CSOS BACK PROPOSED TAX INCREASES ON ALCOHOL, TOBACCO

Talibita

Nampewo

By Ali Twaha

Civil society organisations (CSOs) have welcomed a government proposal to raise taxes on cigarettes and beer as part of the 2025/26 tax amendment Bills before Parliament.

The finance ministry recently presented seven tax bills, including amendments to the Excise Duty Act, Value Added Tax Act and Income Tax Act, aimed at financing the sh72 trillion national budget.

Speaking to journalists on Sunday at Southern and Eastern Africa Trade, Information and Negotiations Institute (SEATINI) head office in Kampala, the groups argued that higher levies on alcohol and tobacco could reduce consumption, particularly among low-income groups, while generating critical revenue for public services.

"The spirit of raising is welcome but this increment will not impact price. It will help the Government get the needed revenues to mitigate the disease burden that these [products] bring onto the citizens," Moses Talibita, the legal officer of Uganda National Health Consumers' Organisation, said.

"The cancer, lung and heart institutes will remain underfunded if the Government continues to miss the opportunity to generate adequate revenue through effective tobacco taxation," he said.

Uganda, a signatory to the World Health Organisation(WHO) Framework Convention on Tobacco Control, has incorporated the treaty into national law through its Tobacco Control Act.

Talibita said amendments to the Act must align with Article 6, which emphasises using tax and pricing policies to significantly reduce tobacco use, particularly among young people.

Excise duties, which apply to locally-produced soft drinks, cigarettes and alcoholic beverages, are now at the centre of a government revenue drive.

The Government estimates that raising levies on beer and cigarettes will generate about sh19.4b in additional revenue.

The Bill proposes increasing the excise duty on locally manufactured beer from sh650 to sh900 per litre. For cigarettes, the levy would rise from sh55,000 to sh65,000 per 1,000 sticks.

HOW CSO LEADERS REACTED TO TAX AMENDMENTS

Aloysious Kittengo, the SEATINI programme co-ordinator, said: "While we acknowledge the proposed exemption of up to three years, we question its rationale.

"Based on market experience, startups typically reach a break-even point after approximately five years, depending on the nature of the business. Given this, we believe that a five-year period would be a more appropriate timeline to consider the introduction of taxation for startups."

John Kafuko, from Health for Tax Justice Network, said: "We welcome the tax exemption for startups with capital below sh500m. It is a timely and positive step that helps young entrepreneurs stabilise their businesses."

ALTERNATIVE REVENUE STRATEGIES

The CSOs suggest that to boost revenues, the Government needs to crack down on tax exemptions and illicit financial flows.

The group criticised the unjustified corporate tax incentives, citing a UN university study showing Uganda forfeits $42m annually, nearly 20% of its corporate tax receipts to exemptions for foreign investors. It urged lawmakers to implement a Tax Expenditure Governance Framework, currently delayed, to scrutinise and phase out ineffective breaks.

"We urge the Government to publish quarterly performance reports on tax-exempt beneficiaries. If conditions aren't met, taxes must be recovered. This ensures compliance and prevents revenue loss," Sophie Nampewo, the finance for development co-ordinator at Oxfam, said.

The Government also proposes waiving interest and penalties for outstanding tax liabilities as of June 30 last year provided taxpayers pay the principal by June 30, 2026.

The waiver is projected to raise sh200b. To support local small firms, the Government has suggested a three-year tax exemption for citizen-owned startups established after July 1.