



*Unleashing Potential*

## **Policy Brief 017**

# **Cigarette Taxes: A Hanging Fruit to Expand Uganda's Revenues**

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## Context and Scope of the Problem

Consumption of unhealthy commodities including cigarettes is a big health and social economical concern in many countries. There is need to strengthen enforcement of control measures for cigarettes and other commodities such as alcohol, sugar sweetened beverages given their contribution in increasing Non-Communicable Diseases (NCDs). Evidence across countries has shown that consumption of such commodities leads to NCDs. In 2013, WHO approved a Global Action Plan to address the growing burden of NCDs (WHO, 2015). Specifically, the WHO Framework Convention on Tobacco Control (WHO FCTC) elaborates actions that are intended to address tobacco consumption (WHO,2017). Subsequently, countries including Uganda endorsed the protocol to control cigarettes consumption, production and promotion. Health taxes beyond contributing to public health needs, also are feasible avenues countries can use to expand their revenues (Cashin et al, 2017; Cawley et al., 2017; Walbeek et.al, 2022). At individual levels, one's health status improves, more resources are saved that would have been used to purchase cigarettes etc.

## Tobacco Tax Share in Uganda

Despite of endorsing the protocol, the progress Uganda has made in reducing the consumption of tobacco is still low. According to the international tobacco score card that evaluates countries' cigarette tax systems based on five-point rating system across four components i.e: absolute price, affordability change, tax share and tax structure, Uganda overall score is lower at 1.25 of out of 5 (Tobacconomics, 2024). Uganda's score is below the average of 11.53 for regions, income group (1.47) and global average of 1.99 as presented in Figure 1. Across all the four components, poor scores are seen on cigarette price, tax share and tax structure will moderate performance in the affordability component. This performance is critical especially at the time when the country is struggling to finance her national budget. The commodity's contribution to Uganda's GDP share is almost constant at 14%, way far below the expected 21% according to the Uganda' Domestic Revenue Mobilisation Strategy FY2019/20-2023/24 (MoFPED,2019). Further, as the country aspires to sustainably fund its key sectors such as health, education and transport using its domestically raised resources, taxation of cigarettes presents a good opportunity for

the country to raise more resources than heavily depending on unreliable foreign funding.

### **Taxation of Cigarettes in Uganda**

Uganda is implementing a mixed structure (with ad valorem and specific tax rates) whichever higher is considered across different brands. A report by PwC (2025) indicates that imported brands are taxed highly at about 60% while locally manufactured brands are taxed at low rates. However, for many years the rates have been constant especially on imported brand. Further, a mixed taxation structure is regarded complex and always characterised with many loopholes (IMF, 2016). Further, Uganda's tax share as a percentage of retail prices on tobacco is still below the recommended rate of 70-75%, but oscillating up to 31% (EPRC, 2018).

### **The Tobacco Scourge: The Public Health and Economic Burden of Tobacco**

A report by WHO (2022) demonstrates that the tobacco epidemic remains one of the most severe public health challenges globally, claiming over 8 million lives each year. The report shows that of these, more than 7 million deaths are due to direct tobacco consumption, while around 1.2

million result from exposure to second-hand smoke.

In Uganda, the tobacco industry has a significant detrimental effect on both health and the environment. The report further indicates that annually, over 15% of boys and 13% of girls aged 13-15 begin smoking. More than 1,020,500 men and roughly one in ten Ugandans smoke cigarettes daily, underscoring the persistent and serious public health threat (WHO, 2022).

The WHO FCTC (2025) report illustrates that 1.8% of the world's annual Gross Domestic Product (GDP) is lost every year due to tobacco use. Whereas, the WHO (2022) report demonstrates that in Uganda, the total health cost of tobacco use, including the direct cost of treatment and the indirect costs of loss of income and productivity from death and disability is estimated to be US\$126.48 million. Thus, tobacco use is not just a health issue but a major economic and developmental challenge for Uganda.

### **Opportunities for Increasing Taxes to Improve Public Health and Revenue Generation**

The 2023 Global Adult Tobacco Survey (GATS) report launched by WHO (2025) indicates that tobacco use in Uganda decreased from 7.9% in 2013 to 6.7% in

2023. Additionally, the report shows that among women, tobacco use dropped from 4.6% to 2.6%, and smokeless tobacco use declined by 34.4%. The report further indicates that exposure to second-hand smoke also fell significantly in homes, workplaces, restaurants, and schools. Nonetheless, the GATS report highlighted that tobacco use among men has remained largely unchanged, and quit attempts stagnate at 44%.

Given these trends, the tobacco usage reduction rate is still low, emphasizing the urgency of intervention. In Uganda, tobacco causes 204 deaths every week, surpassing fatalities from HIV, tuberculosis, malaria, accidents, and crime combined (WHO, 2022). With these rates, it is imperative to mobilise the population

### **Uganda's Bid to Control Tobacco and Narcotics Usage**

Since ratifying the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) in 2007, Uganda has implemented strong legal measures through the Tobacco Control (Amendment) Act, 2020. The law prohibits smoking in public spaces, bans all forms of tobacco advertising, promotion, and sponsorship, and place restrictions on the production, import, and sale of products such as shisha, e-cigarettes, heated tobacco,

towards accepting tax proposals aimed at reducing cigarettes use to save lives.

Affordability index for cigarette is still low in Uganda. The cost of cigarettes is relatively cheap compared to people's income, making them easy for many consumers to buy. This provides another area for policy action. Effective implementation of the WHO FCTC rules requires that the prices of the cigarettes to be increased by at least more than the GDP growth rate (6.1%) in the country (World Bank, 2025). Considerable progress has been made as presented in figure 2 to make cigarettes less affordable in Uganda. However, these rates are still low. With low rates, there is an opportunity for the government to increase more taxes on the cigarettes to make it less affordable.

smokeless tobacco, and flavored varieties including flavored cigarettes. It further mandates that cigarette packages carry graphic health warnings covering 65% of the display area and forbid the sale of tobacco to minors. In addition, Uganda passed the Narcotic Drugs and Psychotropic Substances (Control) Act, 2023 to combat illicit drug-related activities such as cultivation, trafficking, and abuse. The law also facilitates controlled licensing, for instance, substances like cannabis and khat are strictly for medical and research purposes. However, these

control measures face the risk of complacency. The effectiveness of the control measures could be weakened if the government assumes the problem is already solved, and stops paying close attention or fails to maintain consistent enforcement and monitoring.

## Policy Recommendations

- i. **Formulate uniform specific taxes for all brands to ease implementation.** The government through the Parliament in liaison with Uganda Revenue Authority should come up with a feasible uniform tax rate that can help to address tobacco use. Increase excise tax on cigarettes on both locally manufactured and imported cigarettes to reach a tax share of 70-75% of the retail price.
- ii. **Enhance training programs for law enforcement bodies.** Equipping law enforcers with necessary skills especially on determining the different brands of tobacco is necessary. Tobacco comes on the market in different forms. Smugglers and tax evaders have to be tamed by tactical and trained law enforcement officers.
- iii. **Fund Think Tanks and research organisations to conduct evidence-based research.** The

Ministry of Finance, Planning and Economic Development should fund research institutions to come up with localised research that can guide debate and discussions on taxation of cigarettes and tobacco products.

- iv. **Expand rehabilitation and counselling Centres in all regions of Uganda.** The Ministry of Health should lead the expansion and establishment of youth-focused tobacco rehabilitation and counselling programs in all the regions of Uganda to provide education, behavioral therapy, and peer support. These programs would help young people quit smoking, increase awareness of the health risks of tobacco, and promote healthier lifestyle choices through community outreach and school-based initiatives.

## Conclusion

Uganda continues to face significant health and economic challenges from tobacco use, with thousands of deaths annually and substantial costs from treatment and lost productivity. Despite legal measures and the WHO Framework Convention on Tobacco Control, low tax rates, complex tax structures, and affordable cigarette prices limit progress in reducing

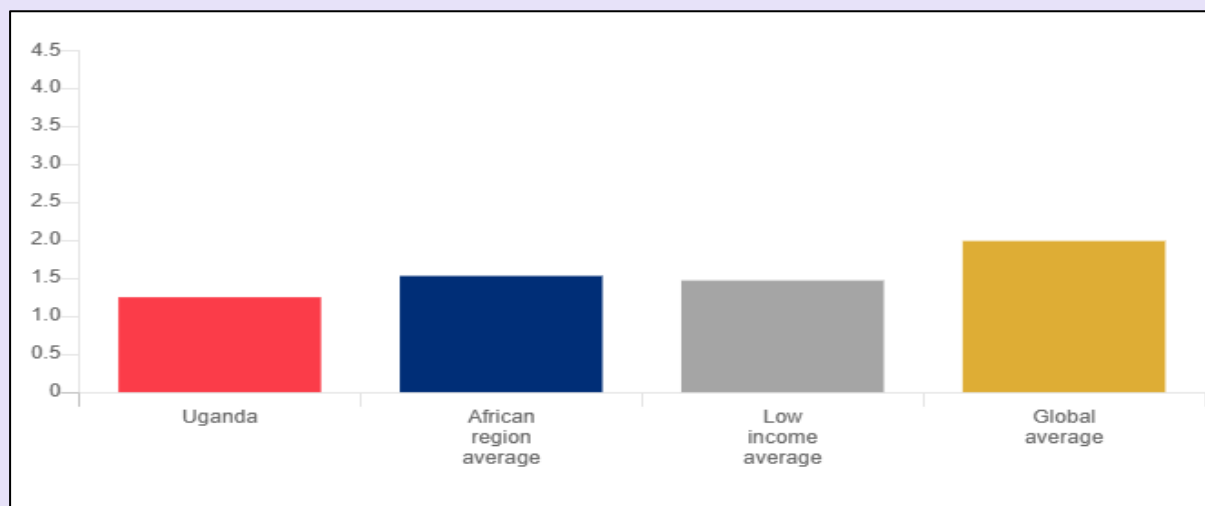
consumption. Increasing excise taxes presents a clear opportunity to improve public health by reducing smoking and to generate additional government revenue,

supporting key sectors while making cigarettes less affordable and encouraging quit attempts.

## Appendices

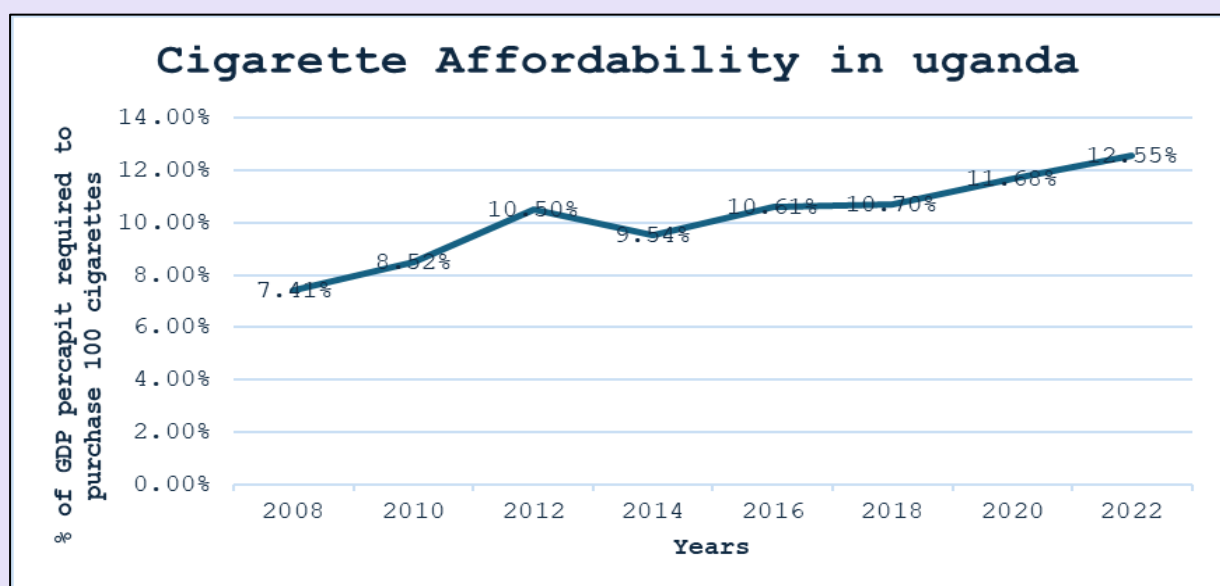
**Figure 1: Uganda's overall score in implementation of tobacco control components against region and global averages**

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source: Tobacconomics. (2024).

**Figure 2: Cigarette affordability index between 2008-2022**





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