

TAX

Trade disruptions, smuggling may stand in URA's Shs36 trillion target

Smuggling surges, tax disparities widen, and global shocks disrupt trade, leaving URA's revenue target hanging in the balance.

Tax collections. |

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A surge in smuggling is piling pressure on Uganda Revenue Authority (URA), casting doubt on its ability to meet the Shs36.74 trillion domestic revenue target.

At the Customs department's central warehouse, seized goods now spill onto verandas, evidence of the scale of illicit trade. The confiscated items include textiles, garments, fuel, fully assembled motorcycles and spare parts, rice, cigarettes, and mobile phones.

The overflow reflects a growing problem of smuggling and under-declaration, which is undermining revenue mobilisation despite intensified enforcement. URA has deployed armed security, speed boats, patrol vehicles, and technology to curb the vice, but the challenge persists.

Rising concerns

URA already reported a Shs1 trillion (\$272m) shortfall in the first half of the financial year ending December 31, 2025.

Ongoing geopolitical tensions, particularly the escalating Gulf conflict, are dis-

rupting global trade flows and are expected to reduce imports, directly affecting trade tax collections.

Already, traders dealing in sharia garments reported stockouts last week, with prices jumping from Shs180,000 to Shs250,000. Uganda heavily relies on imports from UAE for electronics such as mobile phones and laptops, making it vulnerable to such disruptions.

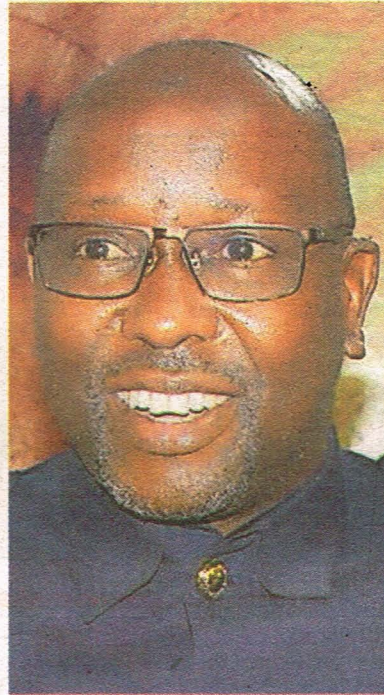
URA itself projects a decline in imports, a worrying trend for Customs, which has a daily collection target of Shs60b. The department missed its first-half target by 3 percent and had only achieved 47 percent of its expected collections in the first half of the financial year.

The threat of smuggling

URA enforcement data shows that goods worth Shs95.3b were seized in the 2024/25 financial year, surpassing the target in value terms.

However, Uganda's own tax policies are partly to blame. Differences in tax rates between Uganda and its neighbours, particularly South Sudan, DR Congo, Kenya, and Tanzania, are incentivising cross-border smuggling.

"Tax disparities are fueling cross-bor-



Asadu Kigozi Kisitu says tax disparities are fueling cross-border smuggling into Uganda. PHOTO/FILE

der smuggling," says Asadu Kigozi Kisitu, commissioner for customs management, pointing to South Sudan and DR Congo as major sources.

Border districts, authorities say, confirm this trend. For instance, Tororo deputy RDC Albert Amula identifies Kenya as a major source of smuggled goods, while URA's assistant commissioner for enforcement, Godson Mwesigye, cites Tanzania as another key entry point.

Key smuggled goods

Motorcycles are among the most smuggled items. In northern Uganda alone, 500 units have been seized, according to Simon Tumwesigye Karokora, URA's manager for enforcement and border control in the region.

A motorcycle costs about Shs3.5m in South Sudan or DR Congo, compared to Shs5.5m in Uganda, which is further worsened by high registration fees of about Shs785,000. Fuel smuggling is also widespread.

But policy challenges also fuel smuggling. For instance, textiles and garments are heavily taxed in Uganda, attracting specific duties of \$2-\$2.5 per kilogramme, plus 18 percent VAT and 15 per-

cent withholding tax. To evade some of these taxes, some of which are only charged by Uganda, traders often declare goods as transit cargo destined for DR Congo or South Sudan, only to smuggle them back into the country in smaller quantities.

Rice is another major concern. Despite high protectionist tariffs; 75 percent or a specific rate per metric tonne under the Common External Tariff, cheap Asian rice still finds its way into Uganda.

Thus, with rising smuggling, weakening import volumes, and global trade disruptions, URA faces an increasingly difficult path to meeting its revenue targets.

Unless structural tax disparities and enforcement gaps are addressed, URA's Shs36.74 trillion goal may remain out of reach.

Key figures

Shs95.3b

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