

I. COUNTRY REFORM PROGRESS

Uganda is reforming its tax systems under the auspices of the Domestic Revenue Mobilization Strategy (DRMS), which is anchored on the medium-term revenue strategy framework approach. DRMS-1 was poorly implemented, due partly to the COVID pandemic, and extended by two years. A second DRMS (DRMS-2) has been drafted covering years FY26-30. DRMS-2 relies mainly on revenue administration for early revenue gains; tax policy is further loosened in early years followed by later tightening. Despite three HQ missions on tax expenditures (TE) evaluation and reform, Uganda has made little progress on tax base-broadening due in part to national elections planned for 2026. Successive tax policy missions have coordinated with other donors, including the World Bank and TaxDev.

On tax administration, the authorities are focusing on enhancing compliance through the electronic fiscal receipting and invoicing system (EFRIS), imposing heavier penalties for noncompliance, and introducing real time monitoring for high-risk sectors like gaming. They are also in the process of revamping their tax administration IT system. The Uganda Revenue Authority (URA) has also undergone a restructuring of the organization, following recommendations from an independent consultant. URA has asked the IMF for assistance with assuring the quality of their new enterprise risk management framework.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: An HQ mission on TE assessment and domestic revenue mobilization was delivered in July 2025, including a week-long workshop on TE evaluation methods. In August 2025, the regional long-term resident advisor (LTX) reviewed the authorities' revenue forecasting framework and built capacity for revenue forecasting methodologies. Capacity development (CD) on mining taxation funded by the Managing Natural Resource Wealth Thematic Fund was delivered in June 2025; going forward, natural resource taxation CD will be financed by the Global Public Finance Partnership (GPFP). The authorities have produced the draft DRMS-2, which the July mission reviewed. In its early years, the DRMS-2 relies on revenue administration measures to raise revenue and offers new TEs to selected industries. TE rationalization is deferred until FY27 and beyond. Elections will be held in early 2026.

Previous Progress: Workshops on VAT modeling and Fiscal Analysis of Resource Industries (FARI) modeling were delivered in February 2025.

Next Steps: At the 2025 Annual Meetings, the ministry of finance requested CD on refining the mining tax regime and on taxation of the informal sector (including withholding taxes) and microsimulation modeling. Further CD in petroleum revenue forecasting might be needed once petroleum production starts in mid-2026.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: Following a restructuring of URA and the creation of the Enterprise Risk Management Division, a quality assurance of their policy and operational framework was undertaken and recommendations made. This was coupled with a review of the compliance risk management (CRM) framework, which was found to be largely sound, and only lacking in consolidation of domestic taxes and customs. A draft DRMS-2 is in place, which is largely a review and extension of DRMS-1 owing to poor

implementation. *Extractive industries.* Significant progress has been made in strengthening Customs administration and oversight within the extractive industries sector. Standard Operating Procedures (SOPs) for Customs have been tailored to address the specific risks associated with the mining and petroleum sectors. The SOPs were completed and submitted to the authorities for review, stakeholder consultations, and final revisions prior to implementation. Additionally, ongoing training is being provided to further strengthen tax audit capacity and technical skills.

Previous Progress: A multi-agency workshop improved customs officers' knowledge of upstream petroleum activities and initiated the adaptation of customs standard operating procedures to address the unique risks associated with the upstream petroleum sector. CD also continued addressing tax audit capacity and skills.

Next Steps: CD efforts will remain focused on strengthening audit capacity and technical skills, with an increased emphasis on building expertise to effectively manage and mitigate international tax risks.

III. LOGICAL FRAMEWORK

Country – Uganda		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	No serious reform of VAT or income TE during FY25-26. FY2026 budget proposes new TEs for small businesses; increased cigarette and beer excises (lower for domestic production than imports); plastic bag tax introduced.
Increased/decreased revenue quantity	2 Partially Achieved	The draft DRMS-2 supports Uganda's goal of tenfold nominal growth by FY30 by aiming to nearly double revenue over that period. Most near-term revenue gains are from administrative tightening, partially offset with new tax incentives; base-broadening TE reforms are backloaded until FY27-30.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 0
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	HQ-led TE analysis and domestic revenue mobilization mission in June 2025 delivered week-long in-depth workshop in TE cost-benefit analysis. MOF and URA staff were trained in use of several analytical models to support efficient and progressive revenue raising. Regional LTX-led revenue forecasting workshop in August 2025.

		Further CD support will be necessary to integrate new models into MOF/URA practices.
RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Corporate priorities are better managed through effective risk management	2 Partially Achieved	An action plan was developed with CD from the IMF's Regional Technical Assistance Center for East Africa (AFE). Some compliance improvement plans have been produced. A review of the newly created Enterprise Risk Management Division's policies and frameworks was undertaken and recommendations given.
Support functions enable more effective delivery of strategy and reforms	1 Not Achieved	Slow implementation of digitalization strategy delaying progress.
Authorities have a baseline understanding of the current state of the government's revenue administration, management, and governance arrangements and core revenue administration operations	1 Not Achieved	Authorities are still conducting internal reviews and have yet to clearly define required interventions.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I: Failure to better coordinate East African Community trade rules undermines effective excise and tariff reform.	Low	Align excise rates with externalities from harmful goods consumption for both imports and domestic products
Political Support		
RM I: Political interests oppose reduction of business tax expenditures as anti-growth. Rationalization of consumption taxes resisted to avoid raising living costs of the poor.	High	Develop analytical tools to quantify costs of generous tax incentives and public information campaign to publicize their revenue impact. Coordinate with social insurance agencies to compensate poor households for higher consumption taxes.
Management and Technical Staff Support and Commitment		
RM I: MOF and URA commitment to tax expenditure reduction and other revenue-raising measures appear substantial. Reform threats appear more likely from political influences.	Low	Support MOF and URA management with strategic advice on presentation and phasing of tax reforms; support technical staff with tools to help evaluate current tax policies and design effective reforms.

Description	Rating	Mitigation Measures
RM II: Poor engagement and support by Management	High	Constant follow-up with Management to ensure support
Resource Adequacy		
RM I: MOF and URA lack sufficient resources to evaluate, formulate and promote effective tax policy reforms.	Medium	Provide CD to develop staff technical skills and set tax reform priorities.
RM II: Human and financial resources, and infrastructure are not available to support reform plans	High	Assist them with prioritization of reform budget
Other Risks		
RM I, RM II: N/A	N/A	N/A

V. PROJECT MANAGERS: CONTACT INFORMATION

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