CSBAG
BREAKING NEWS

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Cabinet directs telecoms on taxing deposits, to consider review of mobile money levy

CSBAG Executive Director, Julius Mukunda (left) speaking to State Minister for Finance, David Bahati at a past event. The minister has said there is still a possibility of reviewing the recently passed tax on Mobile Money transactions. CSBAG2018

"Minister says mobile money tax was discussed by Cabinet and clarifies it isn't applicable on deposits on personal mobile money accounts ..."

Cabinet has asked telecom companies to stop taxing people depositing cash on their personal mobile money accounts.

State Minister for Finance, David Bahati, said this during a media briefing at Uganda Media Centre today, Tuesday, July, 3 2018.

On 1st July, telecom companies started effecting the one percent tax deduction on all mobile money transactions. In a public notice to mobile money users, the telecom companies said the tax would apply to deposits, withdrawal, sending and all kinds of payments. The effecting of the tax and the subsequent deductions has drawn protests from mobile money users accusing government of double taxation.

Minister David Bahati says the mobile money levy came up for discussion in cabinet on Monday. He says cabinet clarified that the tax isn't applicable on deposits on personal mobile money accounts. Besides removing the tax on personal deposits, Bahati says the tax will be enforced as it was passed by parliament. He said that government would review the new tax where necessary.

At the start this week, government also started implementing the Excise Duty (Amendment) Bill, 2018, which among others imposes a daily Shs200 tax on social media.

The two days of the new tax implementation have seen some members of the public resort to the use of Virtual Private Networks (VPNs) to avoid paying the social media tax on Over The Top (OTT) services such as Facebook and Twitter among others.

Still, early this week,a group of lawyers, led by Kiiza Eron, asked the Constitutional Court Monday to reverse the new tax for accessing social media, arguing that it limits freedom of expression and assembly online.

Following Parliament's decision to pass the 1% tax on mobile money transactions on 19th May 2018 to generate revenue of UGX155 bn, the Civil Society Budget Advocacy Group (CSBAG) challenged Government for not embracing their better alternative tax proposals that have the potential to generate UGX252bn without hurting the poor.

While addressing the Finance Minister, Matia Kasaija, Mr Julius Mukunda, the Executive Director of CSBAG mentioned that the action by Parliament to pass the 1% tax on mobile money transactions to generate revenue of UGX115 bn had generated public outcry as many have viewed this as a highly regressive tax.

"The nation is still in shock that Parliament ignored our alternatives which had potential to generate more revenue when compared to what the 1% transaction tax on mobile money is projected to generate," Mukunda stated. The Executive Director made remarks during the Budget Week press conference at the Ministry of Finance Headquarters in Kampala on Monday June 4, 2018.

The CSBAG Executive Director was supported by Ronald Mulondo a Legal Officer of FIDA-Uganda based in Mbale who advocated that the youth are going to lose jobs after Parliament passed 1% tax on mobile money. "The youth have been relying on mobile money first as an employment and then transacting business but the 1% tax might have brought some shocks," Mulondo said.

Finance Minister's words

Responding to Civil society concerns then, the Finance Minister Kasaija expressed shock about the 1% levy on mobile moneytransactions saying the Cabinet and NRM Caucasus had deliberated on it and agreed on 0.5% tax on mobile money.

"I don't know how Parliament passed it. In any case, time is still there - we are going to review it," Kasaija told journalists, finance officials and Members of Civil Society who included those from Kampala, Kabale, Mbale, Pader and Arua. He explained then that he would give comprehensive details before June 14 when the National Budget speech for financial year 2018/19 would be delivered.

At the same meeting, the CSOs also raised fundamental issues that infringe on the national budget execution such as supplementary budgets which has continued to undermine the credibility of the budget execution in Uganda. CSOs rapped Government saying this depicts poor planning citing items such as special meals and salaries brought under supplementary budgets. "We call for amendment of Public Finance Management ACT 2015 to confine supplementary expenditure to the Contingency fund," said the CSBAG ED.

Regarding the supplementary budgets the Minister admitted that Ministries, Departments and Agencies (MDAs) were undisciplined because poor of planning and forecasting.