

# PAYE Relief, Excise Pain: The Real Story of Uganda's 2026 Budget for Youth

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# A word from the Author



**“We believe the budget is the single most important policy document a government produces and that young people deserve to understand it, question it, and hold it to account.”**

This analysis was produced by the Youth and Tax Justice Network (YTJN) as part of our work to make Uganda's fiscal policy more transparent and youth-responsive. We believe the budget is the single most important policy document a government produces and that young people deserve to understand it, question it, and hold it to account. This piece draws on primary sources including the Budget Speech, tax amendment acts, parliamentary reports, UBOS data, the Auditor General's reports, and GSMA research. It is not an academic paper but an advocacy tool written to inform, provoke, and demand accountability. We welcome feedback and debate.

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# Introduction

On paper, Uganda's FY 2026/27 budget is a story of transformation-double-digit growth, commercial oil production, and a decisive push toward a \$500 billion economy by 2040. For the millions of young Ugandans watching, however, it reads very differently. It is a budget that asks them to pay more for fuel, more for food, more for cement, and more for the motorcycle that might have been their only path to self-employment while debt servicing consumes nearly 40% of everything the government collects.

[Uganda's FY 2026/27 budget](#) should not be read only as a list of revenue measures and sector allocations. It should be judged across the whole public finance chain: how the state mobilizes resources, how it allocates them, and how effectively it utilizes them. That is the only way to assess whether the fiscal choices made in this budget are fair, development-oriented, and credible.

The framework matters even more for young people because they experience the budget not only through formal taxation, but through the price of movement, communication, food, clothing, enterprise inputs, and public services. At the same time, the [Fourth National Development Plan \(NDPIV\)](#) identifies employment and entrepreneurship, education and skills, health and wellbeing, rights and empowerment, digital transformation, and transport infrastructure as core youth priorities within the period.



A youth-centred analysis of this budget must therefore ask several connected questions. Who is being taxed, through which instruments, and with what distributional effect? What sectors are receiving priority once the money is raised? And perhaps most importantly: what confidence do citizens have that public funds are being used efficiently, lawfully and in line with audit recommendations?

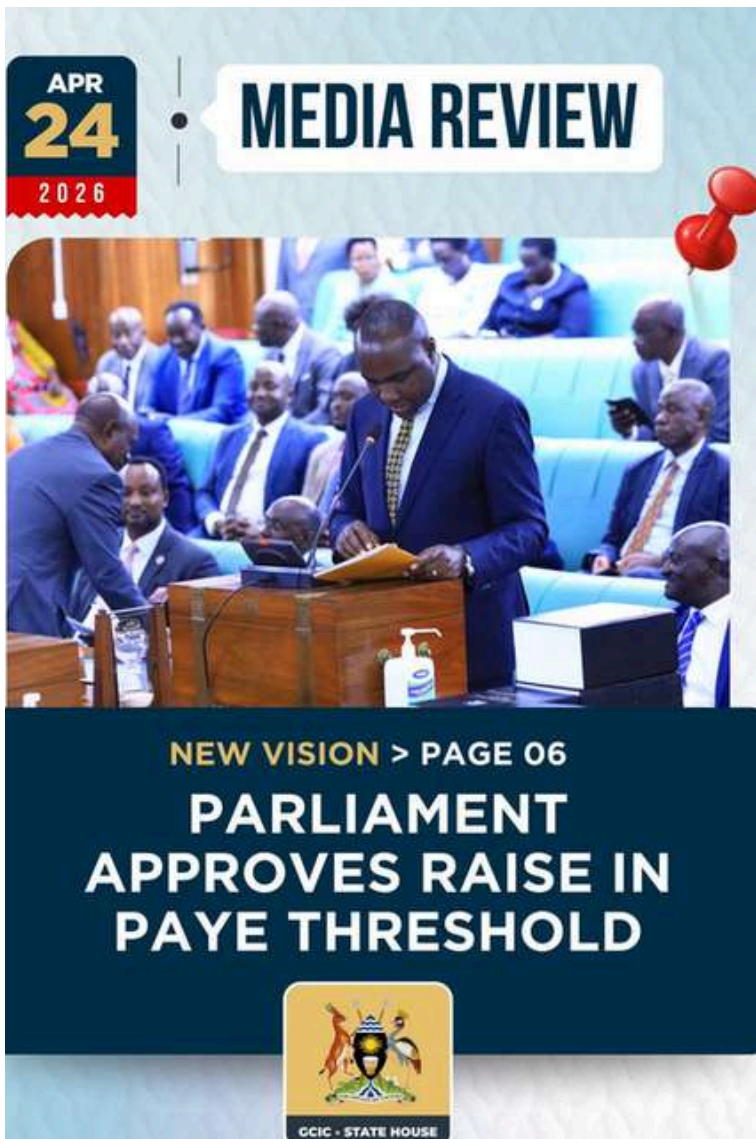
These questions are not abstract. They go to the heart of the fiscal social contract between the state and a young population that is being asked to contribute more while still waiting for decent jobs, affordable connectivity, lower transport costs, and reliable service delivery.



# Resource Mobilization: What The 2026 Tax Package Means For Young People!

The [Income Tax Amendment Act 2026](#) increases the monthly Pay as You Earn threshold from Ugx 235,000/- to Ugx 335,000/-. That is welcome news, but it only tells part of the story. Uganda's labour market is overwhelmingly informal. According to the [UBOS National Labour Force Survey 2021](#), nearly 88% of employed persons outside agriculture were in informal employment; youth aged 18–30 faced a 17% unemployment rate, and 41% were classified as NEET—not in employment, education or training. In that context, tax justice for young people cannot be assessed only through formal payroll. It has to be read through the cost of transport, internet, food, energy, second-hand clothing, entry into self-employment, and the survival margins of youth-led micro-enterprises. When a young person pays more for fuel to get to work, more for sugar to feed their family, and more to register a motorcycle to earn a living, the PAYE relief is quickly erased.

The Act further introduces new withholding tax points. Commissions paid on telecommunication retail services, mobile network services, and mobile money services are now subject to withholding tax. So are winnings from gaming or betting, and payments to public entertainers. The stated aim is to widen the tax base, improve compliance, and increase revenue collection. But these provisions are youth-relevant in ways the government may not have fully considered. Many young people work as telecom agents, bundle vendors, mobile money agents, event promoters, content creators, emcees, musicians, and performers. Others participate in betting and gaming economies which are bound up with unemployment and underemployment. When the state reaches into these informal and semi-formal spaces, it is not taxing wealth. It is taxing survival.





Taken together, the youth tax story is therefore broader than PAYE. It includes payroll, yes but also fuel, motorcycles, internet data, cooking oil, sugar, cooking fat, telecom commissions, and the expanding cost of accessing self-employment, digital participation, and informal survival.

In a labour market where informality is the norm, where nearly nine in ten workers are outside formal employment, the 2026 tax package is experienced by many young people not mainly as tax relief, but as a layered cost-of-living and cost-of-working problem. It is not a single tax increase that hurts. It is the accumulation of many small increases, each one manageable on its own, but together forming a wall that makes it harder to start a business, harder to keep one running, and harder to simply survive.

## Allocation: What The Budget Prioritizes After Revenue Is Collected.

After resources are mobilized, the next question is how they are allocated. Here the central fiscal fact of the FY 2026/27 budget is debt. The Minister of Finance, Planning and Economic Development, Hon. Henry Musasizi presented, a Ugx84.3 trillion [national budget for FY 2026/27](#). Debt servicing alone is projected to consume about Ugx33.4 trillion nearly 40% of the entire budget making it the single largest expenditure item. Interest payments are estimated at Ugx12.4 trillion, driven mainly by domestic borrowing, while principal repayments push total debt servicing above Ugx33 trillion. A significant share of the budget is absorbed before it reaches service-delivery sectors because of debt obligations..



This allocation pattern matters for youth because it shapes the state's room to invest in employment creation, quality education, health, skilling, digital access, public transport, market infrastructure and social protection. The [Budget Committee](#), led by Deputy Chairperson Remigio Achia, explicitly warned that the debt burden "continues to limit funding available for service delivery across key sectors."



The expenditure breakdown reveals a second critical reality: the budget is overwhelmingly tilted toward recurrent spending rather than development. Of the total Ugx84.39 trillion, Ugx9.71 trillion is allocated for wages and salaries, while Ugx33.28 trillion goes to non-wage recurrent expenditure covering operational funding, interest payments, health and education grants, medicines, and maintenance. By contrast, development expenditure is projected at just Ugx22.05 trillion barely a quarter of the total budget.

In other words, the budget is structured so that a significant portion of what is raised never reaches Ugandans in the form of services or infrastructure. It is pre-committed to servicing past borrowing. And what remains for development is relatively small.

For a youth justice analysis, the implication is clear: the state is asking a young and economically precarious population to absorb new and continuing tax pressures: higher fuel, higher sugar, higher cooking oil, higher cement, higher motorcycle registration in a budget where debt servicing already pre-commits a very large portion of fiscal space. [The Minister's own budget framework](#) confirms that non-wage recurrent expenditure must still cover health and education grants, medicines, maintenance, and wealth-creation initiatives within a fiscally tight environment. [Parliament's report on the budget](#) similarly noted that statutory obligations namely debt servicing, wages, and pensions consume Ugx37.23 trillion, leaving only Ugx47.16 trillion for discretionary spending.

That does not automatically make the budget illegitimate. But it raises the burden of proof on government to show that what remains is allocated strategically and used efficiently enough to generate visible opportunity for the generation that is paying through both taxes and inflationary pass-through.



# Utilization: Whether The State Is Using Public Resources In A Way That Justifies The Burden

But even if the allocation puzzle were solved, even if more money were directed to development, Uganda would still face a utilization problem. Because how the state spends money matters as much as how much it spends.

The 2024 Auditor General's report raises serious concerns about budget credibility, debt-funded project preparation, commitment fees, supplementary expenditure and the implementation of parliamentary recommendations. In the debt-management chapter of that report, the Auditor General found that Uganda's debt stock increased from USD12.55 billion in FY 2018/19 to USD25.59 billion in FY 2023/24, and that debt-service costs in FY 2023/24 amounted to UGX18.56 trillion, equivalent to 35% of the annual national budget of UGX52 trillion. The same report states that fifteen (15) out of forty-nine (49) loan-funded projects in the project implementation plan were implemented without both pre-feasibility and detailed feasibility studies.



The report also documents concrete examples of avoidable borrowing costs. It notes that Government paid commitment fees on undrawn loan funds, including USD3,366,127.55 on the Road Sector Support Project V and USD1.55 million on the Busega-Mpigi Expressway project. For Busega-Mpigi, the report records a significant cost escalation from UGX547.5 billion to UGX1.35 trillion, linked to inadequate detailed designs at the time of contracting. Across the public-debt chapter, the Auditor General additionally observed a downward trend in commitment fees paid annually, but still recorded UGX73.82 billion in commitment fees in FY 2023/24 and noted that fifty-two (52) debt-funded projects had experienced significant delays.



These findings matter politically as well as administratively. A government that taxes fuel, motorcycles, internet access and household consumption more aggressively must show that debt-financed projects are well prepared, promptly executed and protected from avoidable cost escalation. When projects are signed without adequate feasibility work, when disbursement delays generate commitment fees, and when cost overruns multiply, young taxpayers are effectively being asked to finance inefficiency in addition to financing the formal budget.

The Auditor General’s report also raises budget-credibility concerns beyond project preparation. It states that the FY 2023/24 expenditure budget was revised upward through supplementary appropriations by UGX8.932 trillion to UGX61.669 trillion, while the revenue budget was revised by only UGX3.510 trillion to UGX56.247 trillion. Actual realized revenue was UGX47.110 trillion, resulting in a revenue shortfall of UGX9.137 trillion. The report further found that out of the revised expenditure budget of UGX61.669 trillion, only UGX50.172 trillion was warranted, leaving an unfunded budget of UGX11.498 trillion; out of the availed warrants, Government spent UGX48.68 trillion, leaving UGX1.492 trillion as unutilized warrants. The report explicitly states that such shortfalls affected implementation of planned activities and negatively affected the credibility of the Government budget.



Supplementary expenditure is therefore not a side issue. It is part of the credibility problem. The legal position under the Public Finance Management (Amendment) Act, 2015 is that total supplementary expenditure requiring additional resources over and above what Parliament approved shall not exceed 3% of the total approved budget for that financial year without approval of Parliament, and where funds are expended, supplementary estimates should be laid before Parliament within four months after the money is spent. A minority decision of Parliament also noted in May 2026 that, under the Public Finance Management Act, expenditure qualifying for a supplementary schedule must have been unforeseen or unavoidable at the time of budgeting.

Yet the Auditor General’s findings show why the spirit of the law remains contested in practice. In another section of the 2024 report, the Auditor General noted supplementary releases for pension and gratuity worth UGX382 billion without written requests from Accounting Officers and described that practice as irregular and contrary to the Public Finance Management Regulations. In other words, the issue is not only whether Parliament formally approves a supplementary schedule; it is also whether supplementary budgeting is being used in a disciplined, transparent and accountable way consistent with realistic planning and internal controls.

The final utilization problem is follow-through on oversight itself. In the Treasury Memoranda section of the same 2024 Auditor General report, the Auditor General states that the Accountability Committees made 2,803 recommendations across the memoranda reviewed, but only 31% had been fully implemented, 35% were partially implemented and 34% were not implemented at all. That is a profound implementation gap. It means that even where oversight institutions identify problems and Parliament issues corrective directions, the state still struggles to close the loop and act on what has already been found.



## 1. Revenue and Tax Policy

### A)

Adopt a formal youth tax-incidence analysis before every budget. The Ministry of Finance should not assess tax proposals only in aggregate revenue terms. It should publish an incidence analysis showing how proposed excise, telecom, internet, transport, clothing and commodity taxes affect young people in formal employment, informal work, digital work, self-employment and small enterprise. That would help Parliament and the public distinguish between progressive relief measures such as the PAYE threshold change and regressive consumption taxes that fall heavily on youth survival and entrepreneurship.

### B)

Review all youth-sensitive indirect taxes as a package, not as isolated measures. The next budget cycle should specifically review the cumulative effect of petrol, diesel, motorcycle first-registration tax, cooking oil, sugar, cooking fat, second-hand clothing and internet-data taxation on youth mobility, youth enterprise and household welfare.



**C)**

The 12% internet-data excise duty should be reconsidered in light of Uganda's digital-transformation goals and the documented usage gap highlighted by [GSMA](#). The [GSMA reported](#) in November 2025 that Uganda could connect four million more people to the internet by 2030 with the right digital policy reforms, and that three in four Ugandans who live within mobile-broadband coverage still do not use it because of affordability and related barriers. In other words, the 12% internet-data excise duty sits uneasily beside the country's own digital-transformation ambitions and the lived reality of young people who increasingly need affordable connectivity to learn, work and organize. If removal is not immediately fiscally feasible, Government should at minimum publish a clear roadmap for reducing the tax burden on connectivity. This matters because internet access is not a luxury for today's youth. Uganda's own youth policy discourse places digital transformation, skills, employment and access to opportunity at the centre of the youth agenda.

**D)**

Distinguish working assets from luxury taxation in youth livelihoods. For many youth, motorcycles are income-generating tools. Government should reconsider the design of motorcycle taxation, especially first-registration charges, with a view to protecting livelihood entry points for genuine low-capital self-employment while still preserving legitimate revenue goals.



## 2. Budget Credibility and Supplementary spending



**A)**  
 Strengthen budget credibility by aligning expenditure revisions to realistic revenue and financing assumptions. The Auditor General’s findings on large revisions, unfunded budgets and unutilized warrants show the need for tighter discipline between approved budgets, revised budgets and cash releases. The next budget should avoid large expenditure expansions that are not matched by realistic resource envelopes.

**B)**  
 Enforce stricter rules on supplementary expenditure. Government should demonstrate, vote by vote, why supplementary requests are truly unavoidable or unforeseeable, how they are financed, and what trade-offs they create. Supplementary spending should not become a routine method for correcting weak planning. Treasury should also publish reconciliation schedules showing requests, approvals, releases and actual receipt by beneficiary entities.

**C)**  
 Stop borrowing for projects that are not implementation-ready. No major debt-financed project should proceed to contracting without both pre-feasibility and detailed feasibility studies, a credible implementation plan, and realistic assessment of counterpart funding, land acquisition and procurement readiness. This is one of the clearest ways to reduce future commitment fees and cost escalation.



### 3. Project Preparation and Debt Management

#### A)

Publish and monitor a commitment-fee reduction plan. Because the Auditor General continues to highlight commitment fees on undrawn loans, Government should publish an annual plan showing which projects are generating such costs, why those delays persist, and what remedial action is being taken. Parliament should then monitor progress against that plan in the following budget cycle.

### 4. Oversight and Accountability

#### A)

Implement Auditor General and parliamentary recommendations within binding timelines. This should be treated as a budget reform priority in its own right. Treasury, line ministries and public agencies should be required to publish implementation matrices showing which Auditor General recommendations and Treasury Memoranda recommendations have been accepted, what action has been taken, who is responsible, and by when. Given that the 2024 report found only 31% of recommendations fully implemented, this area now requires stronger enforcement, not merely repeated acknowledgement.

#### B)

Connect youth taxation to visible youth investment. If Government continues to rely on taxes that materially affect young people's daily lives, it must demonstrate a stronger link between those taxes and actual youth opportunity, especially in skills, connectivity, enterprise support, transport, market infrastructure and decent work creation. The social contract becomes much harder to defend when youth bear rising costs without seeing a commensurate improvement in public value.



# Conclusion

A youth-centred reading of Uganda’s FY 2026/27 budget therefore leads to a more demanding conclusion than a narrow debate about whether some taxes went up or down. The budget contains one important payroll relief measure in the higher PAYE threshold, but it also intensifies or sustains a wider tax environment in which young people face pressure through fuel, motorcycles, internet data, food-related commodities and youth-linked digital and informal work.

At the same time, Parliament has acknowledged that debt servicing absorbs nearly 40% of the budget, while the Auditor General continues to document weak project preparation, commitment fees, cost escalation, unfunded budgets, irregular supplementary practices and low implementation of oversight recommendations.



For young Ugandans, the issue is not whether the state should raise revenue. It is whether the state can ask young people to keep paying more through the cost of work, movement, connectivity and survival when it has not yet shown the level of discipline, fairness and implementation needed to justify that burden. That is the standard the next budget cycle should meet: fairer mobilization, more honest allocation, more disciplined utilization, and far stronger implementation of what auditors and Parliament have already said.



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