

Uganda 2026 Budget Highlights

*Harnessing
Opportunities,
Navigating
Challenges*

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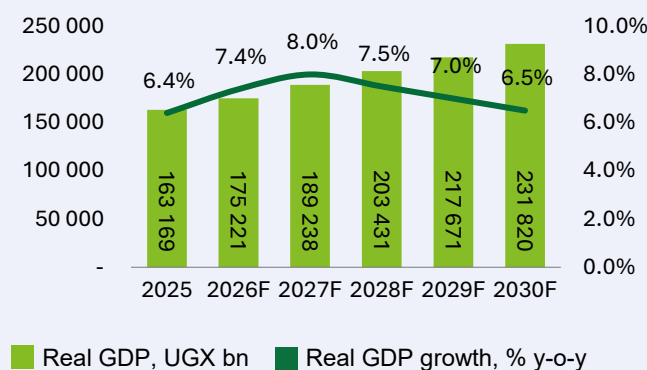


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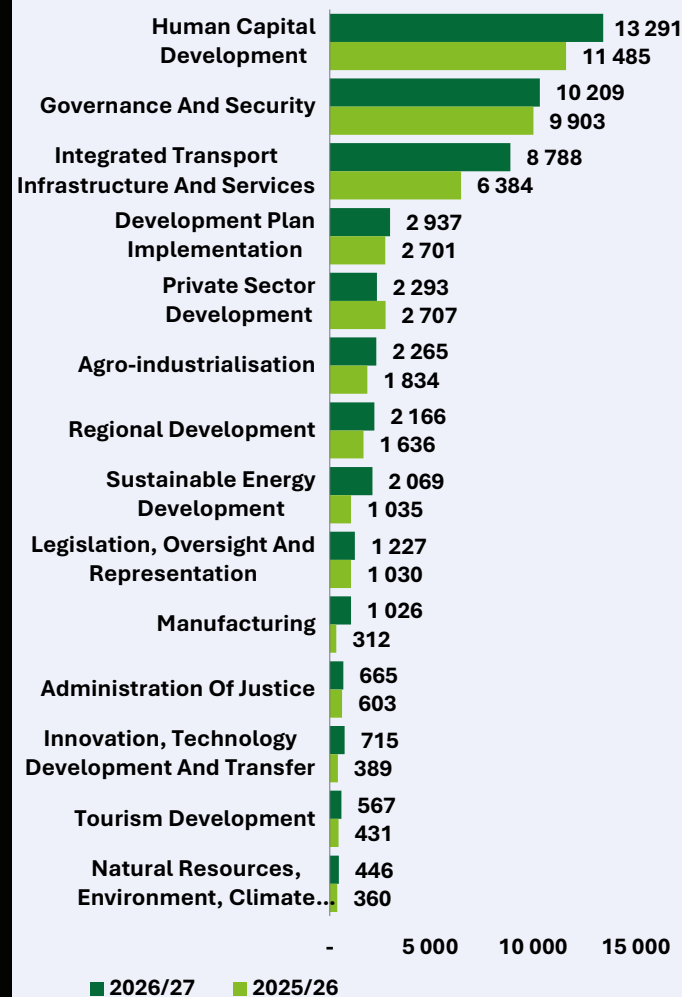
GDP growth

- Uganda's real GDP grew by 6.4% in FY2025/26, largely due to private consumption (4.5% contribution) and fixed investments (2.5% contribution). Agriculture and the services industry, particularly trade, significantly drove this growth.
- The government anticipates GDP growth to accelerate to 10.2% in FY 2026/2027, fueled by the start of commercial oil production. From 2026 to 2030, real GDP growth is projected to average 7.3% annually, with fixed investment driving growth in 2026 due to the EACOP pipeline and refinery completion. From 2027 onward, oil exports will be the primary growth engine, complemented by the agricultural sector.

Real GDP and growth rates, 2025-2030f

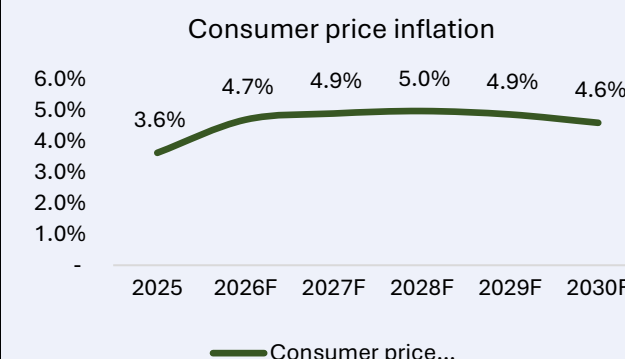


Budget allocation per sector



Inflation

- Uganda's headline inflation increased moderately from 3.3% in 2024 to 3.5% in 2025, primarily driven by higher non-core inflation resulting from rising commodity prices. In 2026, headline inflation is projected to reach 4.7%, mainly attributable to energy inflation. This increase is expected to stem from external supply pressures, particularly higher global oil prices linked to geopolitical tensions between the US and Iran.
- Headline inflation in 2027 is projected to rise marginally to 4.9%, largely due to imported inflation driven by strong demand for capital goods for oil sector development. This is expected to put pressure on the exchange rate, leading to currency depreciation and higher import costs.
- Headline inflation is projected to rise to 5.0% in 2028, mainly due to demand-side pressures from economic growth. However, a stable exchange rate, tight monetary policy, and easing global oil and food prices are expected to partially offset further inflationary pressures. Headline inflation is projected to decrease from 2029 largely due to a decrease in global and food prices.



Key tax changes

Value Added Tax (VAT)

- Increase in VAT registration threshold from UGX 150m to UGX 300m p.a
- Inclusion of nuclear energy in the Exempt supplies schedule
- Extension of ministerial powers to make regulations, prescribe the terms and conditions of payment of tax on inputs for the mining sector.

Tax Procedure Code (TPC)

- Reduction in penalty relating to tax stamps from the higher of double the tax on goods or UGX. 50m to the higher of double the tax on goods or UGX 2m.
- Waiver of historical tax debts plus penalties and interest accrued on those taxes that were outstanding as of 30th June 2016.
- Waiver of interest and penalty on payment of principal tax as of 30 June 2025, where the taxpayer pays the principal tax by 30 June 2027.

Income Tax Act (ITA) – Bill not yet passed into law

- Increase of tax-exempt income band for individuals from UGX. 235,000 to UGX. 335,000
- Extension of the Bujagali hydro power project exemption to 30th June 2032.
- Introduction of 5% WHT on interest on debentures issued offshore. This was previously exempt.
- An option for Individuals who earn rental income to file provisional rental income returns on a monthly basis. This will not replace the annual return filing.
- WHT at 6% on payments made to Public entertainers.
- WHT on Insurance Agents and Telecom Commissions paid is a final tax.
- Introduction of a tax holiday for developers of hotels and other ultra-luxury tourism facilities investing at least USD 10 million for foreign investors, and USD 5 million for Ugandan investors.

Excise Duty (ED) – Bill not yet passed into law

- Proposed increases in duty rates for spirits, cement and adhesives, fuel, cane or beet sugar, plastics, cooking oil, paints, varnishes and lacquers,
- Introduction of excise on cooking fat.

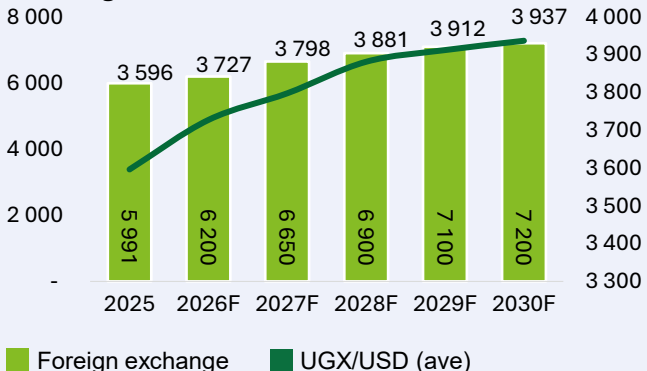
Traffic and Road Safety

- Permissible age limit for imported cars reduced from fifteen (15) years to thirteen (13) years from the year of manufacture.
- Progressive levy structure has been included for motor vehicles which are 9 years, 10 years, 11 years and 12 years old from the year of manufacture.

Exchange rate

- The exchange rate appreciated to UGX 3,596/USD in 2025 due to higher gold and coffee exports, increased foreign direct investment, and improved investor confidence. However, it is expected to depreciate to UGX 3,727/USD in 2026, driven by weaker investor sentiment in emerging markets and a widening trade deficit from rising global oil and fertiliser prices linked to the US-Iran conflict
- From 2027 to 2030, the shilling is projected to gradually depreciate, reaching UGX 3,937/USD by 2030, influenced by exchange rate movements, central bank actions, and import pressures, which may impact non-mining export competitiveness and foreign reserves.

Exchange rates, 2025-2030f



Public debt

- In 2025, Uganda's public debt rose to 54.3% of GDP, driven by increased government borrowing to finance the recently held elections and higher security costs. This was an increase over the previous year, reflecting ongoing fiscal pressures and challenges in meeting domestic revenue targets.
- The debt-to-GDP ratio is anticipated to increase marginally to 54.5% in 2026, as the government continues to borrow to finance budget deficits and major capital projects.
- However, from 2027 onwards, the government aims to reduce both external and domestic borrowing, supported by gradual fiscal consolidation and stronger nominal GDP growth. By 2030, public debt is forecast to decline to 49.4% of GDP, as improved fiscal management and rising oil revenues help to ease the overall debt burden.

Public debt, 2025-2030f

