



TAX JUSTICE
ALLIANCE
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**CSO ALTERNATIVE TAX PROPOSALS FOR
THE FY 2025/2026:
CONSIDERATIONS BASED ON FY 2025/2026 TAX
BILLS AND RELATED ARRANGEMENTS**

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INTRODUCTION.

Tax Justice Alliance Uganda (TJAU) was established in 2014 following the realization that it was important for CSOs in Uganda to come together and deliberate on tax issues and pool human, financial and technological resources for common and/or joint action. Since then, the Alliance has spearheaded civil society debate and engaged different stakeholders on tax issues in Uganda. The Tax Justice Alliance Uganda (TJAU) is a gradually growing network both in membership and the number of issues it covers. It currently has 54 members both at national and regional chapters across the country.

In August 2024, the Ministry of Finance Planning and Economic Development (MoFPED) officially invited the Tax Justice Alliance Uganda (TJAU), a coalition comprising over 54 members both at national and subnational levels, to submit collective Civil Society Organizations (CSO) Alternative Tax Proposals FY2025/26 for review and consideration. The CSO Alternative Tax proposals were developed following a series of consultative engagements with various stakeholders including a retreat that brought together members of the Tax Justice Alliance Uganda (TJAU), like-minded organizations and individuals. Furthermore, TJAU Secretariat (SEATINI-Uganda) organized a technical meeting during which CSO proposals were consolidated. This collaborative effort reflects a proactive engagement by CSOs and good working relationships with other likeminded organizations in shaping Uganda's tax and tax policy regime.

As the Tax Justice Alliance Uganda, we appreciate and recognise the efforts of the Government of Uganda, especially the Ministry of Finance Planning and Economic Development (MoFPED)-the Tax Policy Department (TPD) for endeavour to engage and provide space to the different stakeholders to contribute to Uganda's tax policy processes. We are cognizant of the steps taken in the development of tax and fair tax regime in Uganda. Nevertheless, out of the proposals submitted by the Tax Justice Alliance Uganda (TJAU) on 15th September 2024 to the Ministry of Finance Planning and Economic Development (MoFPED) to inform the Tax (Amendment) Bills for the FY 2025/26, the following proposals were put into consideration. The se include:

TAX PROCEDURE CODE ACT

Proposal Measure	Observation	Implication	Provision
Introduce a new Part XVII of the TPCA to create provision governing the Tax Ombudsman where service complaints (as opposed to legal complaints) against the tax authority can be submitted.	<p>DRMS 2019/20 - 2023/24 observes that "Uganda does not provide a credible avenue for taxpayers to vent their unresolved service, procedural, and administrative complaints, such as a Taxpayer Ombudsman or Advocate", (MoFPED, 2019). DRMS recommends the establishment of "...a separate Taxpayers Ombudsman function to investigate service-related complaints with clear rules, procedures, and implications... This function will improve URA's credibility, transparency, and accountability, as well as give taxpayers the confidence that administering tax laws is an objective process" (MoFPED, 2019).</p> <p>According to the DRMS Road Map in the URA Corporate Plan 2020/21 - 2024/25, a Taxpayers' Ombudsman is to be established in the year 2022/2023 (URA, 2020). However, the 2022 DRMS semi-annual report reveals that no progress had been made towards establishing this office (MoFPED, 2022). The institutions that currently have oversight over URA such as the Ministry of Finance, Office of the Auditor General, the Inspectorate General of Government, the Tax Appeals Tribunal and Parliament are unable to address the challenge of taxpayer service complaints for a number of reasons.</p>	The establishment of the Tax Ombudsman's role not only improves service delivery by the Uganda Revenue Authority (URA) but also helps prevent unnecessary litigation where efficient service could suffice. The Tax Ombudsman's authority is focused on engagement and negotiation with the URA rather than having the power to unilaterally override URA decisions. At the end of the year	<p>Section 79: Establishment of office of Tax Ombudsman There is hereby established an office to be known as Tax Ombudsman which shall be responsible for reviewing and addressing any complaint by a taxpayer regarding service, procedural or administrative matter arising during administering tax laws by the Commissioner.</p> <p>Section 80: Appointment of Tax Ombudsman (1) The Minister shall appoint a person with competent knowledge in tax administration matters to be a Tax Ombudsman.</p> <p>(2) The Tax Ombudsman shall be in charge of and carry out the functions of the Tax Ombudsman Office independently and impartially without interference from any institution, agency or department of the Government or any other person.</p> <p>(3) Notwithstanding subsection (2), the Tax Ombudsman's findings shall directly be submitted to the Commissioner General and the Minister as recommendations for the Minister's deliberations and directives.</p> <p>(4) The decisions or recommendations of the Tax Ombudsman shall not bind the Commissioner or the taxpayer whose complaint or matter formed the subject matter of such decision or recommendation.</p> <p>(5) The Tax Ombudsman shall submit a report of cases handled and resolved or pending to the Finance Committee of Parliament on annual basis. Neither the Commissioner nor the Minister will have any editorial control of the report submitted to Parliament.</p>

Consideration levels: The proposal was taken by the Ministry of Finance Planning and Economic Development (MFPED) for consideration, and they will engage the different stakeholders to input in process of establishing a Tax Ombudsman in Uganda. Establishment of a Tax Ombudsman will provide a credible avenue for taxpayers to vent their unresolved service, procedural, and administrative complaints and others thus reducing tax apathy.

Proposed measure	Observation	Implication	Provision
Review the Penalties Regime under the various tax heads to harmonize the penal tax regime with Section 95 (2)(b) of the TPCA	We note that while the TPCA stipulates that the penalties should not exceed one hundred twenty-five currency points (UGX 2,500,000) or one year imprisonment in case of any offences, various tax heads contain penal tax rates that exceed the prescribed 125 currency points and maximum imprisonment period under the section. For instance, Penal tax regime under section 93 of the TPCA in relation to e-receipting and invoicing attracts 300 currency points (UGX 6m) and 400 hundred currency points (UGX 8m) or 3 years imprisonment depending on the offence. The penal tax on tax stamps under section 21 attracts a maximum currency points of 2500 currency points (UGX 50m) and maximum prison time of 5 years point. And failure to use and forgery of e- receipting or invoicing attracts 1500 currency points (UGX 30m) in form of penal tax or 10-year maximum imprisonment. We note that while penal tax is supposed to raise the cost of non-compliance, the regime needs to be reviewed to set a maximum threshold that all penal taxes must conform to	The review of this section to create a consistency with Section 95 that sets the maximum penal tax for all offences.	All penalty provisions across various tax heads.

Consideration level: The Ministry of Finance Planning and Economic Development considered the proposal. The Amendment proposes to amend Section 93 of the principal Act, by substituting for the words "tax due on the goods or services, or four hundred currency points, whichever is higher.", the words "double the tax due on the goods or services."; and in subsection (2), by substituting for the words "tax due on the goods or services or three hundred currency points. whichever is higher." the words "double the tax due on the goods or services." This intends to solve the issue of payment of a fixed amount despite the value of Good (e.g. a good whose value was below the penalty).

STAMP DUTY ACT

Proposed measure	Observation	Implication	Provision
Remove Stamp Duty from Loan Instruments	In the Stamp Duty (Amendment) Act, 2020 Parliament removed Stamp Duty payable on several loan instruments including Debentures, Equitable Mortgages and Instruments for Loan. The purpose was to make access to loans more affordable following the COVID-19 challenges. However, Section 6 of the Stamp Duty Act provides that where an instrument comes within two or more descriptions, it will fall within the instrument chargeable with the highest duties. The result is that the most common loan instrument, that is the Mortgage Deed (as opposed to the Equitable Mortgage) is still chargeable to duty of 0.5% of the loan amount respectively. This has maintained the barrier to access to cheap credit.	Reduce the stamp duty chargeable on Mortgage Deeds (Paragraph 42 of the Second Schedule to the Stamp Duty Act) to NIL.	Item 42 of Schedule 2 to the Stamp Duty Act

Consideration of level: the proposal was considered by the Ministry of Finance Planning and Economic Development (MoFPED)-Tax Policy Department (TPD) and it was considered in the Tax Bills for the FY 2025/26. This will ease access to credit as well as reduce the costs.

VALUE ADDED TAX ACT

Proposal measure	Observation	Implication	Provision
Zero rate innovations like the improved cooker stoves (especially Ecoca) and other alternative equipment (VAT), especially	Of the total primary energy consumed in Uganda, 87 percent is attributed to biomass to meet cooking and heating needs. Less than 6 percent of Ugandans use clean cooking fuels, while around 95 percent rely on inefficient traditional cookstoves that require unsustainable amounts of firewood or charcoal. This dependence contributes to rapid deforestation, which in total is estimated to be 0.8 percent per annum or 50,000 hectares of forest per year across Uganda.	We note that making the improved cooking stoves cheaper will reducing dependence on biomass and increasing use of clean cooking will be integral in Uganda's mitigation efforts as subsidies lower the upfront cost of improved cooker stoves, making them more affordable for households.	Amend Schedule 4 of the VAT

Not only do traditional stoves negatively impact the health of women and children due to indoor air pollution from burning biomass, but they also increase the amount of time women spend on firewood collection which in turn limits the amount of time women could spend on other productive activities such as income generating activities, learn and education. For instance, the Ecoca <https://www.youtube.com/watch?v=LQm-aduBxPs> HYPERLINK "https://www.youtube.com/watch?v=LQm-aduBxPs" HYPERLINK "https://www.youtube.com/watch?v=LQm-aduBxPs" HYPERLINK "https://www.youtube.com/watch?v=LQm-aduBxPs" HYPERLINK "https://www.youtube.com/watch?v=LQm-aduBxPs" represents a versatile, self-sufficient residential cooking system powered by solar energy. The compact and lightweight design of the ECOCA allows and innovation (STI) including creative industries and ICT under the Tenfold strategy.

This encourages wider adoption, especially among low-income families. This is in line with the recommendation provided for in the Uganda's Energy Transition Plan of deploy specific incentives that cover both the adoption of new stoves and the acquisition of fuel, employing diversified approaches based on technologies and well targeted to households and communities most in need. This is particularly important for households currently relying on free collected biomass. This is also in line with the pillar 6 of the Updated Nationally Determined Contribution (NDC).

Consideration Level: the Government proposed to exempt the supply of biomass pellets" which intends to promote use of renewable energy which is cleaner and more environmentally friendly. For instance, the biomass pellets at airports used to power boilers that generate heat and electricity. This is also in support of clean energy.

RECOMMENDATIONS:

Despite ongoing efforts, it remains critical that the Government of Uganda continues to adopt tax policies that promote fairness and equity in revenue mobilization, ensuring that all citizens contribute proportionately to the national tax base. Additionally, the government should allocate sufficient time for comprehensive stakeholder consultations. Such inclusive and participatory engagement in the tax policy formulation process enhances public understanding, fosters a sense of ownership, and ultimately promotes voluntary tax compliance while reducing tax apathy.

CONCLUSION:

In the ongoing efforts to mobilize additional tax revenue, broaden the tax base, increase clarity and certainty, enhance tax compliance, support policy development priorities, promote savings and investment, encourage positive behavioral change, and seal loopholes that facilitate tax revenue leakages, it is essential to uphold the principles of equity, fairness, and certainty in tax policy formulation and implementation.

To this end, the Government of Uganda should prioritize effective taxpayer consultation during the review and analysis of tax amendments, while also enhancing taxpayer education and awareness. Increased awareness of tax obligations and the associated benefits fosters voluntary compliance and strengthens the relationship between taxpayers and the state.

We commend the Ministry of Finance, Planning and Economic Development (MoFPED), particularly the Tax Policy Department (TPD), for its inclusive approach in engaging stakeholders especially the Tax Justice Alliance Uganda (TJAU) in the formulation of Uganda's tax policies. This participatory process has led to greater understanding and appreciation of the tax policy cycle among civil society organizations (CSOs), the private sector, and citizens at large. Such collaboration is critical in promoting transparency and accountability in domestic resource mobilization (DRM).

The involvement of civil society in DRM processes plays a crucial role in advocating for fair, inclusive, and gender-responsive taxation, and in aligning fiscal policies with the broader objectives of public service delivery and sustainable development. This inclusive approach helps ensure that tax systems contribute to social equity, support national development goals, and create a more just and resilient economy.

As CSOs operating under the umbrella of the Tax Justice Alliance Uganda (TJAU), we remain optimistic that the consideration of our proposals will contribute to a fairer and more efficient tax system, enhanced revenue mobilization, and the realization of the national development aspirations outlined in the Fourth National Development Plan (NDP IV). NDP IV emphasizes growth through four strategic areas including Agro-Industrialization, Tourism Development, Mineral-Based Industrialization, including oil and gas, Science, Technology, and Innovation, including the knowledge economy (ICT).

We look forward to continued engagement with government agencies and stakeholders to support the development of equitable and effective fiscal policies that drive inclusive and sustainable economic transformation.

We the undersigned.

Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI) | Oxfam in Uganda | Civil Society Budget Advocacy Group (CSBAG) | Uganda Debt Network (UDN) | Water Governance Institute (WGI) | ActionAid International Uganda (AAIU) | Youth For Tax Justice Network (YTJN) | Citizens Watch Uganda (CEW-IT) | Eastern African Sub-regional Support Initiative for the Advancement of Women (EASSI) | Uganda Youth Network (UYONET) | Africa Freedom for Information Center (AFIC) | The Open Forum Initiative (TOFI) | Cyber Law Initiative (Cyber-Line) | Advocates Coalition for Development and Environment (ACODE) | Food Rights Alliance (FRA) | Uganda National Health Consumers Organization (UNHCO) | Rwenzori Anti-Corruption Coalition (RAC) | Transparency International Uganda (TIU) | Twaweza Uganda | Equality Now Uganda | Initiative for Social and Economic Rights (ISER) | Kick Corruption Out of Uganda (KICK) | Kanungu Community Efforts for Rural Transformation (KACOERT) | Gulu NGO Forum | Kalangala NGO Forum (KADINGO) | CEED | Forum For Rights Awareness and Monitoring-Uganda (FORAMO) | Mukono NGO Forum | Kitgum Women Peace Initiative (KIWEPI) | Yumbe NGO Forum | Nebbi NGO Forum | Arua NGO Forum | Mukono NGO Forum | Gulu NGO Forum | Public Affairs Center of Uganda (PAC-Uganda) | South Buganda Anti-corruption Organization | Community Empowerment for Rural Development (CEFORD) | West Nile Youth Empowerment Center | Koboko Civil Society Network (KOSCINET) | Advocates in Research and Development (ARID) | Forum for Women in Democracy (FOWODE) | Women & Girl Child Development Association (WEGCDA) | Agri Point | Resource Rights Africa (RRA) | African Center for Trade and Development (ACTADE) | CANU | Publish What You Pay (PWYP) | Institute for Social Transformation (IST) | Federation for Small and Medium Enterprises (FSME) | The Populace Foundation International (TPFI) | Climate Action Network – Uganda Environmental Management for Livelihood Improvement (EMLI Bwaise Facility) | Akina Mama wa Afrika (AMWA) | Touch a Heart | Jay mallow Foundation | Uganda Parliamentary Network on Illicit Financial Flows and Tax Justice (UPNIFFT).

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