CSBAG
BREAKING NEWS

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CSOs present better alternatives to counter proposed 1% tax on mobile money transactions

CSBAG ED, Julius Mukunda (centre) explains to the media during a press conference about the better alternatives to the proposed 1% tax on mobile money transactions. On the left is CSBAG programme manager, Carol Namagembe. On the right is CSBAG Budget policy specialist, David Walakira. CSBAG2018

"The proposals will generate UGX 232 bn compared to UGX155 bn Government expects to collect…"

As the campaign against the proposed 1 % tax on mobile money transactions rages on, Civil Society Organizations under the umbrella Civil Society Budget Advocacy Group (CSBAG) have come up with new proposals of broadening the tax base that will ensure equity and fairness while securing Uganda's gains on the financial inclusion and digital financial services front.

They have therefore, urged the Members of Parliament to welcome the new proposals as they are key to raising the much needed revenue to improve service delivery. The Civil society announced the new proposals in a press conference held at the CSBAG headquarters in Kampala on Monday May 28, 2018.

According to Civil society actors, if the new proposals are adopted UGX 232bn would be realized. "There are better ways to collect revenue instead of the proposed 1% tax on mobile money transactions, Julius Mukunda the executive director of CSBAG said as he listed the new tax proposals.

The new tax proposals were drawn after extensive survey/research that was carried by the civil society. These include increasing excise duty from 10% to 17.5% on withdraw fee and this will see UGX 122bn raised, imposing 0.3% on the withdrawal amount for mobile money and this would generate UGX 80bn. Finally impose 0.3% on withdrawal amount for agency banking which will fetch UGX 30bn.

Alternative proposals

Mukunda pointed out that the above proposals will generate UGX 232bn compared to UGX155bn that Government expects to collect by imposing the 1% transaction levy on mobile money. He argued that the new proposals will promote a cashless economy.

He explained that a cashless economy refers to an economy where purchases are made using credit card, cheques and direct transfer from one account to another and also by mobile money. "The current proposals will discourage the use of cash. This eliminates the need to carry huge loads of cash which is risky and inconvenient too." Mukunda stated.

The executive director noted that their new proposals will minimize loss and theft as cash transactions are associated with robbery while e-cash theft can be mitigated and the matter is reported to financial institutions.

Other factors the civil society base their argument on is that with the new proposals production of coin and paper currency would be reduced hence preventing crimes associated with cash such as terror financing, fake currencies and easy tracking of people's expenditure/spending habits if the transactions are on record as this will enable government agencies to collect the revenue.

Explaining about the cost reduction of printing coins and paper currency, especially security features, Mukunda said: "the cost of setting up machines in joint venture partnership between Uganda and the Germany company Veridos GMBH was to cost UGX200bn to start printing money in Uganda. This is indeed an expensive venture."

Tax equity and fairness

The civil society reiterated that they are not against expanding the tax base but the principle of tax equity and fairness must be applied and not to hurt the very poor.

"We appreciate the Minister's proposal and efforts to raise domestic revenue, we believe that imposing a 1% tax on the value of mobile money transactions will do more harm than good especially for the vulnerable poor who have greatly adopted this digital service," they stated.

The CSOs explained that the tax proposal will reverse the gains of financial inclusion and hurt the poor and the vulnerable, 61% of whom transact less than UGX45, 000 on average.

Carol Namagembe the CSBAG programme manager appealed to lawmakers to embrace their proposals because they are viable.

David Walakira, a Budget Policy Specialist with CSBAG emphasized that a cashless economy is the way to go pointing out that the cost of printing money is unsustainable.

The 1% tax proposal on mobile money has generated a lot debate with the majority of MPs opposing it and large sections of the public have joined civil society calls. Parliament is expected to pass the budget proposals for the financial year 2018/19 by May 31.