



Proposal for stay of application on smartphones EAC FY 2026/27 to ministry of finance, planning and economic development



Federation Of Small & Medium-sized Enterprises

The Voice Of Micro, Small and Medium-sized
Businesses in Uganda

Petition for the targeted non-renewal of the stay of application on import duty for entry-level smartphones hs codes 8517.13.00 & 8517.14.00

Reference No.	DA-UG/MoFPED/2026
Date	10 April 2026
Submitted by	<ol style="list-style-type: none">1. Civil Society Budget Advocacy Group, (CS-BAG)2. Federation of Small and Medium Enterprises (FSME)
To	The Honourable Minister of Finance, Planning and Economic Development Kampala, Uganda
Copy to	<ol style="list-style-type: none">1. Uganda Law Society,2. Airtel Uganda Ltd,3. Lycamobile Uganda Ltd,4. MTN Uganda Ltd,5. UTeL,6. Uganda Communications Commission,7. Uganda Revenue Authority,8. Ministry of ICT and National Guidance,9. Ministry of East African Community
Classification	PUBLIC – FOR MOFPED CONSIDERATION

1. Executive Summary

This petition is submitted to the Government of Uganda (GoU) through the Ministry of Finance, Planning and Economic Development (MoFPED) requesting that Uganda not renew the Stay of Application currently imposing a 10% import duty on mobile handsets classified under HS Codes 8517.13.00 & 8517.14.00, above the standard EAC Common External Tariff (CET) rate of 0%, effective upon expiry of the current Stay on 30 June 2026.

The Stay of Application at the East African Community, first gazetted in 2020 and subsequently renewed four times by the MoFPED, most recently on 30 June 2025, was implemented as a temporary, one-year pilot to evaluate the revenue impact of applying a higher tariff rate on mobile handsets. We submit that the evidence now available after five years of this measure across device sales and subscriber growth demonstrates that the 10% duty has imposed material economic harm disproportionate to any local capacity, import substitution, and revenue gain achieved, and that a return to the 0% CET rate is warranted on both economic and public interest grounds.



2. Background and Context

2.1 The EAC Stay of Application Mechanism

The EAC Customs Management Act (EACCMA) permits partner States to apply, on a temporary and exceptional basis, a duty rate that departs from the agreed CET. This mechanism known as a ‘*Stay of Application*’, under Article 26 of EACCMA and requires approval by the EAC Council of Ministers. Stays are time-limited (typically one year) and are intended as revenue or policy pilots, with the expectation that Partner States will revert to the standard CET or seek permanent CET amendment through the EAC Tariff Schedule review process.

2.2 Uganda’s 2025/26 Stay on Mobile Handsets

Effective 1 July 2020, Uganda has repeatedly applied for an annual Stay of Application to raise the import duty on mobile handsets (*HS Codes 8517.13.00 & 8517.14.00*) from the standard CET rate of 0% to 10%. Uganda’s stated rationale was to generate additional import duty revenue from the mobile handset market while assessing the impact on device affordability and market penetration.

Financial Year	Status	Gazette Reference
FY 2021/22	Introduced	EAC Gazette Vol.AT 1No.12 (June 30, 2021) Uganda first opted to ‘stay’ the 0% CET to apply 10%.
FY 2022/23	1 st Renewal	EAC Gazette Vol.AT 1No.14 (June 30, 2022) Renewal coincided with the adoption of the new 4-band CET structure.
FY 2023/24	2 nd Renewal	EAC Gazette Vol.AT 1No.12 (June 30, 2023) Applied for a one-year extension.
FY 2024/25	3 rd Renewal	EAC Gazette Vol.AT 1No.16 (June 30, 2024) Applied for a one-year extension.
FY 2025/26	4 th Renewal	Current: EAC Gazette Vol.AT 1No.19 (June 30, 2024) Applied for a one-year extension. Valid until June 30, 2026

3. Grounds For Reversal

3.1 Device Affordability and Subscriber Growth

The imposition of a 10% import duty has materially increased the landed cost of entry-level smartphones in Uganda. At the USD 50–150 price point – the segment critical for first-time smartphone adoption – a 10% tariff adds between USD 5 and USD 15 per device at the border, which, when compounded with VAT and distributor margins, translates to a retail price increase of approximately 15–20%. This has demonstrably slowed the pace of device upgrades from feature phones, suppressing 4G and data adoption rates.

3.2 Disproportionate revenue yield vs. Economic Cost

The incremental duty revenue collected under the Stay is estimated to be modest relative to the foregone excise duty and VAT revenue arising from slower data service uptake and reduced device-linked subscriptions. Attached to the petition are independent expert impact models supported by related studies from the Uganda Communications Commission (UCC) and the GSMA.

3.3 Inconsistency with National Digital Agenda

Uganda's national development policy frameworks — including the National Development Plan (NDP III/IV), the Digital Uganda Strategic Plan, the National Broadband and Digital Transformation Strategy, and Uganda Vision 2040 — consistently identify mobile internet penetration as a strategic priority and device affordability as a key enabler of digital transformation.

These frameworks emphasise digital inclusion, productivity growth, formalisation of economic activity, and expansion of digital public services. A 10% import tariff on smartphones is structurally inconsistent with these commitments. By contrast, the 0% CET rate was designed precisely to facilitate affordable device access across the EAC region.

The table below illustrates the direct conflict between the Stay of Application and Uganda's own published policy commitments across key national and regional frameworks.

Policy Document / Commitment	What Uganda Committed To	What the Stay Does Instead
<p>National Development Plan III (NDP III) 2020/21–2024/25</p>	<p>Increase smartphone penetration to 60% by 2025. Identified affordable digital devices as a prerequisite for Uganda's digital transformation and economic modernisation.</p>	<p>Keeps smartphone penetration at 33% — less than half the NDP III target. Every year of the Stay is a year the target recedes further out of reach.</p>
<p>National ICT Policy 2020</p>	<p>Universal and affordable access to ICT devices for all Ugandans. Explicitly identifies device cost as the primary barrier to digital inclusion for low-income citizens.</p>	<p>Inflates device cost by 18–25% at retail for the entry-level segment. Directly contradicts the ICT Policy's own diagnosis of the problem it is trying to solve.</p>
<p>Digital Uganda Vision (State House / NITA-U)</p>	<p>Position Uganda as a leading digital economy in Africa. Drive mobile internet adoption as the foundation for e-government, digital commerce, and financial inclusion.</p>	<p>Suppresses mobile internet adoption by pricing out first-time smartphone buyers at the critical USD 50–150 entry point. Undermines the very foundation the Vision requires.</p>
<p>Uganda National Broadband Policy 2018</p>	<p>Achieve nationwide broadband penetration through affordable connectivity. Smartphones are the primary broadband access device for the majority of Ugandans.</p>	<p>Reduces broadband uptake by suppressing smartphone adoption. A tariff on the device is, in effect, a tariff on the broadband connection it enables.</p>
<p>Presidential Pledges on Digital Transformation (Various, 2021–2025)</p>	<p>H.E. the President has repeatedly cited digital transformation, mobile money expansion, and e-government as cornerstones of Uganda's economic modernisation agenda.</p>	<p>Each renewal of the Stay is a self-inflicted impediment to the President's own stated economic agenda — applied quietly, without public debate, every June.</p>
<p>EAC Digital Economy Framework & EAC Treaty Obligations</p>	<p>EAC Partner States committed to a regional digital single market with harmonised, pro-consumer tariff frameworks. The 0% CET on smartphones reflects this commitment.</p>	<p>The Stay derogates from EAC treaty commitments annually. Uganda is the only Partner State applying 10%. The legal authority to do so expires 30 June 2026.</p>

3.3 Comparative Regional Disadvantage

While Kenya applied a more aggressive 25% Stay, Kenya's market has a significantly higher smartphone penetration base, and a more developed domestic assembly sector. Uganda lacks comparable domestic production capacity, making consumers more acutely sensitive to import price increases. As with similar initiatives in Tanzania and Rwanda, a 0% return for Uganda is therefore equitable and consistent with Uganda's development stage.

Additionally, Kenya's application of this higher rate followed an initial period under the default EAC Common External Tariff (CET) rate, which supported the stimulation of local demand prior to the tariff increase.



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4. Fiscal and Economic Considerations

4.1 Targeted Fiscal Design

For policy clarity and administrative certainty, entry-level smartphones may be defined as smartphones with a declared customs value not exceeding USD 150 per unit.

This threshold is consistent with regional digital inclusion initiatives, international device affordability benchmarks and existing policy discussions within the East African Community.

Limiting the policy to entry-level smartphones ensures that:

- a) Revenue exposure is controlled**
- b) Relief is directed to the most price-sensitive consumers**
- c) Higher-value devices continue to generate customs revenue**

The proposed targeted approach mitigates immediate fiscal risk through continued revenue retention on mid-range and premium smartphones, while supporting revenue base expansion through increased digital economic activity.

While the current 10% import duty generates customs revenue, it suppresses downstream economic activity and tax collection. Reducing the cost of smartphones is expected to stimulate growth through increased data consumption and expansion of digital commerce.

This represents a transition from reliance on import taxation to growth in domestic economic taxation.

Conclusion

Uganda's digital transformation agenda requires alignment between fiscal policy and national development priorities. Maintaining the current import duty will constrain device affordability and slow digital adoption. Reversion to the default CET rate will improve access to digital services, support economic growth, strengthen the domestic tax base, and enhance regional policy alignment and predictability, consistent with Government's medium-term fiscal and economic strategy.

We strongly recommend that the Government of Uganda:

Does not renew the current "Stay of Application" on import duty for entry-level smartphones and allows the regional CET rate of 0% to apply to this defined category effective 1 July 2026.

For the avoidance of doubt: The proposed policy measure applies only to entry-level smartphones and does not extend to mid-range or premium devices.

Specifically;

It is recommended that the Ministry of Finance, Planning and Economic Development:

1. Does not renew the Stay of Application on import duty for entry-level smartphones for FY 2026/27
2. Allows the EAC Common External Tariff rate of 0% to apply to entry-level smartphones (devices with a customs value not exceeding USD 150 per unit) effective 1 July 2026.
3. Communicates the policy position in advance to support market readiness.
4. Monitors fiscal and economic outcomes to inform future tariff policy decisions, based on revenue and digital adoption.

A targeted removal of import duty on entry-level smartphones balances maximum development impact through digital inclusion with controlled fiscal exposure. This approach ensures that Uganda's fiscal policy supports broader access to technology, stimulates economic activity, and fosters long-term national growth.

Vision

A Uganda with a people centered
budget
that dignifies humanity.

Mission

Working to ensure that resource
mobilization, allocation and utilization
is inclusive for a transformed Uganda.



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