

## Parliament votes in favour of 0.5% mobile money tax despite public outcry



A past session of Parliament in progress. Despite widespread public outcry Members of Parliament today voted in favour of the 0.5% tax on mobile money. | CSBAG2018

**“In a Minority Report however, a section of MPs had recommended the scrapping of the tax ...”**

Parliament has amended the Excise Duty Act 2014 to limit the taxable mobile money transactions to withdrawal and to reduce the duty payable from the initial 1% to 0.5%.

The Excise Duty (Amendment) Bill, 2018 passed in May imposed a 1 per cent tax on all mobile money transactions including deposits, transfers and withdraws. However, following protests from MPs and the public, government presented a new Bill, the Excise Duty (Amendment) (No.2) to reduce the tax to 0.5 per cent applicable to withdraws only.

The State Minister for Finance David Bahati, said the tax collection sought to raise Ugx. 115 billion and

would help check on the country's debt burden and finance the expenditure priorities appropriated by Parliament.

On Tuesday, 2<sup>nd</sup> October, 2018, Deputy Speaker Jacob Oulanyah presided over the House in voting for the controversial mobile money tax that last week hit a snag due to lack of quorum.

To avoid what happened last week on Thursday, Oulanyah asked the Clerk to Parliament, Jane Kibirige to ascertain if there is required quorum to pass the Bill. Kibirige reported that there were over 196 MPs in the House - just more than the required number.

Following misconduct by some MPs during the voting process by show of hands, Oulanyah decided to take the voting afresh by roll call and tally where each Member took a microphone and announced their position whether the mobile money tax should be completely scrapped or amended and reduced to 0.5%.

After tallying of results, Oulanyah declared that out of the total of 288 votes, 164 voted in favour of the 0.5% amendment while 124 voted in favour of scrapping of the tax.

Some of the MPs who voted for scrapping of the mobile money tax include; NRM's Tonny Ayoo (Kwania County), Anna Adeke (Female Youth MP), Monicah Amondong (Kumi), FDC's Hebert Ariko (Soroti Municipality), NRM's Sam Byibesho (Kisoro Municipality), NRM's Evelyn Chemutai (Bukwo), NRM's Mariam Naigaga (Namutumba) who is also Treasurer of NRM caucus among others.

In its report, the Committee on Finance observed that implementation of the 1 per cent tax on mobile money transactions was met with challenges like misinterpretation of the excise duty law, which resulted in the taxation of deposits.

“Government has worked with Uganda Revenue Authority to inform the public and telecom companies not to collect the tax on deposits and use of mobile money for payment of taxes,” Henry Musasizi (NRM, Rubanda East), the Chairperson of the Committee on Finance said.

He recommended the enactment of consumer protection laws to protect citizens from high costs charged by multinationals, adding that Uganda Communications Commission ought to analyse components and formula used to determine the transaction charges with the aim of reducing them.

In a Minority Report however, a section of MPs, recommended that instead of the reduction from 1 percent to 0.5 per cent, the tax should be scrapped in its entirety.

MP Semakula Luttaguzi (DP, Nakaseke South) highlighted proposals by various stakeholders including from the Finance Ministry, the banking sector, Civil society organizations and mobile money dealers among others.

This was however subjected to a vote in which the majority NRM MPs opposed the recommendation by the minority report in favour of the 0.5% tax.

According to finance, Uganda's tax effort stood at 14.2 per cent of the GDP yet expenditures on development priorities passed by Parliament stood at 22 per cent of GDP, resulting in domestic and external borrowing from which high interests accrued.

Members of the Civil Society and wide sections of the public have previously argued that the imposition of the 0.5% transaction tax has potential to hurt the poorest segments of the population. The new 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.

Still, statistics show that 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.

Given its relatively young history, Mobile Money has facilitated easy movement of money across regions and individuals in Uganda. However, the extra taxes on the service are likely to reverse the benefits that had previously been brought about by Mobile money.