



**PARLIAMENTARY GUIDE ON  
DEBATING THE PROPOSED 1%  
TAX ON MOBILE MONEY  
TRANSACTIONS**

**MAY 2018**

# **There are better ways to collect revenue instead of the proposed 1% tax on mobile money transactions**

**Government of Uganda has in the Excise Duty (Amendment) Bill, 2018 proposed to tax 1% on mobile money transaction (sending, transfer and withdrawal). This proposal has however 3 major challenges and setbacks:**

## **a) The tax will hurt the Poor and Vulnerable**

The imposition of the 1% transaction tax, is very regressive and will tax the poorest segments of the population. The proposed tax could make adoption of mobile money especially in the lower segments much more difficult. Sixty One (61) percent of mobile money clients transact less than UGX 45,000 per transaction. This percentage represents the majority of the low income earners.

## **b) It will affect Revenue Collection**

Since mobile money is a scale business, the imposition of the 1% of a transaction tax will negatively impact the revenue collection. The reduced revenue will affect the tax paid to government through corporate tax.

## **c) Reversal of gains on Financial Inclusion**

More than 10 million Ugandans have been able to access formal financial services because of mobile money. Projections show that while farmers currently use mobile money to facilitate 53.5% of their annual payments, imposing the 1% transactional levy will see this number drop to just 5.9% primarily to buy airtime and transfer money to friends and relatives.

# Proposals for better alternative sources that will bring in more revenue:

No.	Proposal	Expected Revenue
1	<p><b>Increase Excise Duty from 10% to 17.5% on withdraw fees:</b></p> <p>Amend sec16(f) to read in item 14, by substituting for "10% of the fees charged" appearing in the third column, with "17.5% of the withdrawal fees and 15% charged on all transaction fees".</p>	<p>This would generate UGX 122 Bn.</p>
2	<p><b>Impose 0.3% on withdrawal amount for mobile money:</b></p> <p>Section 6(e). Item 13(e)</p> <p>Based on March 2018 figures, mobile money operators registered UGX 1,900 Bn of cash out.</p>	<p>This will generate UGX 80 Bn</p>
3	<p><b>Impose 0.3% on withdrawal amount for agency banking:</b></p> <p>As agency banking is the mobile money of banks, i.e. agents buy floats from escrow bank accounts to enable clients to make deposits, withdrawal, transfer and bill payments using a mobile phone.</p>	<p>This will generate UGX 30 Bn</p>

The above three proposals **will generate UGX 232 Bn** which is **more than the UGX 155 Bn** that government intends to collect by imposing the 1% transaction levy on mobile money. Besides generating more money, they will **promote financial inclusion and a cashless economy.**



P.O. Box 660, Ntinda | Plot 11 Vubya Close, Ntinda Nakawa Rd  
Fixed Line: +256-755-202-154 | E-mail: [csbag@csbag.org](mailto:csbag@csbag.org) | Web [www.csbag.org](http://www.csbag.org)