

Urgent Reforms of Digital Taxes Needed as Mobile Money usage drops to 40%



CSBAG ED Julius Mukunda, together with Members of Parliament, CSO representatives, and the private sector, at Sheraton Hotel during the High-level Breakfast meeting on 10th April 2026. Photo CSBAG, 2026

"In some communities, mobile money shops are disappearing. Fewer agents mean higher risk and higher informal charges. When access shrinks, exploitation grows, because the bank charges are lower," said Hon. Aleper Moses, Member of Parliament for Chekwi County.

Janepher Tumwebaze, a mobile money agent operating in Kampala, gave a firsthand account of the damage caused by the taxes.

"As mobile money agents, it is very discouraging to see taxes being introduced," she said.

"These days, you find most people are comfortable with cash rather than using mobile money. That is affecting our work negatively – our customer numbers are down, our transaction volumes have dropped,

Many customers now prefer cash or banking agents, especially for transactions above Shs500,000, because the bank charges are lower

She appealed to Parliament to consider the livelihoods of thousands of agents, especially women and youth, who depend on the mobile money ecosystem. Her concerns were expressed on April 10, 2026, at the High Level Breakfast Meeting FY2026/27 Tax Amendment Bills, drawing Members of Parliament, civil society organizations, technocrats, and the media to discuss the urgent need to reform digital taxes in Uganda.

The meeting, held today in Sheraton Kampala, brought evidence that current taxes on mobile money and smartphones are slowing digital growth, punishing low-income users, and driving transactions back to cash.

Presenting a paper titled *"The Need to Reform Digital Tax,"* CSBAG Executive Director Julius Mukunda outlined the damaging impact of the current tax regime: a **0.5%** levy on mobile money withdrawals, a **15%** excise duty on telecom service fees, and a **10%** withholding tax on agent commissions.

Citing an International Monetary Fund (IMF) 2025 study, Mukunda revealed that these taxes have led to a **40%** decline in mobile money usage in Uganda since the withdrawal tax was introduced in 2018.

The tax creates **33–35%** economic waste – more harm than good," Mukunda told the gathering. "For every **10%** price rise, usage falls **20%**

He illustrated the inequality with a striking comparison: withdrawing UGX 1,000,000 via bank or ATM attracts just UGX 315 in tax, while the same amount via mobile money attracts **UGX 6,630 – 21** times more. "Sending and withdrawing UGX 1 million via mobile money costs over **UGX 20,000** – nearly four times more than physically transporting the same cash between Kampala suburbs, which costs approximately UGX 6,000," Mukunda said

The result is that users are shifting back to cash, small businesses are avoiding digital payments, and jobs are being lost – especially among women and youth who dominate the mobile money agent network.

Smartphone penetration remains stuck at **33%**, compared to a regional average of 50%. Mukunda reminded attendees that the National Development Plan (NDP III) promised to bring entry-level smartphones down to **UGX 60,000** – a promise never kept due to high taxes.

"Without affordable smartphones, people cannot easily access internet banking, mobile money apps, e-government services, online learning, or digital markets," he said. "They remain excluded from the digital economy entirely.

Hon. Aleper Moses, Member of Parliament for Chekwi County and a representative of the Parliamentary Budget Committee, opened the meeting by commending CSBAG for its continued contribution to people-centered budgeting and transparency.

CSBAG has consistently pushed for fiscal policies that protect ordinary Ugandans," Hon. Aleper said. "In some communities, mobile money shops are disappearing. Fewer agents mean higher risk and higher informal charges. When access shrinks, exploitation grows."

He urged the Ministry of Finance to take the proposals seriously, noting that the FY2026/27 tax proposals aim to raise **UGX 2.3 trillion** but must not deepen inequality.

Hon. Moses Ogwal, a Member of Parliament for Dokolo North Constituency attending the meeting, acknowledged the concerns raised by CSOs. However, he mentioned that whatever argument is brought forth must focus on revenue increase," Ogwal said.

"Whatever argument on taxes that is being raised should increase revenue and improve Uganda's GDP."

Mukunda proposed 3 key amendments to reverse the trend: reduce the mobile money withdrawal tax from **0.5%** to **0.25%**; introduce a maximum cap of UGX 5,000 per transaction and exempt small withdrawals entirely; and remove import duty and zero-rate VAT on entry-level smartphones with a value below **UGX 350,000 (or UGX 500,000 as an alternative threshold)**. The projected outcomes, he said, include a doubling of the tax base from UGX 31.96 billion to UGX 63.39 billion, growth of active mobile money users from **16.3 million** to **24.2 million**, and a **60%** expansion of the agent network to **424,000**

The meeting concluded with a call to action. CSBAG urged Parliament and the Ministry of Finance to adopt the proposed amendments in the FY2026/27 Tax Amendment Bills, arguing that reducing taxes on mobile money and smartphones would expand the tax base, improve compliance, and accelerate digital inclusion.