



PRESS STATEMENT

ON GOVERNMENT'S REVISION OF THE MOBILE MONEY TAX *0.5% tax on Mobile Money is still a burden for the vulnerable Ugandan population*

Date: 18th July 2018 | Venue: CSBAG Secretariat, Ntinda | Time: 10:00am

1. We as the Civil Society Budget Advocacy Group (CSBAG) and the Tax Justice Alliance are gathered here this morning to appreciate government for listening to the voice of the citizens and revising the 1% tax imposed on mobile money.
2. First and foremost, we applaud Government's efforts to raise over 50% of the country's domestic revenue to realize the NDP II objectives, and we are keen to support these efforts, as long as they are fair for all Ugandan tax payers.
3. As civil society, CSBAG launched a campaign that opposed the 1% tax on Mobile Money transaction values at the start of April and May 2018, when the FY 2018/19 tax bills were presented to Parliament by the Executive for consideration. This campaign's efforts were however not futile, as events after 1st July, based on the information we availed, spiraled into citizen strife and action against the tax. During the two months of this campaign, we learnt of more benefits of mobile money to the economy since its innovation.
4. As a country, we have managed to achieve a vibrant digital financial service market through mobile money, with a direct connection with commercial banks, enabling banks to capture UGX 70bn monthly deposits when users send funds to their bank account from their mobile money wallets. 60% of UMEME/National Water collections are done through Mobile Money while 5,000 SACCOs collect deposits and disburse micro-loans through mobile Money. Mobile Money delivers from 12,000 - 15,000 micro-loans, daily, to farmers and traders that are not eligible to banking services, and more than 60 NGOs and UN entities use mobile money to transfer between UGX 40,000 - 50,000 monthly to refugees.
5. In the two weeks that the 1% Mobile Money tax has been imposed and collected on all Mobile Money transactions, we have since learnt that the 1% tax on mobile money transactions value has yielded our anticipated negative effects on both mobile money agents and users across the country. Mobile money agents across the country have lost 40% of transaction volumes and 23% revenue from MM transactions. As at 14th July 2018, the MM industry lost UGX 5bn and over 100,000 agents will already get UGX 2.5bn less in commission. In relation to the house hold, the cost of electricity and water has been raised by 1%, the costs for school fees payments went up by 1%, and PayGo solar services increased by 1%. Many users returned to the movement of physical cash which slows business and is riskier.

6. We also note that at the Media Centre yesterday Hon Bahatai said that UGX 118bn would be raised from the 0.5% transaction value tax on withdrawals however we are concerned that government is not sure about this tax's revenue potential since the same Minister said back in April that the 1% transaction value tax on deposits, transfers and withdrawals would raise UGX 115bn.
7. We also decry the flat tax rate of UGX 200 on OTT services which presupposes that all consumers have the same purchasing power and therefore has a regressive effect on the low-income earners and therefore against the taxation principle of equity. This tax has an impact of restricting access to information for whoever can afford a data bundle but cannot afford UGX 200 tax.
8. There has been resistance from different mobile money users across the country requesting a reversal of this tax because of its effects. H. E. The President of Uganda, the Rt. Hon. Prime Minister and the Minister of Finance came out to make constructive pronouncements on the matter. We are pleased that a meeting in relation to this matter was held on 16th July 2018 at State House Entebbe, and Cabinet approved the amendment of the Excise Duty Act 2015 and directed the Ministry of Finance in consultation with the Attorney General to prepare an Excise Duty Amendment Bill 2018 to be laid before Parliament by Thursday 19th July 2018.
9. We are glad that Cabinet has now agreed to reduce the tax from 1% to 0.5% on withdrawals and await Parliament's approval of the revision on 19th July.

We however propose that government explores:

- Charging the transaction fees instead of transaction values (cash deposits, withdrawals and deposits);
- Increasing excise duty from 15% to 20% on transaction fees;
- Extending this tax to banks, charging banking transactions including Agency banking and ATM withdrawals. This will not only increase the tax collection opportunities but ensure fairness in taxation; as at end of May 2018, Commercial banks had total deposits of UGX 17.49 trillion and as such if a 0.5% withdrawal tax was to be levied government would get UGX 87.46bn.
- Taxing the escrow account held by banks (currently estimated at UGX 800bn); this would generate UGX 11bn for government
- Distributing to mobile money subscribers the interest that commercial banks generate from the escrow accounts. This will not only generate additional income for the users but also increase the saving behaviour of Ugandans
- Incorporate the OTT in the excise duty (as a percentage and not absolute figure) on data charges so that when a user pays for data from the Mobile Network Company, they have cleared their dues with the tax obligation.

Way forward

10. Whereas we appreciate the Minister's proposals and efforts to raise revenue, we believe that reducing the tax to 0.5%, good as it may be, is still harmful to the vulnerable poor who have greatly adopted this digital financial service. We therefore propose that

government looks more into indirect charges like charging transaction fees and increasing excise tax from 15% to 20%, than imposing a direct tax on the use of Mobile Money.

11. We are aware that Parliament is going to debate the exercise duty tomorrow, and we look forward to adopting tax alternatives that are less harmful to the economy and its people.

For God and My Country.
.....because every shilling counts!

For more information please contact

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