tax-paying culture in Uganda.</li> </ul> |
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## 6. REVIEW THE EMPLOYER-EMPLOYEE BENEFIT AMOUNT NOT SUBJECT TO TAX

| Issue               | Review the Amount of Benefit not subject to Tax in the Act                                                                                                                                                                                                                                                                                                                                                       |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Law         | S.19(2)f) of the ITA provides that any benefit granted by the employer to the employee during a month whose total value is less than ten thousand shillings is not subject to tax.                                                                                                                                                                                                                               |
| Challenge(s)        | We believe that the spirit behind this provision was to provide some relief to the employees, where these benefits are given to staff on an equal basis. In 1997, when the ITA came into force, the value of UGX 10,000 was quite significant. However, the purchasing power of UGX 10,000 in 1997 and the UGX 10,000 today are miles apart. This renders this provision in the law practically redundant today. |
| Proposed Measure(s) | We propose to increase the benefits relief under section 19(2)(f) to UGX 100,000 from UGX 10,000. The amended S.19(2)(f) would then read as follows;<br><i>“Any benefit granted by the employer to the employee during a month, where the total value of the benefits provided by the employer to the employee for the month is less than <b>one hundred thousand shillings</b>”;</i>                            |
| Justification       | This will align the purpose of this provision in the law with current economic realities.                                                                                                                                                                                                                                                                                                                        |

## 7. CONSIDER TAX EXEMPTION ON EMPLOYER-SPONSORED WELLNESS ACTIVITIES

| Issue                      | Tax Exemption on Employer-Sponsored Wellness Activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <b>Current Law</b>         | The Income Tax Act (Cap. 340) establishes a valuable precedent under Section 19(2) by exempting from tax certain staff benefits such as meals provided by an employer to all employees on equal terms. This policy effectively encourages businesses to invest equitably in employee welfare without imposing a tax burden that would deter participation or provision.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Challenge(s)</b>        | <ul style="list-style-type: none"> <li>• In today's modern workforce, the focus on employee well-being has expanded to include preventative health measures. Employers are increasingly being asked to offer access to wellness activities such as gym subscriptions, swimming, aerobics, spinning, and dance classes to enhance physical and mental health, boost immunity, and reduce the risk of lifestyle diseases like diabetes, hypertension, and chronic back pain.</li> <li>• However, unlike the provision of meals to all staff, which is expressly exempt from tax, the provision of wellness activities is not clearly recognized as exempt or as an allowable expense for the employer. This gap in the law has led to inconsistent treatment, with some employers applying different interpretations while others have opted not to provide such wellness support.</li> </ul>                                                      |
| <b>Proposed Measure(s)</b> | <ul style="list-style-type: none"> <li>• We propose an amendment to Section 19(2) of the Income Tax Act (Cap. 340) to include a new paragraph expressly exempting employer-provided wellness support that is offered to all employees on equal terms.<br/> <i>The new clause would read as follows:</i><br/> <u>Section 19(2)(i) “the value of any employer-provided wellness support offered to all employees on equal terms”</u><br/> <u>Section 19 (9)“For avoidance of doubt, wellness support may include mental and physical wellness support through yoga, meditation, counseling, and fitness classes; preventative healthcare like screenings and flu shots; and programs focused on financial literacy, work-life balance, and substance abuse prevention.”</u> </li> <li>• In addition, we recommend that Section 23 be amended to expressly allow the employer to deduct the related expenditure as an allowable expense.</li> </ul> |

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|                      | <ul style="list-style-type: none"> <li><i><b>The revised clause would read as follows:</b></i><br/> <b>Section 23</b> “A deduction is allowed for expenditure incurred by a person in providing meals, refreshment, entertainment, or <u><b>wellness support</b></u> in the production of income included in gross income....</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Justification</b> | <ol style="list-style-type: none"> <li>Granting an explicit exemption would encourage employers to invest equitably in preventive healthcare initiatives, such as wellness activities, for their staff without imposing a tax burden that would deter participation or provision.</li> <li>It would also streamline the tax treatment of these benefits and the associated expenses, creating uniformity and certainty for both employers and employees.</li> <li>The proposal aligns with the government's broader public health priorities and delivers significant economic and social benefits, including: <ul style="list-style-type: none"> <li><b>Improved Health and Productivity:</b> Wellness initiatives enhance both physical and mental well-being, reduce stress-related illnesses, and contribute to a more productive workforce.</li> <li><b>Reduced Healthcare Costs:</b> Preventive wellness programs lower the long-term burden on the national healthcare system by curbing lifestyle-related diseases.</li> <li><b>Employer Incentive:</b> Clear exemption and deductibility provisions would encourage employers to provide these benefits, while minimizing the risk of employees opting out due to higher effective costs.</li> <li><b>Equal Access:</b> Ensuring that such benefits are exempt from PAYE promotes inclusivity by making them accessible to all employees, not just senior staff.</li> <li><b>Policy Consistency:</b> The proposal supports national objectives of boosting productivity, strengthening preventive healthcare, and reducing future public health costs.</li> </ul> </li> </ol> |

## 8. REVIEW THE TAXATION OF INSURANCE BUSINESS

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| <b>Issue</b>       | <b>Taxation of Insurance Business</b>                                                           |
| <b>Current Law</b> | Section 16 of the ITA provides for the tax treatment of income arising from insurance business. |

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| <b>Challenge(s)</b>        | <ul style="list-style-type: none"> <li>Whereas the Insurance Act defines reinsurance business and reinsurance contracts, the Income Tax Act does not provide for the definition of reinsurance businesses or the treatment of reinsurance business or reinsurance contracts.</li> <li>We also note that insurance agents' commissions are subject to withholding tax and then included in their gross income for further assessment, unlike bank/mobile money agents, where withholding tax is treated as a final tax. This creates inequity and discourages the distribution of insurance agents.</li> </ul>                                                                                                                                                                                                                                                                                                                 |
| <b>Proposed Measure(s)</b> | <p>To address these challenges, we propose:</p> <ul style="list-style-type: none"> <li>Amendment of Section 16 of the ITA to include a definition of reinsurance business (same as that included in the Insurance Act, Cap. 191) and provide for the tax treatment of reinsurance business. The new subsection to read as follows:<br/> <i>S.16(3) "reinsurance business" means the business of undertaking liability as a reinsurer under reinsurance contracts;</i><br/> <i>"reinsurance contract" means an insurance contract under which one insurer, called the reinsurer, indemnifies, or otherwise compensates, another insurer, called the cedant, against losses on one or more contracts of insurance entered into by the cedant;</i> </li> <li>Amend the Act to provide that withholding tax on insurance agent commissions is treated as a final tax, like the treatment for bank/mobile money agents.</li> </ul> |
| <b>Justification</b>       | <ul style="list-style-type: none"> <li>The tax treatment for reinsurance business provided for in the Act is only in respect to non-resident persons. The tax treatment of resident companies is not included. This is likely to give rise to double taxation, especially where tax has been accounted for on the insurance contract, but must be accounted for again on the reinsurance contracts.</li> <li>The proposal on insurance agent commissions promotes fairness and consistency in taxation across financial sector intermediaries. It also encourages more individuals to join insurance agency work, thereby boosting insurance penetration and reducing the unemployment rate in the country.</li> </ul>                                                                                                                                                                                                        |

## B. VALUE ADDED TAX ACT, CAP.344

### 9. REPEAL VAT WITHHOLDING

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| Issue               | The Burden of VAT Withholding Agents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Current Law         | In 2018, the VAT Act was amended in S.5 to introduce VAT withholding.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Challenge(s)        | The VAT withholding mechanism not only created cash flow challenges for VAT-compliant taxpayers but also extended an administrative cost, including system design costs, to taxpayers who do not deal in taxable supplies. This, in turn, increased the cost of doing business, especially given that such taxpayers are already designated withholding agents under the income tax.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Proposed Measure(s) | We propose to amend S.5 of the VAT Act by <i>repealing</i> provisions relating to VAT withholding.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Justification       | The introduction of EFRIS has since eliminated the challenges faced by the URA in tracing VAT-registered taxpayers who charge VAT but do not declare it, and the URA could hardly track such transactions. The Income Tax Act was amended to ensure that businesses that purchase from VAT-registered taxpayers are issued with EFRIS invoices. The Tax Procedures Code Act also introduced heavy penalties for non-compliance with EFRIS. We therefore believe that the VAT withholding mechanism currently creates only an administrative cost burden for compliant taxpayers, without providing significant value to the compliance ecosystem. The resources that URA is currently deploying to monitor compliance with VAT withholding could be better utilized in other areas that add value and contribute to revenue mobilization/compliance. |

### 10. REVIEW THE ANNUAL VAT REGISTRATION THRESHOLD

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| Issue       | The Annual VAT Registration Threshold under Section 7(2) of the VAT Act                                               |
| Current Law | Section 7(2) of the VAT Act provides for an annual registration threshold of one hundred and fifty million shillings. |



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| <b>Challenge(s)</b>        | <p>a) The current VAT registration threshold of taxable sales of UGX 150 million per annum was last revised in 2015 (about 10 years ago) from the initial UGX 50 million per annum.</p> <p>b) The rise in inflation over the years and the increase in the cost of doing business make the current threshold of UGX 150 million too low for VAT registration. A low VAT registration threshold has the following implications:</p> <ul style="list-style-type: none"> <li>Increases the cost of compliance for small taxpayers who may not have the resources and systems to meet the standards of VAT compliance. This also increases the risk of VAT revenue loss.</li> <li>Increases the cost of tax administration for URA as more staff would be needed to vet registration, track, and review compliance of a large pool of taxpayers who join the VAT register due to a low threshold. If the threshold is increased, the URA staff would be deployed to handle other areas of tax administration.</li> </ul>                                                                                                                                                                                                                                                                                       |
| <b>Proposed Measure(s)</b> | <p>We propose that the annual VAT registration Threshold be increased to UGX 500 million from UGX 150 million. The proposed new subsection 7(2) to read as follows:</p> <p><i>‘The annual registration threshold is <b>five hundred million shillings.</b>’</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Justification</b>       | <p>The rationale and advantages of the Proposal include:</p> <ul style="list-style-type: none"> <li>Reduced Administrative Burden for Small Businesses - many small and medium enterprises (SMEs) that barely cross the UGX 150 million turnover face significant compliance challenges. Increasing the threshold will relieve these smaller entities from the high cost of compliance, enabling them to focus resources on growth.</li> <li>Improved Tax Administration Efficiency - Uganda Revenue Authority (URA) expends considerable resources monitoring a wide base of small VAT-registered taxpayers who contribute marginally to VAT collections. By raising the threshold, URA can concentrate efforts on larger taxpayers who contribute the bulk of VAT revenue, improving efficiency and compliance monitoring.</li> <li>Encouragement of Business Formalization and Growth - the current threshold may discourage some businesses from expanding for fear of crossing the VAT registration line. A higher threshold will incentivize businesses to grow without prematurely facing compliance costs, ultimately leading to stronger and more sustainable enterprises.</li> <li>Alignment with Regional Practice - several countries in the region such as Tanzania and Kenya have</li> </ul> |

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|  | <p>adopted higher VAT thresholds in recognition of the disproportionate compliance burden on SMEs. Increasing Uganda's threshold to UGX 500 million will make the tax regime more competitive and business-friendly, enhancing Uganda's attractiveness for investment.</p> <ul style="list-style-type: none"> <li>• Neutral or Positive Revenue Impact - while it may appear that raising the threshold could reduce VAT collections, in practice, the contribution of small taxpayers near the UGX 150 million threshold is minimal relative to the administrative costs of monitoring them. The measure can, therefore, be revenue-neutral or even positive, given the efficiency gains and improved compliance among larger taxpayers.</li> <li>• The proposal will also align with the current cash basis accounting option for VAT set at UGX 500 million turnover and the UGX 500 million turnover requirement for having audited financial statements under the Tax Procedures Code Act.</li> </ul> |
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### **C. STAMP DUTY ACT, CAP. 339**

#### **11. EXEMPT REINSURANCE CONTRACTS FROM PAYMENT OF STAMP DUTY**

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| <b>Issue</b>               | <b>Exempt Reinsurance Contracts from Stamp Duty.</b>                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Current Law</b>         | Schedule 2 to the Act                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Challenge(s)</b>        | Currently, stamp duty is applied inconsistently, and there have been disputes (e.g., facultative reinsurance, intercompany placements like coinsurance), which increase compliance costs and legal uncertainty.                                                                                                                                                                                                                                                                   |
| <b>Proposed Measure(s)</b> | <p>We propose the following amendments:</p> <ol style="list-style-type: none"> <li>Exempt reinsurance contracts (both treaty and facultative Insurance) from stamp duty, since they are not direct insurance policies but risk-transfer mechanisms. This can be done by including reinsurance contracts under the definition of a policy of insurance.</li> <li>Item 48 of Schedule 2 can be amended to include reinsurance contracts at a NIL (zero) stamp duty rate.</li> </ol> |

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| <b>Justification</b> | The amendment would remove double taxation, lower the cost of doing business, and align Uganda with regional insurance practices (EAC markets). This will encourage the growth of reinsurance business, whereby companies will enter into reinsurance contracts without worrying about the double stamp duty to be paid. |
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#### **D. TAX PROCEDURES CODE ACT, CAP. 343**

##### **12. COMPANIES DEREGISTERED BY URSB**

| <b>Issue</b>               | <b>Companies deregistered by URSB</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| <b>Current Law</b>         | Section 18 of the TPCA provides for the power of the Commissioner General to require tax returns in certain cases. The section was included to make it mandatory for taxpayers to file returns where they are either out of business or cease to exist (death), or become bankrupt.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Challenge(s)</b>        | <p>However, there are scenarios where the registrar of companies at URSB can strike a company off the register of companies because the company has not filed annual URSB returns for 5 consecutive years. Once a company is struck off the register of companies, it becomes inexistent and cannot be held liable for any subsisting liabilities. It is neither bankrupt, wound up nor in liquidation. This means that the current section 18(1) of the TPCA doesn't apply to these companies. In 2023, 18,600 companies were struck off the register following a notice by URSB.</p> <p>Companies that seek to avoid accounting for taxes are likely to remain dormant and not file annual returns at URSB with the hope of being deregistered without undergoing the ordinary insolvency procedures.</p> |
| <b>Proposed Measure(s)</b> | <p>We propose the following:<br/> <i>Amend Section 18(1)(b) of the TPCA to include:</i><br/> <i>(b) The taxpayer has become bankrupt, wound up, or has gone into liquidation, or has been deregistered by URSB.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

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| <b>Justification</b> | To cover companies that have been deregistered by URSB so that they can be required to file tax returns the moment URSB strikes them off the register. |
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## **E. TAX APPEALS TRIBUNALS ACT, CAP. 341**

### **13. ALIGN APPEAL TO ALTERNATIVE DISPUTE RESOLUTION AND TAT TIMELINES**

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| <b>Issue</b>               | <b>Align Appeal to Alternative Dispute Resolution and TAT Timelines</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Current Law</b>         | Regulation 4(1) provides that:<br>“A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within seven days after being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Challenge(s)</b>        | <p>Currently, because the ADR process does not freeze the timelines for lodging a TAT Application for review, taxpayers make the TAT application alongside the ADR Application not to lose out on the opportunity to apply to TAT in case the ADR outcome is not positive. This dual application is not an efficient process as the taxpayer incurs more costs while URA and TAT resources are also made to address the same matter. There is also confusion for the taxpayers as to when to start counting the days as whether when they receive an email or a physical copy of the letter of the tax decision has been delivered to them. A taxpayer who chooses to apply for the alternative dispute resolution procedure should be able to freeze the time within which to apply to the Tax Appeals Tribunal for review of the objection decision.</p> <p>We have also observed that in practice, URA is rarely able to review the ADR application and conclude on it before the expiry of the TAT timelines of 30 days from the date of the objection decision. Sometimes, the URA will handle two ADRs under TAT mediation and the normal ADR process; and sometimes, the URA will decline to handle an application via ADR if the taxpayer has applied to TAT as well.</p> |
| <b>Proposed Measure(s)</b> | <p>We propose aligning the appeal to Alternative Dispute Resolution and TAT timelines:</p> <ul style="list-style-type: none"> <li>Amend Regulation 4(1) of the ADR Regulations to provide for applications to ADR to be made within 14 days and not 7 days.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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|                      | <ul style="list-style-type: none"> <li>Freeze the time for application for review of the objection decision by the TAT where a taxpayer applies for ADR.</li> </ul> <p>We therefore recommend the following amendments to read as follows:</p> <ul style="list-style-type: none"> <li><i>“A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within 14 days after being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure.</i></li> <li><i>For the avoidance of doubt, a taxpayer is served with a tax decision when the tax decision is delivered to the taxpayer or their representative in person or when a tax decision is sent by registered mail or email to the taxpayer’s known address.</i></li> </ul> |
| <b>Justification</b> | <ol style="list-style-type: none"> <li>This will help to avoid the duplication costs incurred when taxpayers make dual applications to ADR and TAT.</li> <li>This proposal also aligns with the purpose for which ADR was set up. 14 days provide a taxpayer enough time to decide to proceed with ADR. This is because the current 7 days disadvantage a taxpayer who intends to apply for ADR, especially where the decision is not served on the taxpayer on time or where the objection decision is served on the taxpayer’s portal without any other notification.</li> </ol>                                                                                                                                                                                                                                              |

## **F. EXTERNAL TRADE ACT, CAP. 69**

### **14. INFRASTRUCTURE LEVY OF 1.5% AND IMPORT DECLARATION FEES OF 1.0%**

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| <b>Issue</b>       | <b>Infrastructure Levy of 1.5% and Import Declaration Fees of 1.0%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Current Law</b> | <p>A recent amendment to the External Trade Act, Cap. 69 introduced new import levies: Infrastructure Levy of 1.5% and Import Declaration Fees of 1.0%, effective July 1<sup>st</sup>, 2025. The imposed levies are applicable on the Cost of the goods, Insurance and Freight (CIF) value of all imported goods, except the following;</p> <ul style="list-style-type: none"> <li>Goods and products prescribed in the Fifth Schedule to the East Africa Community Customs Management Act (EACCMA), 2004.</li> </ul> |

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|                            | <ul style="list-style-type: none"> <li>Plant and machinery as prescribed under chapters 84 and 85 of the East Africa Community Common External Tariff (EACCET).</li> <li>Goods under a special operating framework with the Government of Uganda, specified in the approved measures on import duty rates in the EACCET.</li> </ul>                                                                                                                 |
| <b>Challenge(s)</b>        | This development results in an additional import cost of 2.5% on Heavy Fuel Oil (HFO) imports, including HFO used for electricity generation at the Namanve Thermal Power Plant (TPP) for Uganda Electricity Generation Company Limited (UEGCL). This increase directly impacts the generation cost of thermal power, which in turn increases the end-user tariff of electricity. We note that previously, <u>HFO was exempt from import duty</u> . |
| <b>Proposed Measure(s)</b> | We therefore propose an exemption of the newly imposed levies for HFO used for electricity generation.                                                                                                                                                                                                                                                                                                                                              |
| <b>Justification</b>       | This would support efforts to maintain affordable tariffs, protect consumers, and ensure the continued viability of thermal power generation as a reliable energy source in Uganda's energy generation mix.                                                                                                                                                                                                                                         |

#### 15. FIFTH SCHEDULE OF THE EACCMA 2004

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| <b>Issue</b>        | <b>Fifth Schedule of the EACCMA 2004</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Current Law</b>  | Regarding the recent implementation of the Infrastructure Levy (IL) and Import Declaration Fee (IDF) as per the amended External Trade Act, 2025, and specifically the Fifth Schedule of the EACCMA, 2004, confirms that its exemptions, while containing some health-related items (e.g., diagnostic reagents, urine bags, raw materials for medicaments), are critically narrow and do not cover the vast majority of goods essential for daily healthcare delivery.                                                         |
| <b>Challenge(s)</b> | While we understand the government's objective to raise revenue for national development, the blanket application of a 2.5% combined levy on all non-exempt imports has severe, unintended consequences for the healthcare sector. This will directly increase the cost of essential medicines, medical equipment, and medical sundries (not on the exemption list), ultimately jeopardizing public health outcomes and straining an already burdened system. Our analysis of the Fifth Schedule of the EACCMA, 2004, confirms |

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|                            | <p>that its exemptions, while containing some health-related items (e.g., diagnostic reagents, urine bags, raw materials for medicaments), are critically narrow and do not cover the vast majority of goods essential for daily healthcare delivery.</p> <p>We fear that this might result in the following Negative Impacts:</p> <ul style="list-style-type: none"> <li>• <b>Increased Cost of Healthcare:</b> The 2.5% cost will be passed on to patients, private insurers, and government health facilities, making healthcare less affordable.</li> <li>• <b>Stock-outs and Reduced Access:</b> NGOs and mission hospitals operating on tight fixed budgets will be forced to import less, leading to shortages, especially in rural areas.</li> <li>• <b>Stifling of Local Manufacturing:</b> The goal of expanding local pharmaceutical production will be severely hampered.</li> <li>• <b>Contradiction of Policy Goals:</b> The taxes directly conflict with the objectives of the National Health Policy, the National Medicines Policy, and Uganda's commitments to global health security.</li> </ul>                                                                                            |
| <b>Proposed Measure(s)</b> | <p>We therefore recommend the following urgent amendments to the policy:</p> <p><b>1. Expand Exemptions to Cover All Essential Medical Goods:</b> We recommend that the Fifth Schedule of the EACCMA be amended to include a new, comprehensive category for "<b>Essential Medicines, Medical Devices, and Healthcare Supplies</b>" exempt from both the IL and IDF. This category should be explicitly defined to include:</p> <ul style="list-style-type: none"> <li>○ All medicines and vaccines registered by the National Drug Authority (NDA).</li> <li>○ Medical devices and equipment (e.g., ventilators, ultrasound machines, patient monitors, X-ray equipment, surgical instruments).</li> <li>○ Consumables and disposables critical for clinical care (e.g., syringes, gloves, catheters, sutures, infusion sets).</li> <li>○ Laboratory reagents and consumables for diagnostic testing.</li> </ul> <p><b>2. Exempt Inputs for Local Pharmaceutical Manufacturing:</b> Grant a full exemption from the IL and IDF for all <b>raw materials (APIs), excipients, packaging materials, and machinery</b> imported by NDA-licensed pharmaceutical manufacturers for the production of medicines.</p> |
| <b>Justification</b>       | <p>1. Healthcare is not a luxury but a fundamental right and a public good. Taxing life-saving commodities contradicts national health policy goals and the government's commitment to Universal Health Coverage. The current exemptions are fragmented and insufficient, leaving critical items exposed to</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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|  | <p>this new cost layer.</p> <p>2. This proposal is directly aligned with the government's Buy-Uganda-Build-Uganda (BUBU) and import substitution strategies. Applying these levies on manufacturing inputs undermines the competitiveness of local manufacturers against finished imported products, stifles industrial growth, and jeopardizes national health security by making local production more expensive.</p> |
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### **ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2026/27 NATIONAL BUDGET**

The Institute of Certified Public Accountants of Uganda (ICPAU) successfully held its 13<sup>th</sup> CPA Economic Forum (the Forum) from 9 - 11 July 2025 under the theme: “*Sustainable Growth: Transforming Today and Thriving Tomorrow*”. The Forum took place at the Imperial Resort Beach Hotel, Entebbe.

Uganda’s growth ambitions for the next 15 years are already underway, starting with NDP IV. The Journey is hinged on the Tenfold growth strategy, which focuses on the following areas: Agro-industrial Development, Tourism Development, Mineral-based Development (including oil & gas), and Science, Technology, and Innovation (including ICT & the Creative Industry). Through the National Development Plan, the government has committed to delivering the enablers for these focus areas, referred to as the “ATMS”.

Approaches to develop and harness the potential of these ATMs were considered and discussed at the 13<sup>th</sup> CPA Economic Forum. From the theme, 7 topics were selected for discussion, namely:

1. Green Economy and Climate Finance: Sustainable Policies and Strategies
2. Developing a Taxpayer Compliant Culture in Uganda
3. Contribution of Agricultural Research and Innovation to Social Economic Transformation
4. ICT for Sustainable Economic Growth & Transformation
5. Geopolitics and Trends in the Global Economy: Uganda’s Threats & Opportunities
6. Circular Economy: Rethinking Waste to Create Wealth
7. Culture and Creative Industry: Harnessing Gains for Economic Growth

We submit the ICPAU Economic Policy Recommendations, derived from the Forum discussions on these topics, as part of the profession’s efforts to contribute to the government’s budgeting process for FY 2026/27.

## **ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2026/27 NATIONAL BUDGET**

### **Green Economy and Climate Finance: Sustainable Policies and Strategies**

#### **Observation (s)**

Section 30 of the National Climate Change Act provides for climate change-responsive budgeting through the domestic & international mobilization of climate finance. The National Climate Change Policy of 2015 establishes the institutional framework for Climate Finance in Uganda and assigns specific roles. NDP IV's Strategic Direction points towards a financing strategy partly hinged on unlocking climate finance from domestic and international sources.

We note that while the government has set Climate Finance Ambitions for 2030 to support adaptation actions and mitigation, there is still a need for better alignment of an enabling policy framework to raise and deploy green finance in the economy.

#### **Proposed Policy Recommendations**

ICPAU recommends the following:

1. Urgent review of the Public Finance Management Act to provide for climate change-responsive budgeting, unlock private sector climate finance, and embed ESG and climate-related considerations into budgeting, investment appraisals, and overall PFM systems.
2. Support the implementation of Green Reporting Standards - ICPAU, as the national standard setter, adopted the IFRS Sustainability Disclosure Standards (S1 and S2), a global baseline for climate-related disclosures. The adoption of the Sustainability Disclosure Standards is hoped to improve climate-related disclosures among reporting entities, enhancing Uganda's climate finance readiness and the ability to attract investment through green bonds, blended finance, and international climate funds.
3. Enhance capacity to undertake carbon accounting and broad measurement, reporting, and verification (MRVs) to mitigate greenwashing. Engage finance professionals to support public and private institutions in identifying, tagging, and accurately tracking climate-related transactions.
4. Develop regulations for carbon markets, to attract incentives for private sector participation, and nurture partnerships that draw in international investment.

## Developing a Taxpayer Compliant Culture in Uganda

### Observation (s)

While the government has made some positive improvements in developing a tax-compliant culture in Uganda, the tax-to-GDP ratio is still below the Sub-Saharan average of about 18%. We believe this ratio can further be enhanced by improvements in legislation, tax administration, and overall focus on building trust among citizens through improved provision of both quantity and quality of public goods and services to the general public.

### Challenge(s)

- Public administration currently stands at 11% of the budget: FY2025/26 budget 8T out of 72T (11% of total budget / 22% of URA Tax revenue).
- Corruption in the country is dealt with more by words than by action. In China, a public official convicted of gross corruption faces fines, imprisonment, life imprisonment, and the death penalty in severe cases.
- Efficiency and effectiveness in the delivery of public goods and services are lacking, especially in the management of public contracts and payment of suppliers (current domestic arrears estimated over Ugx 10 trillion - though the amount for domestic arrears increased this FY 25/26 budget to 1.4 T from just 200Bn last year, the gap is still too high).
- The use of public funds for private business bailouts (what is the basis?) - ROKO, ATIAK Sugar etc
- Selective granting of tax exemptions favouring foreigners.

### Proposed Policy Recommendations

#### *Tax Law Improvements*

- Develop a long-term Tax Policy Framework for the country so as to ensure certainty and predictability in Uganda's tax system. Frequent tax law changes create uncertainty, confusion, and hinder long-term planning.
- Publish tax policy explanatory notes and public notices to help deal with ambiguities in tax laws, ensure correct interpretation of the laws and enhance compliance.
- Include tax education on citizen rights and obligations as part of the compulsory subjects in school curricula - both primary and secondary.
- Review the existing tax exemption regime to: eliminate exemptions that target high-income earners, such as Members of Parliament and the Judiciary; take stock of running exemptions; and introduce penalties for non-compliance with agreed terms for which the exemptions were granted.

#### *Strengthen Tax Administration*

- Professionalize revenue collection and administration - The capacity of the Tax Planning and Tax Policy Department at the Ministry of Finance, as well as the revenue officers, needs to be enhanced/improved.
- More technology should be adopted and integrated into Uganda's tax system to automate systems and improve processes, such as in audit (to create audit tools, data analytics); use of AI for tax risk mapping, audit area selection, etc, for speedy and efficient tax audits); in tax

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| <ul style="list-style-type: none"> <li>• Tax rates are very high and start at very low levels- both the income tax and VAT thresholds are very low.</li> <li>• Citizen/ public trust is low</li> <li>• Frequent tax law changes - there is no consistency and certainty in the tax policy for the country.</li> </ul> | <p>payments on mobile payment systems - mobile money, Pay Way, Visa, e.t.c, in engagements (say meetings); and records management (accept electronic records such as scanned documents to keep up with the times, as many businesses are now operating electronically).</p> <ul style="list-style-type: none"> <li>• Create Speciality industry audit experts for major sectors - Oil &amp; Gas, Financial Services, Insurance, Technology &amp; Telecom, Utilities, infrastructure, who understand those sector businesses better</li> </ul> <p><b><i>Build Citizens' Trust for improved Tax Compliance</i></b></p> <ul style="list-style-type: none"> <li>• Reduce public expenditure to 5% of the budget from the current 11% - at least expenditure should equal revenue (E=R) - tax revenue ought to be utilized on public goods and services.</li> <li>• Service Delivery standards that everybody understands should be developed and enforced. This will ultimately improve tax compliance.</li> <li>• The government should deal with corruption effectively and efficiently, including attaching properties of convicted corrupt public officials to make the risk of corruption very high as a preventive measure. Uganda has laws punishing corruption by fines, imprisonment, and asset confiscation, but challenges exist in implementation.</li> <li>• Legalise lifestyle audits and attach any assets above a public official's earnings. The office of the IGG should be strengthened in handling these cases.</li> <li>• Follow up on the Auditor General's findings related to abuse of public funds and punish the culprits.</li> </ul> |
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## Contribution of Agricultural Research and Innovation to Social Economic Transformation

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| <p><b>Challenge(s)</b></p> <p>Farming is a business, and so there is a need to shift it from informality to formality.</p> <p>To innovate for sustainable agriculture transformation, entities like the National Agricultural Research Organisation (NARO) were established. NARO's sustainability should be improved in all aspects: Financial sustainability, Institutional sustainability, Human resource stability, and Functional partnerships &amp; collaborations.</p> | <p><b>Proposed Policy Recommendations for Accelerating Agri-Tech Commercialization:</b></p> <ul style="list-style-type: none"> <li>• Address the deficit in structural policies. If industrialization has been highlighted as one of the key growth areas in the first year of implementing the Fourth National Development Plan (NDP IV), then deliberate policy to build an industrial base and opportunities for value addition, particularly for agro-industrialization, should be put in place.</li> <li>• Link budget funding to measurable outcomes and align investment mechanisms with traceable, results-driven outputs within the National Development Plan to ensure accountability and tangible impact.</li> <li>• Embed technologies into policy and strategic interventions by integrating proven agricultural technologies into national policies and programs, and prioritize their adoption to maximize socio-economic returns and drive systemic change.</li> <li>• Establish AgroTech Parks as innovation hubs and centers of excellence to drive innovation, encourage spin-off industries, and foster collaboration between research, academia, finance, and entrepreneurship.</li> </ul> |
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## ICT for Sustainable Economic Growth & Transformation

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| <p><b>Challenge(s)</b></p> <p>The National Development Plan (NDP IV) emphasizes the pivotal role of Information and Communication Technology (ICT) in</p> | <p><b>Proposed Policy Recommendations</b></p> <ol style="list-style-type: none"> <li>1) Extend broadband ICT infrastructure coverage country-wide.</li> <li>2) Connect Government service delivery units on the broadband ICT infrastructure to improve Access and Inclusion.</li> </ol> |
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| <p>accelerating sustainable economic growth and transformation as stipulated in the objectives of the Plan and Strategic interventions set by all programmes.</p> <p>While the country has progressed in building ICT infrastructure, there is still a big knowledge gap</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>3) Accelerate Data-Driven Decision-Making through automation and integration of government services.</p> <p>4) Deploy digital shared services across government to improve efficiency.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p style="text-align: center;"><b>Geopolitics and Trends in the Global Economy: Uganda's Threats &amp; Opportunities</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>Observations/ challenges</b></p> <ul style="list-style-type: none"> <li>• Geopolitical trends - political tensions/ instabilities disrupting global supply chains and commodity price volatility, unilateralism, and shifts towards protectionism affecting market access.</li> <li>• Global technological trends - AI, digital technologies, and connectivity, pointing to new business capabilities.</li> <li>• Environmental trends - climate change and extreme weather events are affecting food security globally, and climate policy shifts.</li> <li>• Societal and economic trends - demographic shifts (aging population in industrialized countries vs youth booms in less developed ones and a high dependency ratio), emerging markets, labour mobility, remittance inflows, currency dynamics (influencing imports and cost of debt servicing), and increasing public debt, are all impacting the cost of living and production, investment destinations.</li> </ul> <p>These trends present risks/ threats to Uganda's economy</p> <ul style="list-style-type: none"> <li>- Reduced Foreign Direct Investments, posing financing constraints to government development projects.</li> </ul> | <p><b>Proposed Policy Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Consider infrastructure bonds to finance government development/ capital expenditure.</li> <li>2. Mobilise domestic resources for public investment to reduce on public debt.</li> <li>3. Develop a trade-hub to harness our trade potential further and explore opportunities in the Africa Continental Free Trade Area Initiatives.</li> <li>4. Consider skilling and innovation for the booming youth - trade skills at the level required for the economy.</li> <li>5. There is need to invest in climate adaptation, digital connectivity, and cyber-security to protect key sectors and services;</li> </ol> |

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| <ul style="list-style-type: none"> <li>- Imported inflation, resulting in increased cost of living and production.</li> <li>- Regional instability, which disrupts trade routes and market access.</li> <li>- Vulnerabilities to global shocks causing commodity price swings.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p style="text-align: center;"><b>Circular Economy: Rethinking Waste to Create Wealth</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>Challenge(s)</b></p> <p>A circular economy is an economic system based on eliminating waste, circulating products and materials, and regenerating nature (a shift from the traditional take-make-dispose model).</p> <p>The biggest problem in the circular economy is the limited recycling infrastructure. Research has shown that in low-income countries, 93% of waste is burned or dumped (compared to only 2% in high-income countries). Uganda produces about 600 tonnes of plastic waste every day (PET bottles are the most problematic type of plastic waste in Uganda), and only about 6% of this is collected. The rest is burned or dumped, causing environmental and health issues.</p> | <p><b>Proposed Policy Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Provide Tax Incentives for Recycling for recycling &amp; other green businesses: <ul style="list-style-type: none"> <li>• <b>Import duty exemptions</b> for specialized recycling equipment not available locally.</li> <li>• <b>Zero-rated VAT</b> on recycled products and machinery used in plastic waste processing.</li> </ul> </li> <li>2. The government should help to support entities with certification, particularly UNBS, to create recycling-specific product standards that balance quality and sustainability.</li> <li>3. Targeted Government Support &amp; Green Innovation Grants <ul style="list-style-type: none"> <li>• Introduce <b>competitive green innovation grants</b> targeting plastic recycling and employment creation.</li> <li>• Support access to affordable land or factory space.</li> </ul> </li> </ol> |
| <p style="text-align: center;"><b>Culture and Creative Industry: Harnessing Gains for Economic Growth</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>Observation(s)</b></p> <p>The creative industry, also known as the “orange economy,” includes aspects like: Visual art, cultural Heritage, exhibitions, music,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p><b>Proposed Policy Recommendations</b></p> <ol style="list-style-type: none"> <li>1. The government should update the Creative-related laws to reflect the current realities.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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| <p>performance, film, radio, television, publishing, advertising, design, fashion, and digital content. The industry offers opportunities, including employment (6.2% globally); preservation of heritage, tourism benefits; education; social cohesion; and scalable, sustainable economic opportunities, among others. The spin-off effects of the culture and creative economy into other sub-sectors of the economy, like Telecoms, Banking, Insurance, and Accountancy, among others, are enormous.</p> <p><b>Challenge(s)</b></p> <ul style="list-style-type: none"> <li>• That notwithstanding, Uganda should be alert to protect its heritage from the international opportunists. For example, the backcloth was patented in Germany, and yet it is believed to be a Ugandan fabric.</li> <li>• There is still a financing challenge for the industry, yet the creative economy has a lot of capacity to generate revenue.</li> <li>• The current intellectual property law in Uganda is too generalized and should be made more specific. We believe there is a need for an independent policy for the creative industries. This policy should also be broad enough to bring out the different aspects of culture in the industry.</li> <li>• Currently, creative aspects are handled across various Ministries, Departments, and Agencies (MDAs), that is, Tourism, Justice, ICT, Gender, Culture, and Finance, among others. In so doing, they end up not being focused.</li> </ul> | <ol style="list-style-type: none"> <li>2. Establish a much more focused and coordinated Arts Council to bring together all aspects of creatives into one place.</li> <li>3. Government should work with the private sector (Public Private Partnerships) to design, develop, and operationalize “<b>Creative Cities</b>”. These are cities designed with the background of our indigenous culture or customs of that area.</li> <li>4. Government should deliberately increase the funding dedicated to the Culture and Creatives Economy, including investing in infrastructure relating to the culture and creatives economy should also be improved.</li> <li>5. Encourage and promote academic research and documentation regarding culture and creative arts in addition to teaching culture-related concepts in schools.</li> </ol> |
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