



**BUDGET 2026/27**

Kampala City Traders Association has expressed concern over the proposed tax amendments for the 2026/2027 financial year, arguing that the amendments could strain businesses, **Moses Kigongo** writes.

**T**raders under the Kampala City Traders Association (KACITA) have raised concern over the proposed tax amendments for the 2026/2027 financial year (FY), warning that the new measures could strain businesses across key sectors of the economy.

"We are already operating on very thin margins. Every new tax introduced eats directly into our survival," said Issa Ssekito, the chairperson of KACITA, during a press conference they held shortly after presenting the association's memorandum to Parliament on Monday.

"We have members who used to bring in two to four containers, but now they can only afford groupage cargo because of the rising tax burden," he said.

Ssekito's concerns were echoed by individual traders, including Ismail Kaddu, a textiles dealer operating in Kampala's Kiyembe business area, who said the proposed measures could worsen an already fragile situation.

"Costs are already too high. When taxes go up, everything else follows, including transport, rent and even the final price to the customer. In the end, it is the trader and the consumer who suffer," he said.

The concerns come as KACITA formally submitted its memorandum on the tax amendment Bills for the FY2026/2027, presenting the consolidated views of

# WHY KACITA IS URGING REVIEW OF NEW TAX PROPOSALS

PHOTO BY HANNINGTON NKALUBO



Mwanje (left), Ssekito, and Kaddu addressing the media on the proposed tax amendments at their offices on Royal Complex, along Market Street in Kampala on Monday

a business community that represents over three million members, including micro, small and medium enterprises (MSMEs), manufacturers, importers, exporters and service providers.

Among the most contentious proposals is the introduction of a 10% withholding tax on telecom and digital agents, a 0.5% alternative minimum tax and a 6% withholding tax on entertainers and non-business assets.

"These taxes may look small on paper, but in practice they are significant. They directly reduce incomes, especially for young people in the digital and creative economy," said KACITA chief executive officer Abel Mwesige.

He added that the alternative minimum tax, though relatively low, could still place an additional burden on businesses operating on



**KACITA has called for a balanced and inclusive tax policy framework that considers the realities faced by businesses.**

minimal profits.

"For a business that is just surviving, even a small additional tax can make the

difference between staying open and closing shop," Mwesige said.

KACITA is now urging government to review and reduce the proposed withholding tax rates, exempt MSMEs from some of the measures and reconsider the implementation of the alternative minimum tax to allow businesses to stabilise and grow.

On value added tax, Ssekito welcomed the proposal to raise the registration threshold from sh150m to sh250m, but argued that it does not go far enough.

"This is a positive step, but it is still below what businesses need to breathe. We believe the threshold should be raised to at least sh1b to meaningfully reduce compliance pressure on small traders," he said.

The association is also advocating for a reduction in the value added tax rate from

18% to 16%, arguing that the current rate contributes to the high cost of goods and undermines competitiveness within the region.

Traders also expressed concern over proposed increases in excise duties on essential goods such as fuel, sugar, cooking oil, cement, plastics and motorcycles, warning that the impact will be felt across the entire economy.

"As a trader, when transport costs go up, everything else goes up. The customer cannot afford higher prices and we cannot absorb the losses. It becomes a losing situation," Kaddu explained.

KACITA spokesperson Asuman Mwanje cited the example of motorcycles, where excise duty is set to rise from sh200,000 to sh500,000 per unit.

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# PROPOSED TAXES EXPECTED TO GENERATE SH1.741 TRILLION

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"This is not just about traders. Motorcycles support thousands of livelihoods in transport and delivery services. Increasing taxes at that level will disrupt many people's income streams," Mwanje said.

He called on government to adopt a phased approach to tax increases and prioritise relief on essential goods to cushion both businesses and consumers.

While acknowledging government's efforts to strengthen domestic revenue mobilisation and economic growth, the traders argued that the timing of the proposed measures is problematic, coming at a time when businesses are still grappling with high operating costs, limited access to affordable financing, foreign exchange volatility and reduced consumer purchasing power.

According to the finance ministry, the proposed tax measures are expected to generate about sh1.741 trillion, with an additional sh3.164 trillion projected from administrative interventions by Uganda Revenue Authority, contributing to a projected revenue effort of 15.5% of gross domestic product.

However, KACITA leaders insist that increasing tax pressure in the current environment could have unintended consequences.

"When you overtax a struggling business community, you risk pushing people out of the formal system. Instead of increasing revenue, you end up shrinking the tax base," Ssekito warned.

Concerns were also raised about proposed changes under the Stamp Duty (Amendment) Bill, 2026, particularly the introduction of additional charges on motor vehicle transactions and increased land-related fees.

"These are the kinds of costs that discourage people from investing or expanding. For small businesses, every additional charge matters," Ssekito said, pointing to the newly proposed sh50,000 stamp duty on motor vehicle transfers as an example of cumulative cost pressures.

Similarly, proposals under the Traffic and Road Safety (Amendment) Bill, including reducing the vehicle import age limit and introducing environmental levies, were criticised for likely increasing transport and logistics costs.

"Most small businesses depend on affordable second-



Traders at Nabukeera Plaza in Kampala removing flooded water from their shops after a heavy down pour that left many counting losses on March 6. Traders affected by the floods have asked government to compensate them for losses incurred. KACITA has called for proper verification to ensure the right beneficiaries are compensated

## THE PROPOSED TAXES

### ■ EXCISE DUTY CHANGES

- Fuel tax increased by sh200 per litre (petrol and diesel).
- Motorcycle registration excise duty rises from sh200,000 to sh500,000.
- Spirits tax increases from sh1,700 to sh3,500 per litre.
- Single-use plastics tax increased to 25% or 1,500/tonne (from 2.5% or \$70).
- Cement tax doubled from sh500 to sh1,000 per 50kg.
- Sugar tax tripled from sh100 to sh300 per kg.
- New tax on cooking fats (sh500 per kg or litre); cooking oil tax doubled (from sh200 to sh400 per litre)

### ■ STAMP DUTY ON LAND TRANSFER

- Land transfer tax increased from 1.5% to 3%.

### ■ NEW STAMP DUTY ON VEHICLE REGISTRATION

- Sh100,000 (regular cars)
- Sh200,000 (commercial vehicles)
- Sh50,000 (motorcycles)

### ■ TRAFFIC AND ROAD SAFETY

- Age limit for imported cars reduced from 15 to 13 years
- Introduction of an environmental levy on used

vehicles.

### ■ INCOME TAX

- 10% withholding tax on telecom/data agents' commissions.
- 0.5% minimum tax for businesses making losses over seven years.
- 6% withholding tax on non-business assets and public entertainers' income

### ■ VAT CHANGES

- VAT registration threshold increased from sh150m to sh250m.
- VAT exemption for hotel/tourism investors: \$10m (foreigners), \$5m (citizens) investment minimum.

### ■ EFRIS COMPLIANCE PENALTIES

Failure to use e-receipts/invoices:

- Penalty = double tax due or sh200,000 (whichever is higher).
- Same penalty applies for tampering with devices.

### ■ USED CLOTHING IMPORTS

- New 30% environmental levy on used clothes (based on CIF value).

### ■ IMPORT DUTY EXEMPTIONS

Exemptions on:

- Vaccines, medicines, medical supplies
- Agro-chemicals (pesticides, etc.)

hand vehicles. If you make them more expensive, you are directly affecting business operations," Mwanje noted.

### ■ EFRIS PENALTIES CONCERN

While KACITA welcomed the waiver of tax liabilities outstanding as of June 30, 2016, under the Tax Procedures Code (Amendment) Bill, it raised concerns about strict penalties linked to the Electronic Fiscal

Receipting and Invoicing System (EFRIS).

"Compliance is important, but it must be realistic. Many small businesses do not yet have the capacity to fully comply with EFRIS requirements. Penalising them heavily will only push them further into informality," Mwesige said.

### ■ KG-BASED TAX SYSTEM DECRIED

One of the most persistent

concerns raised by traders remains the kilogramme-based tax system applied to garments and textiles, which KACITA says has for years distorted the market.

Under the current system, taxes are charged at \$2.0 per kilogramme or 35% for textiles and \$2.5 per kilogramme or 35% for garments, whichever is higher.

"This system does not make

sense to us as traders," said Kaddu. "We buy goods based on quality and material and that is how we sell them. Taxing by weight ignores the real value of the product."

KACITA leaders argued that the approach is inconsistent with regional trade frameworks and has made Uganda less competitive compared to neighbouring countries.

"We are losing customers

from the region because they find better and more predictable tax systems elsewhere," Ssekito said.

The association warned that the system has also encouraged smuggling and informal trade, ultimately reducing government revenue rather than increasing it.

KACITA is now calling for the repeal of the kilogramme-based tax system and alignment with the East African Community Common External Tariff, which applies a 25% ad valorem rate.

### ■ COMPENSATION OF TRADERS

Beyond taxation, the association also addressed ongoing concerns surrounding the compensation of traders affected by recent floods in Kampala, where over sh20b has been earmarked by government.

Mwanje dismissed allegations that KACITA is interfering with the compensation process.

"We fully support the Government's decision to compensate affected traders. We have no problem with that process," he said.

"Our only concern is that the right people should benefit. There must be proper verification to ensure that those who actually suffered losses are the ones compensated."

Mwanje emphasised that the association's position is aimed at protecting public resources.

"This is taxpayers' money. If the process is not handled carefully, the funds risk being misallocated. We want transparency and accountability so that the intended beneficiaries are supported," he added.

KACITA has called for a balanced and inclusive tax policy framework that considers the realities faced by businesses, particularly MSMEs, which form the backbone of Uganda's economy.

The association urged the Government to strengthen stakeholder engagement, promote fairness and competitiveness and adopt phased, evidence-based tax reforms.

"Our goal is not to oppose taxation, but to ensure that it is fair and sustainable. When businesses grow, government revenue also grows," Ssekito noted.

KACITA reaffirmed its commitment to working with government and other stakeholders to build a tax system that supports business growth, job creation and long-term economic transformation.