

CSBAG BUDGET NEWS



How tax policy affects small businesses and the creator industry in Uganda



A mobile money transaction point in East Africa Source (Bloomberg)

For thousands of Ugandan creators, boda riders, market vendors, and freelance artisans, mobile money is not a luxury—it is their bank, their office, and their lifeline. Yet, every time they withdraw earnings as small as **UGX 5,000**, the government takes a cut that is disproportionately heavier than what a wealthy bank customer pays.

New analysis by the Civil Society Budget Advocacy Group (CSBAG) reveals that Uganda's current digital tax regime is not only regressive but is actively strangling the very micro-enterprises that the National Development Plan (NDP IV) promises to uplift.

Consider two Ugandans: One withdraws **UGX 1,000,000** from an ATM using a bank card. The other is a *kikubo* (small-scale retailer) withdrawing the same **UGX 1,000,000** in small, frequent sums of **UGX 20,000** to restock inventory daily. Bank user pays: **UGX 315** in taxes and fees while Mobile money user pays: **UGX 6,630** in withdrawal taxes.

That is **21** times more. For someone earning **UGX 5,000–20,000** per transaction, the **0.5%** withdrawal tax might look small in percentage terms, but in real terms, it eats a day's meal. Worse, because these users withdraw frequently (unlike a salaried worker who withdraws once a month), they pay the tax **10 to 15** times more often.

A micro-business withdrawing **UGX 500,000** over **25** small transactions (**UGX 20,000 each**) pays **UGX 2,500** in taxes. A bank customer withdrawing the same amount once pays just **UGX 157**.

The government's goal under NDP IV is to expand mobile money usage to **71%** of the population by 2029. But the International Monetary Fund (2025) found that Uganda's mobile money tax creates **33–35%** economic waste—meaning it harms the economy more than the revenue it generates.

When Tanzania introduced a similar tax, rural families lost **10–18%** of their food money, while urban bank users were barely affected. In Uganda, after the 2018 tax introduction, mobile money usage dropped by **40%** (IGC). For every **10%** price rise, usage falls **20%**.

The government loses more in unrealized data and

and transaction taxes from *disconnected users than it gains from taxing withdrawals*. A smartphone user spends roughly **UGX 10,800/month** on data, generating consistent **12%** excise duty revenue. But a feature-phone user—locked out of the digital economy—contributes almost nothing.

CSBAG proposes **3** simple amendments to the Excise Duty Act: Reduce the withdrawal tax from **0.5%** to **0.25%**, introduce a maximum cap of **UGX 5,000** per transaction (so no one pays more than **UGX 5,000**, no matter how large the withdrawal) and exempt small withdrawals below a certain threshold entirely.

Uganda risks slower digital growth, reduced competitiveness, and weaker inclusion outcomes relative to its peers.

Kenya and Rwanda have already removed or zero-rated these taxes—and their digital economies are accelerating faster.

The question is whether Uganda can afford to leave **75%** of its population in digital darkness while our neighbours

Country	Mobile Money Withdrawal Tax	Cap on Tax?	Smartphone Import Duty (Low-cost)
Uganda	0.5%	No	10% + 18% VAT
Kenya	0% (Repealed)	N/A	0% (on < \$50)
Tanzania	0.3%	Yes (TZS 10,000)	0% (on < \$50)
Rwanda	0% (person to person)	N/A	0% (on < \$150)
Ghana	1.0% (but with daily cap)	Yes (GHS 20)	0% (on < \$100)

race ahead

By capping the mobile money tax at UGX 5,000 and cutting the rate in half, Uganda would be investing in millions of small, frequent transactions that are the true heartbeat of Uganda's informal economy.

CSBAG IN THE MEDIA

Reform Digital Tax: Make Mobile Money Fair & Smartphones Accessible in Uganda

Uganda's NDP IV Goals
Internet use: 20% → 45%
Mobile money usage: → 71% by 2029

Mobile Money is Essential
• Used by 35.6 million Ugandans
• Moves USD 133 billion annually

SMARTPHONE TAX
Current Taxes on Smartphones
10% import duty and 18% VAT on smartphones below 350,000
1.5% infrastructure levy
1% import declaration fee

MOBILE MONEY TAX
Mobile Money Withdraw Tax
0.5% Excise duty on withdrawals
18% VAT on transaction fees
Banks are taxed only on fees and not withdrawals

The Unequal Impact
64% of adults use mobile money and 14% use banks
Over 219,000 Mobile money agents across

CSO PROPOSAL
Remove Import Duty and Zero-Rate VAT on entry level smartphones with CIF value below UGX

Smartphones are essential for:
Digital access
Digital payments
Entrepreneurial activities such as paying taxes
Online Business
Online education

Smartphones are essential for:
32.2 million Basic Phones
20 Million smart phones

Smartphones are essential for:
Digital access
Digital payments
Entrepreneurial activities such as paying taxes
Online Business
Online education

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#PARTICIPATORYBUDGETING

CSBAG and FRA convened a CSO orientation workshop on the alignment and reporting of contributions to the Agro-industrialization Results Framework at Eureka Place Hotel.

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SOURCE: CSBAG Policy Brief on Reform Digital Tax Make Mobile Money Fair & Smartphones Accessible in Uganda, submitted ahead of the 2026 Excise Duty Act amendments.

