



PETITION

TO THE LEADER OF OPPOSITION OF THE PARLIAMENT OF UGANDA ON THE 0.5% MOBILE MONEY TAX ON WITHDRAWALS AND THE UGX 200 TAX ON OTT SERVICES

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: 19th July 2018

We as the Civil Society Budget Advocacy Group (CSBAG) and the Tax Justice Alliance- Uganda on behalf of our membership, do hereby petition the Parliament of Uganda, through you the Leader of the Opposition of the parliament of Uganda on the review of Mobile Money Tax from 1% to 0.5%.

We appreciate government for listening to the voice of the citizens and revising the 1% tax imposed on mobile money. We also 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.

Civil Society Organizations launched a campaign that opposed the 1% tax on Mobile Money transactions 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.

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.

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 the 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. It has also established that as at 14th July 2018, the MM industry had lost UGX 5bn and over 100,000 agents have already lost UGX 2.5bn in commission. In relation to the house hold expenditures, the cost of electricity and water, school fees payments and PayGo solar services have all increased by 1%. Many Ugandans are now using physical cash which slows down business and is riskier.

We also note that at the Media Centre yesterday Hon Bahati 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.

We also decry the flat tax rate of UGX 200 on OTT services which presupposes that all consumers have the same purchasing power. This is a regressive tax and therefore against the taxation principle of vertical equity. This tax has an impact of restricting access to information for whoever can afford a data bundle but cannot afford UGX 200 tax.

We acknowledge 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 2018. However this reduction is not a solution as the above mentioned negative effects of this tax will persist:

We are therefore proposing that government explores:

1. Charging the transaction fees instead of transaction values (cash deposits, withdrawals and deposits);
2. Increasing excise duty from 15% to 20% on transaction fees;
3. For purposes of equity, extend 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.
4. Taxing the escrow account held by banks on behalf of the telecom companies (currently estimated at UGX 800bn); this would generate UGX 11bn for government.
5. 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.
6. 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.

Signed:

Julius Mukunda
Executive Director
CSBAG

Ambassador Nathan Irumba
Executive Director SEATINI Uganda
Chairperson Secretariat Tax Justice
Alliance

Cc: Speaker, Parliament of Uganda
Leader of Government Business
Minister of Trade
Chairperson, Finance Committee of Parliament

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

For more information please contact

Civil Society Budget Advocacy Group [CSBAG]
Plot 11 Vubya Close, Ntinda Nakawa Rd | P.O. BOX 660, Ntinda | Fixed Number:
0755202154 | E-mail: csbag@csbag.org | Twitter: @CSBAGUGANDA
Facebook: [CSBAG/Facebook.com](https://www.facebook.com/CSBAG/Facebook.com)