***Alcohol Tax Policy Proposal***

***To The Government of Uganda***

***Submitted by Uganda Alcohol Policy Alliance (UAPA)***

**Date** : February 27th 2025

**Policy Title** : Excise Duty Act of 2014 (as amended in 2024)

**Proposed Action** : Revision to Existing Policy

**1.0 Introduction and Background**

**1.1 About Us**

The Uganda Alcohol Policy Alliance (UAPA) is a coalition of Civil Society Organizations committed to addressing the harmful effects of alcohol consumption in Uganda. Our Vision is ‘A Nation Free of Alcohol Related harm”, so our goal is to reduce the burden of alcohol-related health and social issues through advocacy for effective alcohol policies and regulations. UAPA works in collaboration with the Ministry of Health (Mental Health and Substance Control Office), Uganda Cancer Society, Ministry of Education, Makerere University School of Public Health, Uganda Health Communication Alliance (UHCA), Uganda NCD Alliance (UNCDA) among others. We have over 65 members in the different parts of the country providing prevention, rehabilitation, like skills training to persons and communities affected by alcohol consumption.

1. **PROPOSED POLICY ACTION**
   1. **Increase Excise taxes for all alcoholic drinks**
   2. **Opaque Beer**: Increase of excise duty from 10% or Shs 150 per litre, whichever is higher, to 30% or Shs 650 per litre, whichever is higher.
   3. **Multi beer;** taxes were increased in 2020 from 1860/60% to 2050/60%, ever since, no increment has been made since 2020.
   4. **Other/ Ready to drink spirits**; taxes last increased in 2016 at 80%

**2.2 JUSTIFICATION**

1. From 2028-2021, taxes on Opaque beer were at 650/30% whichever is higher. It was reduced to 150/12 % in 2022- 2023. It was further reduced to 150/10% in 2024 hence an increase in taxes would help align the rates with the current economic context of inflation adjustment which has significantly eroded the value of the meagre rates.
2. Harmful products like tobacco and alcohol typically have inelastic demand because consumers are less sensitive to price changes. People addicted to these substances or those with strong preferences are likely to continue purchasing them despite price increases, leading to relatively stable demand even when prices rise at the same time deter underage use.
3. There is also the **public** **health considerations** concern of the opaque beer, which is often consumed in large quantities, and it has been associated with several negative public health outcomes. A higher tax could contribute to curbing excessive consumption and thus reduce the associated health risks.
4. The market growth of the malt-beer has expanded since 2020, with increased sales across different demographics. Given the sector's growth, it is reasonable to consider a tax increase that will capitalize on this trend without excessively burdening consumers.
5. The excise tax on ready-to-drink spirits has not been increased since 2016, when it was set at 80%. Over the years, the demand for such products has risen considerably, and the market for ready-to-drink spirits has expanded. A tax increase would ensure that the fiscal policy remains aligned with consumption trends in the market since consumption is driven by changing consumer preferences, particularly among the youth and urban populations
6. Other neighboring countries like Kenya are getting more taxes from alcohol taxation than Uganda. [Rwanda](https://www.youtube.com/watch?v=t_2Y7XXsbLk) has increased the excise duty on beer from 60% of the factory price to 65 %.
7. Increasing the price of alcohol through higher excise duties can help curb consumption, particularly among young people. Higher prices make alcohol less affordable, especially for price-sensitive groups, leading to reduced demand. Studies have shown that increasing alcohol prices is one of the most effective ways to lower consumption and alcohol-related harm (Chaloupka et al., 2011)
8. Additionally, higher excise duties lead to reduce alcohol consumption; making alcohol less affordable, particularly for price-sensitive groups, thus reducing demand and alcohol-related harm. Studies show that increasing alcohol prices is one of the most effective methods to reduce consumption and related harms
9. Standardizing excise duties and enforcement measures across legal markets can help reduce the supply and demand for illicit alternatives. When excise duties are not standardized, discrepancies in tax rates can lead to disparities in pricing between regions, making illicit or untaxed alcohol more attractive due to its lower price.

The proposed increases in excise taxes on opaque beer, multi-beer, and ready-to-drink spirits are necessary to enhance revenue collection, curb excessive alcohol consumption, and ensure that the tax system reflects current market dynamics and inflation. This measure will also help the government meet its revenue targets, which are essential for financing key infrastructure, health, education, and social development projects.

I urge your esteemed country economic experts to consider the full spectrum of socio-economic factors associated with alcohol-related harm in policy decisions. Beyond the immediate revenue gains, we must account for the long-term costs of alcohol abuse, including healthcare expenses, loss of productivity, and societal disruption. It is crucial that we place the well-being of our people above profits, designing policies that protect public health, reduce harm, and promote responsible consumption. By prioritizing the welfare of citizens, we can build a healthier, more sustainable future for all, ensuring that economic policies serve the collective good, not just short-term gains. Hence, we respectfully request your approval to proceed with the necessary legislative and administrative steps to implement these increases.

Thank you for your consideration.

Yours sincerely,

Namukasa Juliet **Chairperson, UAPA**