

# SHAPING UGANDA'S TAX POLICIES

A Case of the citizen led Campaign against The 1% Tax Mobile Money on Transactions in Uganda



Voted Top Choice NGO in the category  
"Excellence as a non-for-profit" 2018.



CSBAG recognized for  
National campaign against  
mobile money tax:

Civil Society Budget Advocacy Group (CSBAG) registered impressive mobile money advocacy campaign in 2018.



The Civil Society Budget Advocacy Group is a Ugandan nonprofit organization that was founded in 2004 to bring together Civil Society Organizations at national and district levels with the view of influencing government decisions on resource mobilization and utilization for equitable and sustainable development.

part of CSBAG's advocacy for FY 2018/19, organization initiated and led a campaign to urge government withdraw the proposal to tax 1% of the value of mobile money transactions on payments and withdrawals.



Monday 3rd May  
CSBAG launched a  
the campaign to  
the proposal by



CIVIL SOCIETY BUDGET ADVOCACY GROUP

**Shaping Ugandans Tax Policies: A case of the Citizen led Campaign against The 1% Tax on Mobile Money Transactions** was produced by

Civil Society Budget Advocacy Group (CSBAG).

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# Background

Civil Society Budget Advocacy Group (CSBAG) registered impressive mobile money advocacy campaign in 2018. The Civil Society Budget Advocacy Group is a Ugandan nonprofit organization that was founded in 2004 to bring together Civil Society Organizations at national and district levels with the view of influencing government decisions on resource mobilization and utilization for equitable and sustainable development.

As part of CSBAG's advocacy for FY 2018/19, the organization initiated and led a campaign to have government reduce the proposal to tax 1% of the value of mobile money transactions on sending, receiving and to 1% only on withdrawals



**CSBAG's position was that imposition of the 1% transaction tax would hurt the poorest segments of the population and make adoption of mobile money especially in the lower segments much more difficult.**

# The mobile Money Tax Journey in 2018



30<sup>th</sup> April  
2018,

CSBAG alerted the nation through a media briefing about the dangers of the proposed 1% tax by Government on mobile money transactions.

3rd May  
2018,

CSBAG launched a nationwide campaign to denounce the 1% tax levied by government on mobile money transactions. The campaign, which was themed, "Say No to Taxing Mobile Money" urged Ugandans to denounce the mobile money tax, which was projected to lead to more poverty, especially among the low-income earners in rural and semi-urban parts of the country.

8th May  
2018,

CSBAG also rolled out regional campaigns against the mobile money tax in Mbarara, Fort Portal, Mbale, Gulu and Karamoja to rally the public and all key stakeholders to work towards ensuring that the legislation does not get passed by Parliament.



19th July  
2018,

The Minister for Finance, Planning and Economic Development Finance presented the Excise duty (Amendment) Bill No.2 to Parliament which sought to amend schedule 2, part 1 of the principal Act by substituting paragraph (f) of item 13 with a levy of 0.5 of the value of mobile money withdrawal of cash only.

This Bill was referred to the Parliament Committee on Finance, Planning and Economic Development in accordance with rule 177 of the Rules of procedure of Parliament.

8th August  
2018

members of the Civil Society Budget Advocacy Group (CSBAG) presented their position paper on the Excise duty (Amendment) Bill No.2 to the Parliament Committee on Finance, Planning and Economic Development proposing a number of alternative revenue sources to cover for the 1% tax proposed by Government.

2nd October  
2018,

Members of Parliament of Uganda passed the Excise duty (Amendment) No.2 reducing the tax on mobile money transactions to 0.5% and levying it only on withdrawals. 164 MPs voted in favour of the tax against 124. A total of 288 out of the 458 MPs in the tenth parliament participated in the vote presided over by the Deputy Speaker of Parliament, Jacob Oulanyah



30th May  
2018

Parliament of Uganda passed the Excise duty (Amendment) Bill, 2018 approving Government proposed 1% tax on mobile money transactions (sending, receiving, and withdrawing)

12th July  
2018,

President Yoweri Museveni responded to citizens' outcry regarding the highly contested taxes on social media and mobile money transactions, saying that levying tax on mobile money deposits was "wrong." President directed Parliament to review the tax and reduce it to 0.5% on withdrawals

19th July  
2018,

CSOs under CSBAG and the Tax Justice Alliance Uganda as well as the Kampala Mobile Money Dealers' Association, petitioned the Leader of Opposition (LOP) in the Ugandan Parliament calling for parliament to scrap the 1% tax on mobile money transactions



27th  
September  
2018

President Museveni assented to the Excise Duty (Amendment) (No.2) Act, 2018 that proposed 0.5 per cent tax on mobile money withdrawals.

7th  
November  
2018

Hon, Paulson Luttamaguzi (Nakaseke South, DP) tabled the report, which received support across the political spectrum.



# How CSBAG planned the campaign against the Mobile Money tax

When news broke in April 2018 that Government planned to introduce a tax on mobile money transactions, it was greeted with incredulity as to many, this tax that was obviously going to hurt the masses in the lower rungs of society.

Rattled by the tax, the Civil Society Budget Advocacy Group (CSBAG) conducted a quick market survey and discovered that over Sixty One (61) per cent of mobile money clients transact less than UGX 45,000 per transaction. This percentage represented the majority of the low income earners and it illustrated that mobile money is a platform mostly used by Ugandans who can't afford to be in the banking sector.

CSBAG's position was that imposition of the 1% transaction tax would hurt the poorest segments of the population and make adoption of mobile money especially in the lower segments much more difficult.

At CSBAG, a decision was made to engage Government on its plan of taxing mobile money transactions on the basis that it would hurt the poorest segments of the who were already struggling with an economy in free-fall

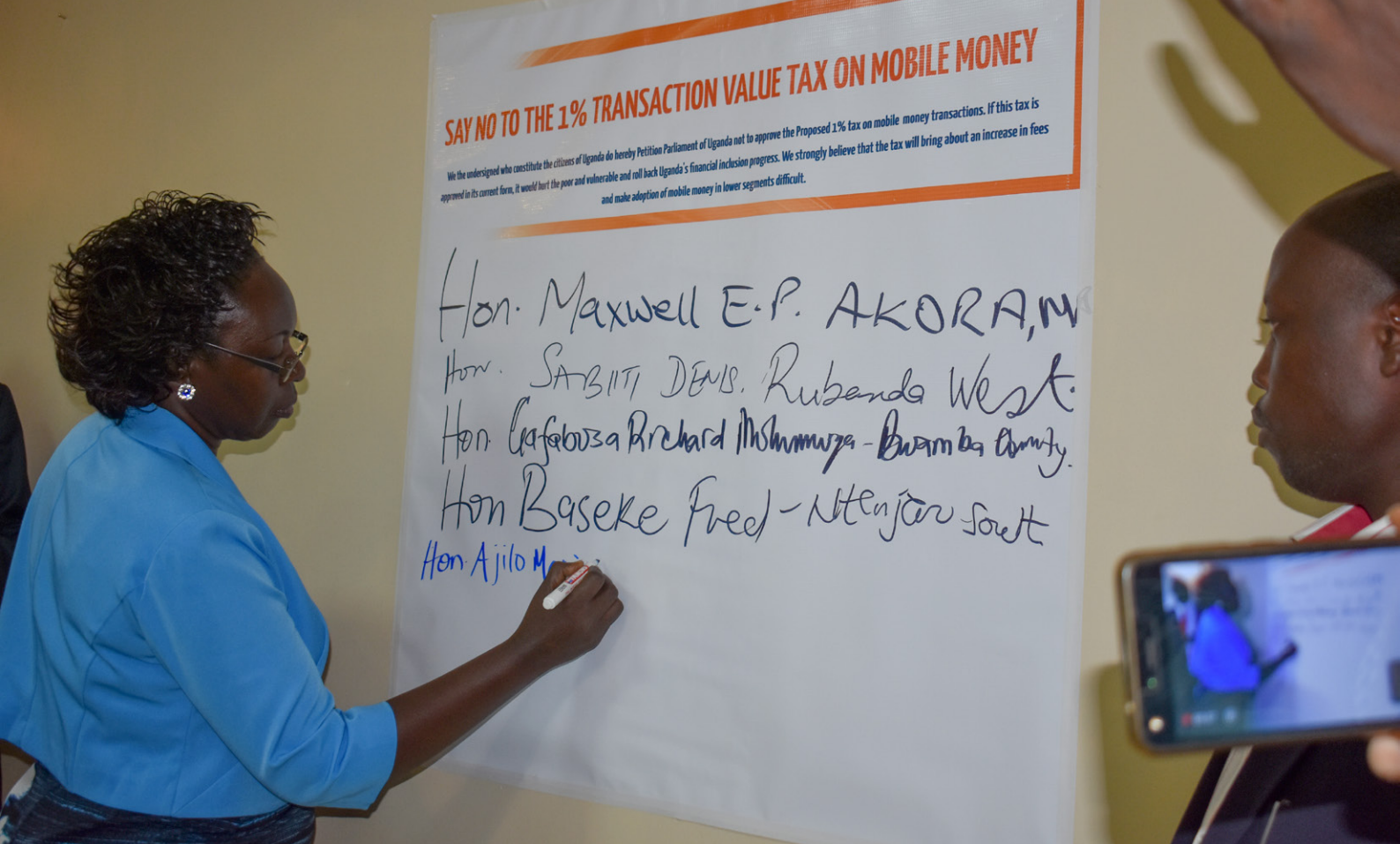
Mr Julius Mukunda, CSBAG's Executive Director, says that CSBAG's mandate is to identify areas where policies are likely to hurt the poor and the economy and suggest alternative proposals to Government on how better it can implement a particular policy.

"The proposal on Mobile Money tax was likely to hurt the people in terms of [eradicating] financial deepening and reliability but also it was also going to hurt the economy and small scale businesses because a number of them were generating their livelihood from this particular mobile money platform. "Our motivation was from the perspective that Government had underestimated the negative impact that this tax would have on the economy," Mr Mukunda says.

CSBAG decided from the onset that the campaign against transactional tax on Mobile Money was going to be multi-faceted; rally citizens, mobilise Members of Parliament and involve different stakeholders like the private sector.

Previous CSBAG campaigns have not involved the private sector as much as they should do but it was clear that for the campaign against the transactional tax on Mobile Money tax to be successful, the private sector had to be on board because it is a very critical player in the business.

With the clock ticking away as Parliament had to adhere to timelines set in the Public Finance Management



Act, CSBAG initiated a campaign to have government withdraw the proposal to tax 1% of the value of mobile money transactions on payments and withdrawals. The campaign, which was themed, “Say No to Taxing Mobile Money” brought together members of civil society, private sector and Members of Parliament (MPs) to urge Ugandans to denounce the mobile money tax.

This was later rolled out to the countryside to rally the public to work towards ensuring that the legislation does not get passed by Parliament in its proposed form. Town hall meetings were held with like-minded actors in the regions of Karamoja, Acholi, Ankole, Bunyoro and at National level. Specifically CSBAG targeted MPs to sign a pledge committing to support the campaign by rejecting this proposed tax.

Despite all this, Parliament in May 2018 passed the controversial bill and at the start of the Financial Year 2018/19, the 1% tax on mobile money transactions including sending, withdrawals, and payments was effected.

This was however without contradiction, in June 2018 while briefing the press at the Finance Ministry headquarters in Kampala about activities of the budget week, the Minister for Finance Matia Kasaija was pushed by the CSBAG ED to admit that Cabinet decision on this

tax was to reduce it to 0.5 per cent however Parliament voted otherwise.

“When CSBAG met the Minister for Finance, they expressed discontent over Government decision on this tax considering they had tabled proposals to generate even more revenue that what Government anticipated to generate from this tax. “The nation is still in shock about the 1 per cent tax on Mobile Money transactions that will yield Shs115 billion yet we proposed alternatives that would yield Shs252 billion with no adverse effect on the economy and the people,” Mr Mukunda addressed the Minister.

In response the Minister mentioned that Cabinet never agreed on the 1% tax.” “I am not aware that Parliament has approved 1 per cent tax on Mobile Money. I apologise for that because it contradicts what we agreed on in Cabinet. What we agreed on was a half of one per cent. I will ask the responsible officer how 1 per cent tax on Mobile Money was approved,” Mr Kasaija was quoted.

“I am sorry I was out of the country. I will have a discussion with the President and may be by the time I read the budget next week, a solution will have been found,” Mr Kasaija said.

The Budget Speech for the financial year 2018/19 was read on 14<sup>th</sup> June 2018 and there was no mention of the Mobile Money Tax. In July 2018 the tax came into effect and in the first two weeks of the financial year 2018/19, the 1% tax value yielded the anticipated negative effects on both mobile money agents and users across the country.

As a result, on July 4<sup>th</sup> 2018, H.E President Museveni addressed and issued a directive for Parliament to review the tax to 0.5% and only on withdrawals.

"This is to clarify that there is no tax on mere depositing money on a mobile phone account. That confusion should be clarified. The half-per cent tax, not 1 per cent, is only on the sender and the receiver of money through mobile money." The President's statement read

The house hold expenditures, the cost of electricity and water, school fees payments and PayGo solar services had all increased by 1%. As a coping mechanism, many Ugandans resorted to using physical cash which slowed down business and is riskier.

While appearing before the Parliament Committee, The BoU officials, who also appeared before the committee alongside their counterparts from telecom companies, said because of the unpopular tax, the mobile money

transactions had declined by Shs672b in the first two weeks of implementing the tax.

In Response to the President's directive, Parliament in October 2018, for the second time approved the amended the Excise Duty (Amendment) Bill, 2018 which limits the taxable mobile money transactions to withdrawals and reduced the duty payable from the initial 1% to 0.5%.

CSBAG takes pride in the fact that although government did not totally scrap the 1% mobile money tax on all transactions, the adopted 0.5% tax on withdraws only was less harmful to the poor and vulnerable.

Mr Jeff Wadulo, a CSBAG Parliamentary lobbyist, says that the campaign against the transactions on Mobile Money showed why new approaches can be used if successful campaigns against regressive government policies are to be effected.

"As CSOs, we normally engaged vertically with government. Even when we have allies, we have never engaged with them [but] we worked with Mobile Money Dealers Association. That new perspective with

## 4 National > NEWS

**Way forward.** The minister promises to meet President Museveni over the anomaly before budget day next week.

BY MARTIN LUTHER OKETCH  
& MISAIRI THEMBO KAHUNGU  
editorial@ug.nationmedia.com

**KAMPALA.** The Minister of Finance, Mr Matia Kasaija, yesterday said the one per cent tax on Mobile Money passed by Parliament last week is different from what Cabinet and the ruling NRM party caucus had initially agreed upon.

Mr Kasaija said they had recommended a 0.5 per cent tax on Mobile Money but he was surprised Parliament approved a different rate of one per cent, which he was not aware of. He said the change happened when he was away.

"I am not aware that Parliament has approved 1 per cent tax on Mobile Money. I apologise for that because it contradicts what we agreed on in Cabinet. What we agreed on was a half of one per cent. I will ask the responsible officer how 1 per cent tax on Mobile Money was approved," Mr Kasaija said.

He was briefing the press at the Finance Ministry headquarters in Kampala about activities of the budget week. The 2018/19 National Budget will be presented on June 14.

# Kasaija disowns new tax on Mobile Money

budget next week, a solution will have been found," Mr Kasaija said.

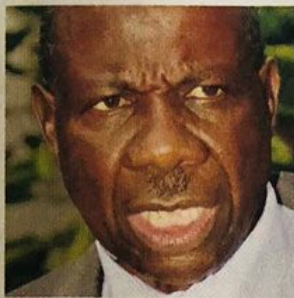
He also said the tax was initially intended to be levied on Mobile Money agents because that is where revenue is, not on money transactions as passed by Parliament.

Government is seeking to raise the country's tax ratio to GDP by 0.5 per cent annually, but the new levy has triggered public rage.

Last week Parliament passed the Excise Duty Amendment Bill submitted by the Ministry of Finance, which introduced a one per cent tax and varying taxes on other electronic transactions such as airtime and social media networks-- Twitter, Facebook, WhatsApp, Skype and Viber.

The new tax will also affect online transactions such as payment of utility bills for water, electricity pay TV, among others.

Mr Kasaija said government will



Unaware. Mr Matia Kasaija



Faulted budget. Mr Julius Mukunda

breakdown will be presented in my budget speech on Thursday, June 14, 2018," he said, resisting media demands to explain budget allocations per sector.

He said the budget will focus on key growth sectors of agriculture and tourism by modernising them to

get priority include infrastructure development which comprises electricity, roads and rail transport and ICT to lower cost of doing business in Uganda and spur industrialisation.

At the same function, the civil society castigated government for habitually distorting the budget system

ciety Budget Advocacy Group Julius Mukunda, said supplementary budget undermines credibility of get implementation.

Mr Mukunda said supplementary budgets often include items that can be done away with to avoid expenditure.

"Many of these items are absorbable and foreseeable for 2018, Shs1.3 trillion [of 2018] had been spent as supplementary [requests]," he said.

Mr Mukunda said Mr Kasaija's items in supplementary budget as special meals and salaries he said depicts poor planning.

"We propose an amendment to Public Finance Management Act to have supplementary budgets confined to the Contingency Fund," Mr Mukunda said.

He condemned the new mobile Money.

"The nation is still in the 1 per cent tax on Mobile Money transactions that yield revenue yet we proposed alternative would yield Shs252 billion no tax adverse effect on the people," he said.

ACTIVITY

The Ministry of Finance

the private sector was unprecedented. For the ordinary citizen, the impact was so unambiguous in the way citizens were being affected,” says Mr Wadulo.

Mr David Walakira, a CSBAG budget specialist, says the multi-stakeholder engagements were at the centre of the success story of the campaign against Mobile Money because Government was by default adding 1% on services for Ugandans.

“We sat down and said who is going to be affected and we mapped that out. This is a market phenomenon. Are the agents okay with it? Are the main users okay with it? Are citizens that use this service with it okay with it? Are the service users okay with it? “Are the mobile money users okay with it?” says Mr Walakira.


Though the battle against the tax was seemingly lost in July 2018 when Parliament passed the Excise Duty (Amendment) Bill, 2018 with a 1%, the reduction of the tax to 0.5% was testimony to the campaign spearheaded by CSBAG against the tax.

In Response to the President’s directive, Parliament in October 2018, for the second time approved the amended the Excise Duty (Amendment) Bill, 2018 which limits the taxable mobile money transactions to withdrawals and reduced the duty payable from the initial **1% to 0.5%.**



# MPs inspired by CSBAG to write Minority report against Mobile Money tax

“With Parliament’s Finance Committee dominated by National Resistance Movement (NRM) MPs who have 22 members out of the 27 members, winning the battle against the mobile money tax at Committee stage was nearly mission impossible”.



## There are **better ways** to collect revenue **instead of the proposed 1% tax** on mobile money value transactions

Government intends to impose an excise duty of 1% on mobile money transactions. However, this proposal has three major challenges and setbacks. For instance:

- It will hurt the Poor and Vulnerable**  
The 1% tax on transaction amounts is very regressive and will tax the poorest segments of the population. The proposed tax could make adoption of mobile money especially in lower segments much more difficult. 61% of mobile money clients transact less than UGX45,000. This percentage represents the majority of the low income users.
- It will affect revenue collections**  
Since Mobile Money is a scale-business, the imposition of the 1% of a transaction tax will negatively impact the revenue collection. The reduced revenue will affect the tax paid to government through corporation tax.
- It will reverse gains on Financial Inclusion**  
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. Higher value services such as paying school fees will become unaffordable.

**However, below are better alternative sources that will bring in more revenue.**


- Increase excise duty from 10% to 17.5% on withdraw fees:** Amend Sec 16 (f) to read in item 14, by substituting for "10% of the fees charged "appearing in the third column, with "17.5% of the withdrawal fees and 15% charged on all transactions fees". This would generate UGX 122bn.
- 80bn from 0.3% of withdrawal amount for mobile money:** (section 6(e), Item 13 (e))
  - based on March 2018 figures, mobile money operators registered 1,900bn UGX of cash-out
  - if no disturbance in the ecosystem, mobile money operators plan +20% of growth over FY 2018-19
  - 1900\*12\*1.2\*0.003 = 82
- 30bn from 0.3% of withdrawal amount for agency banking** – as Agency banking is the mobile money of the banks, i.e. the agents buy float from Bank escrow accounts to enable client to make deposit, withdraw, transfers and bill payments using a mobile phone
  - 10,000 active agency banking PoS in average across FY 2018-19
  - Transacting 3 times less than mobile Money agents but with transactions 10-15 times more important (i.e., average MuMo transaction is 50k, 500k-750k+ for agency banking)
  - 80\*(10,000/100,000 active mobile money agents)\*3\*10-15 = 27-40bn (we approximated at 30bn)

**The above three proposals will generate UGX232bn, which is more than UGX155bn that government intends to collect by imposing the 1% transaction levy on mobile money.**

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11 MPs supported the main report of the Parliament’s Finance Committee on the mobile money transaction value tax. The report surprisingly supported the Excise Duty (Amendment) Bill, 2018 and upheld the proposal to tax MM regressively; centrally to the views received by this committee from the various stake holders consulted. 13 of the 16 stakeholders informed the committee that the tax was regressive and a danger to the economy.

Three members of the Parliament’s Finance Committee however, stuck to their guns and sided with the population and authored a minority report rejecting any tax on mobile money transactions. On 27<sup>th</sup> September 2018, Hon, Paulson Luttaguzi (Nakaseke South, DP) tabled the report, which received support across the political spectrum.



The average monthly mobile money transactions were valued at 6 trillion (6% of GDP) in 2017/18, an increase of Shs2 trillion in a period of 1 year. The number of registered users currently is estimated at **23 million (62%)** of the population. Imposing additional tax on mobile money transactions has a danger of undermining this progress.

The lead author of this the Minority Report Hon. Luttamaguzi Ssemakula, said he was convinced by research tabled by the Civil Society Budget Advocacy Group (CSBAG) that a tax on the transaction value on Mobile Money would be very hurting to the economy. Parliamentary Guide on Debating the Proposed 1% Tax on Mobile Money Transactions

The research presented by CSBAG convinced Hon. Luttamaguzi that if a 1% tax was slapped on mobile money transactions, thousands of youth who operate the platform as a business would have been left unemployed while also drying up Government revenues through taxation. “I was impressed by the documents we got from CSBAG. Their views were based on research and it is what we used in our report. They talked of the tax hurting financial inclusion, the biasness of the tax and the issue of double-taxation,” Hon. Luttamaguzi said.

Hon. Luttamaguzi says he was surprised by recommendations of the main report of the Finance Committee that recommended that a 1% tax be slapped on mobile money transactions even as majority of the stakeholders had opposed the tax.

“I was not impressed by the way the Committee handled this Bill. We received more than 15 bodies and almost 98% were not in support of the tax. So, I wondered how the Finance Committee could support the tax given how there were many stakeholders opposed to the tax. The people whom we interacted were almost all against the tax. We wondered where they could have got their views,” Hon. Luttamaguzi said. He added: “We challenged the Chairman of the Committee to tell us where he got the views in support of the tax from them.”

Relying on CSBAG research, MPs that authored the Minority Report argued that a tax on mobile money

would affect the financial inclusion programme as highlighted in the National Financial Inclusion Strategy 2017-2022. “The average monthly mobile money transactions were valued at 6 trillion (6% of GDP) in 2017/18, an increase of Shs2 trillion in a period of 1 year. The number of registered users currently is estimated at 23 million (62%) of the population. Imposing additional tax on mobile money transactions has a danger of undermining this progress,” MPs on the Minority Report warned.

Kagoma County MP Moses Walyomu Muwanika says he could not be intimidated by his ruling National Resistance Movement (NRM) party to support the tax on mobile money transactions because his people in a rural constituency would be the most affected by the tax. “I represent a rural constituency which has only one financial institution and that is Kagoma Pride. I was looking at the experiences of how my people have been benefitting by transacting their businesses through Mobile Money. That is why I supported the campaign for no tax for Mobile Money because I represent people who use mobile money more than the urban constituencies,” Hon. Walyomu said.

When the Civil Society Budget Advocacy Group (CSBAG) decided on the campaign against the 1%

tax on the transaction value on Mobile Money, it was obvious that research-based analysis would be essential in putting up a successful campaign.

To authoritatively influence the fight against this tax, CSBAG was equipped with factual information that was used to equip MPs and enable them influence debate in Parliament and win over as many MPs as possible.

Mr Julius Mukunda, the CSBAG Executive Director, explains that even after digging up the figures on how regressive the mobile money tax, it was the simplicity with which the statistics were presented with that was very effective in swaying the debate on the Mobile Money tax.

Mr Fred Kawoya, an official with ActionAid who was part of CSBAG’s campaigns against the Mobile Money tax, says they were very much helped with the research.

“CSBAG was also very helpful with the analysis. They broke down the tax that was supposed to be very technical and their simplified analysis was very helpful in empowering legislators and citizens to interrogate this tax from an informed point of view.” Mr Kawoya says.

The research presented by CSBAG convinced Hon. Luttamaguzi that if a 1% tax was slapped on mobile money transactions, **thousands of youth who operate the platform as a business would have been left unemployed** while also drying up Government revenues through taxation.

#### COMMENTS FROM OUR READERS > WITH STEPHEN OTAGE

### What is your take on proposed tax increment on mobile money?



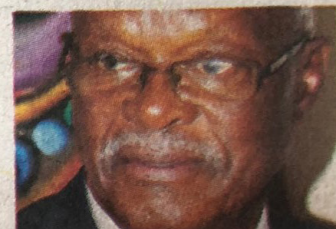
“The charges are already high. There are many areas where government should look into to collect taxes.”



“Are they saying the deductions which telecom companies make from mobile money transactions”



“Whenever I make transactions on mobile money, there are deductions which are made”



“I am a Senior Presidential Advisor on the National Budget Committee as well as”



# Partners' role in campaign and how it fits in their organisation goals



For the campaign against the tax on mobile money transactions to be a success, the Civil Society Budget Advocacy Group (CSBAG) had to work with partners to effectively transmit the message against the tax across the country.

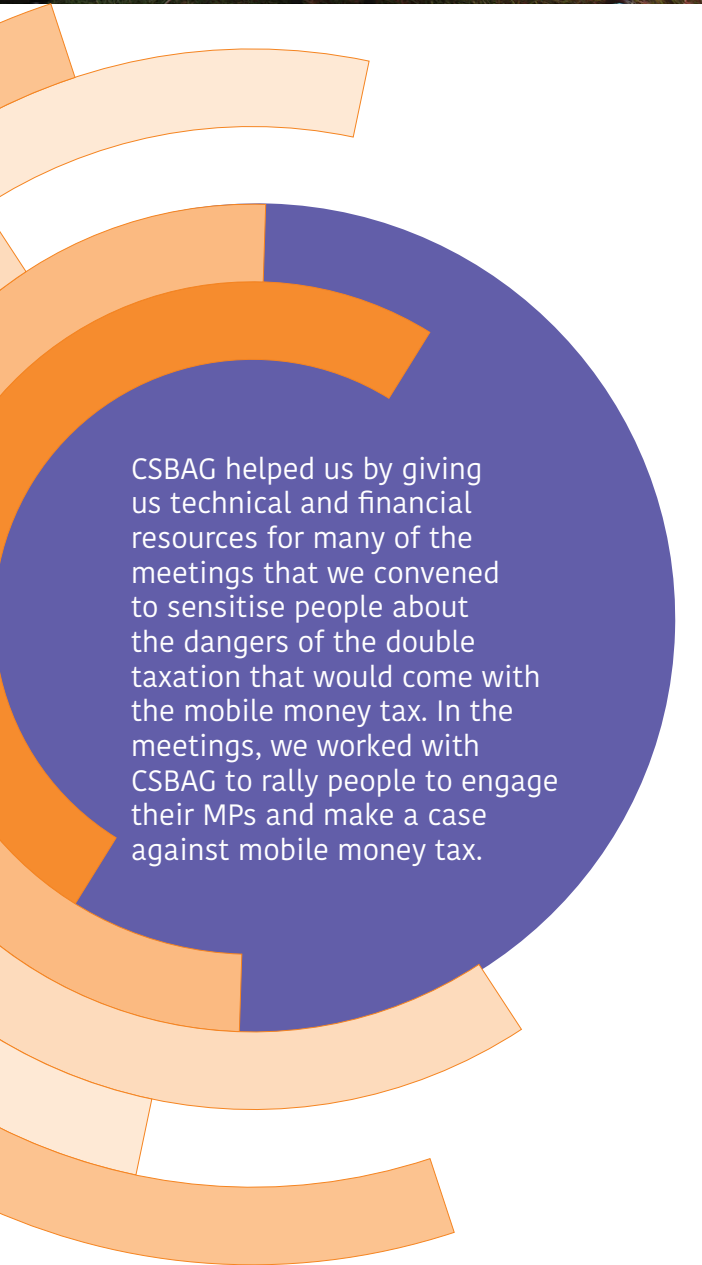
Feni Twaibu, a member of the Arua District NGO Forum (ADINGON), says CSBAG was at the centre of facilitating like-minded stakeholders in the West Nile sub-region with information and logistical support to push the fight against the mobile money tax.

Campaigning against unfair government policies, Ms Atwin says, is core to the goals of the ADINGON and that CSBAG helped ADINGON in achieving that organisation target.

“CSBAG helped us by giving us technical and financial resources for many of the meetings that we convened to sensitise people about the dangers of the double taxation that would come with the mobile money tax. In the meetings, we worked with CSBAG to rally people to engage their MPs and make a case against mobile money tax,” Ms Atwin said.

The partnership between CSBAG and ADINGON was well within the vision of civil society actors in West Nile sub-region of building an empowered, equitably developed and democratically stable society where citizens enjoy a sustained higher standard of living.

Atwin also says that the radio campaigns that were conducted in collaboration with CSBAG were very



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fundamental in winning over the hearts and minds of ordinary people in West Nile.

“We were hosted on radios and the media campaigns were very instrumental in the campaign against the tax. It was a great initiative by CSBAG to collaborate with NGO Forum on this initiative,” Atwin says.

Ms Angela Bwangwa from the Rwenzori Anti-Corruption Coalition (RAC)<sup>1</sup> says CSBAG put in the extra effort of simplifying analysis about the dangers of the mobile money tax, making the messages easily understandable even for Ugandans in the Rwenzori sub-region.

“CSBAG was very helpful in simplifying information about the tax for it to be understood by illiterate people who are very many in the region. CSBAG published leaflets which we distributed and people were able to understand the impact of this tax on their livelihoods,” Ms Bwangwa says.

In campaigning against the tax on mobile money, CSBAG helped RAC work towards its organisation vision of attaining a just and corruption free society.

Ms Bwangwa says youth in the Rwenzori sub-region would have been badly affected if the 1% tax on mobile money transactions was maintained as had been originally planned.

“There are many youths in this region that are in the mobile money business. They used this with information about the effects of the tax, they were able to confront their MPs and rally them against the tax. The pressure from the people forced Government most importantly the President to reverse the initial decision on this tax,” Ms Bwangwa says.

<sup>1</sup> RAC operates in: Kabarole, Kasese, Bundibugyo, Kyenjojo, Kamwenge, Ntoroko and Kyegegwa districts.





## Action Aid's Fred Kawooya's perspective:



“CSBAG has proved that it is very possible to organise citizens to bring out their voices against unfair taxation like the tax on mobile money. For this campaign, CSBAG mobilised different stakeholders across the country from mobile money vendors to CSOs who were all able to

speak out boldly. This is unique in Uganda where the situation is hostile. But CSBAG was able to prove that no matter how hostile a situation is, if you provide people with the right information, they are able to come up against unfair taxation. CSBAG was also very helpful with the analysis.

They broke down the tax that was supposed to be very technical and their simplified analysis was very helpful in empowering legislators to vote wisely. CSBAG had also carried out comprehensive research about the effects of the tax on mobile money. I remember we went to a meeting with Ministry of Finance and the only people with research on the effects of the tax on mobile money were CSBAG and Bank of Uganda.”

**WHY 1% PROPOSED TAX ON MOBILE MONEY TRANSACTIONS SHOULD BE DROPPED**

Taxation is a fiscal policy tool for generating revenue as well as stimulating income distribution and improving the livelihood of Ugandans

**LINK BETWEEN MOBILE MONEY AND FINANCIAL INCLUSION IN UGANDA**

- Uganda is ranked **second** (59% adults have financial accounts) in financial inclusion within the East Africa Community, second to Kenya (82%), followed by Rwanda (50%) and Tanzania (47%). (Index 2017)
- Mobile money account ownership rose from **33 % in 2014 to 51 % in 2017**, while financial institutions account ownership rose from **26 % to 35 %**.
- In Uganda **58% of adults i.e. 1 in every two adults** access mobile money (Index 2017). Mobile money has gained prominence among the poor where **1 out of 5 adults** below the poverty line of \$1.9 per day already use mobile money.
- Mobile money usage among youth has nearly doubled from **27% to 51% of the youth population** ever printed (2014-2017). (Index 2017).

**MOBILE MONEY AND UGANDA'S ECONOMY**

The 2017 Bank of Uganda statistics indicate that Mobile Money transactions increased by about UGX 10 trillion (2.7%) from UGX 44 trillion in 2016 to UGX 54 trillion in 2017. 56% of all registered mobile money users have savings, 7% have insurance, and 67% borrow. However, mobile money users still struggle financially; e.g. 64% do not have an emergency fund, 31% do not have enough food to eat, and 59% spend more than they earn.

**CURRENT TAX REGIME ON MOBILE MONEY TRANSACTIONS**

Government collects 10% excise duty on all the transaction service fees that a telecom company charges a mobile money user. Whereas this tax is accounted for by the mobile money service providers it is indirectly borne, by the service users depending on the pricing flexibility, profitability and market competition). **Government in FY 2018/19 is proposing to increase Excise duty by 15%**

**HOW THE 1% TRANSACTION VALUE TAX IS PROJECTED TO AFFECT REVENUE, MOBILE MONEY USERS AND HOUSEHOLDS**

61% of MTN Mobile money clients transfer less than UGX 45,000 and as such imposing the 1% transaction value tax will negatively impact this section of the customer who use Mobile Money for basic survival.

Since Mobile Money is a scale-business, imposing the 1% transaction value tax will likely negatively impact the revenue collection potential (Corporation Tax) which Telco companies pay to Government as illustrated in figure 2 below.

The additional impact of the 1% transaction value tax of UGX 50,000 is UGX 1,685. This market distortion is significant enough to shock the Mobile Money growth trajectory into a recession. The loss needs not to be analysed on the side of the consumer and the Corporation, if transactions volume drop due to the tax shock on consumers, incomes reported by the Telco companies will also reduce and ultimately the return on Corporation Tax.

**Table 1: Potential Effect of a 1% tax on transaction services on Households**

Income	Household	Annual Income	Annual Tax	Annual Savings
Low	1,000	45,000	450	44,550
Medium	1,000	100,000	1,000	99,000
High	1,000	450,000	4,500	445,500
Average	1,000	165,000	1,685	163,315

Source: CSBAG calculation and assumptions

**REVENUE PROPOSALS FOR PARLIAMENT TO CONSIDER THAT WON'T HAMPER FINANCIAL INCLUSION**

**PROPOSAL 1**

**INCREASE EXCISE DUTY FROM 10% TO 17.5% ON WITHDRAWAL FEES:**

Amend Sec 16 (b) to read in item 14, by substituting for "10% of the fee charged" appearing in the first column, with "17.5% of the withdrawal fee and 15% charged on all transactions fees".

This would generate **UGX 122bn** which is **33bn** below the expected revenue from the 1% transaction tax and the excise duty.

**PROPOSAL 2**

**IMPLEMENT THREE EXCISE DUTY ON TRANSACTION FEES:**

Amend Sec 16 (b) from 13 (b) to read in item 13, by substituting for "15% of the fee charged" appearing in the third column, with "Three excise tax on transaction fees as shown below".

**Table 2: Proposed excise duty rates**

Item	Proposed Excise Tax Rate
DISBURSE UGX	10%
TRANSFER + LOAD/UNLOAD	10%
TRANSFER UGX and more	20%

This will raise **UGX 86bn** with minimum impact on the poor in comparison with the 1% transaction charge on Mobile Money.

**PROPOSAL 3**

**TAX INTEREST INCOME ON THE FLOAT MOBILE MONEY AGENTS DEPOSIT TO BANKS:**

The total float mobile money agents deposited in commercial banks amounts to UGX 500tr.

If Government of Uganda opens the Interest Commercial Banks earn from the float (rescue accounts), in the worst-case scenario at a 3% Treasury Bill interest rate, it can collect **UGX 5bn** of the current UGX 600tr.

Produced by CSBAG Budget Advisory Group (CSBAG)

**PARLIAMENTARY GUIDE ON DEBATING THE PROPOSED 1% TAX ON MOBILE MONEY TRANSACTIONS**

**MAY 2018**



# CSBAG Scoops Prestigious private sector Consumers' Top Choice Award



Following its outstanding role in rallying the private sector to campaign against the mobile money tax, Civil Society Budget Advocacy Group (CSBAG) on 8<sup>th</sup> November 2018 received the prestigious consumers' award as the top choice Non-Governmental Organisation (NGO) in Uganda for the year 2018.

The Minister of Trade Hon. Amelia Kyambadde, handed over the award to CSBAG under the auspices of Consumers Choice Awards 2018 in a colorful ceremony held at Kampala Serena Hotel on 8th November 2018.

According to Bari Salim, the publisher and Editor in Chief of Consumers Guide Magazine, CSBAG emerged the winner in the category of "Excellence as a Non-for-profit NGO in Uganda 2018." Salim said that CSBAG was chosen by consumers themselves and not by the panel of judges having gained public trust and confidence in championing the cause of equitable budgeting in the country.



Jeff Wadulo, Parliamentary Liaison Officer also attributed the organization's recognition to championing the fight against mobile money tax which is repressive. "This is a big opportunity; once you are winner you will always remain higher. This is being unique and we take pleasure in fighting against the regressive mobile money tax," Wadulo said.

"The awards are given basing on the quality of service an organization has provided to the public and as a result, consumers gain trust and confidence in the organization," Salim told guests.

He said the CSBAG exhibited excellence in the work they do and was voted the best by the consumers. Julius Mukunda, the Executive Director of CSBAG, attributed the organization's success towards working with ordinary persons and its engagement in public finance management.

"Emerging as the winner in the category of Excellence as a Non-for-profit NGO in Uganda, 2018 is a sign that CSBAG's work is relevant to an ordinary person and all those who contribute towards ensuring that there is proper public finance management in the country." Said Mukunda.

Carol Namagembe, the Programme Manager of CSBAG on receiving this award said the accolade was well deserved and a sign of how CSBAG work resonates with the ordinary citizens citing the CSBAG campaign against mobile money tax. "We are happy to be recognized amongst other private sector actors." Namagembe said after receiving the award on behalf of CSBAG.

Jeff Wadulo, Parliamentary Liaison Officer also attributed the organization's recognition to championing the fight against mobile money tax which is repressive. "This is a big opportunity; once you are winner you will always remain higher. This is being unique and we take pleasure in fighting against the regressive mobile money tax," Wadulo said.

CSBAG attributes its success to partners and members of a coalition saying their continuous contribution has made the recognition possible. In her remarks, the minister informed guests that Consumer Protection Bill is in the offing.

CSBAG was among the 40 companies who received awards for their excellent contribution to the development of economy, chosen by consumers in Uganda





# The humps on the road of the CSBAG fight against the Mobile Money tax

Though the campaign against the mobile money tax was ultimately a success—at least by managing to convince the government to cut the tax down from 1% to 0.5%, it was not all smooth-sailing with the road to success littered with many challenges.



From arrests of mobile money vendors that were protesting against the tax, to the banishing of Civil Society Budget Advocacy Group (CSBAG) activists that were collecting signatures at Parliament and the time constraints that had to be dealt with, and the hostility from the Parliament Finance Committee, the campaign against mobile money tax would not have been won if it was not for the resilience citizens exhibited in this campaign.

In a multi-party dispensation where the ruling party commands an overwhelming majority in Parliament, the first challenge that this campaign faced was how to win over the majority National Resistance Movement (NRM) MPs that did not have the courage to side with their voters against the party.

Matters were made worse when President Museveni summoned NRM MPs to the Parliamentary Caucus and read to them the riot act; either supports the tax on mobile money or risk disciplinary action by the party.

Mr Julius Mukunda, the Executive Director of CSBAG, says one of the main trials this campaign faced was the Police clampdown on protests by Mobile Money Agents who were engaging in legitimate show of dissent against a tax that would eat into their economic survival.



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The Mobile Money Agents were marching to Parliament to present a petition detailing how the tax would affect their livelihoods and ultimately push them into destitution but the Police was out in full force to foil the procession. Over 50 mobile money agents were arrested.

“We went to Parliament and the Speaker of Parliament stopped us saying we were going to divide Parliament. 80 MPs had signed in our book to oppose the tax when it came to the floor of Parliament and when we went there to collect more signatures, the Speaker stopped us. We wanted Parliament to understand the implications,” Mr Mukunda says.

Going forward, Mr Mukunda suggests that that Government needs to distinguish between what is politically sensitive and what is reasonable economic protest that is protected by the constitution.

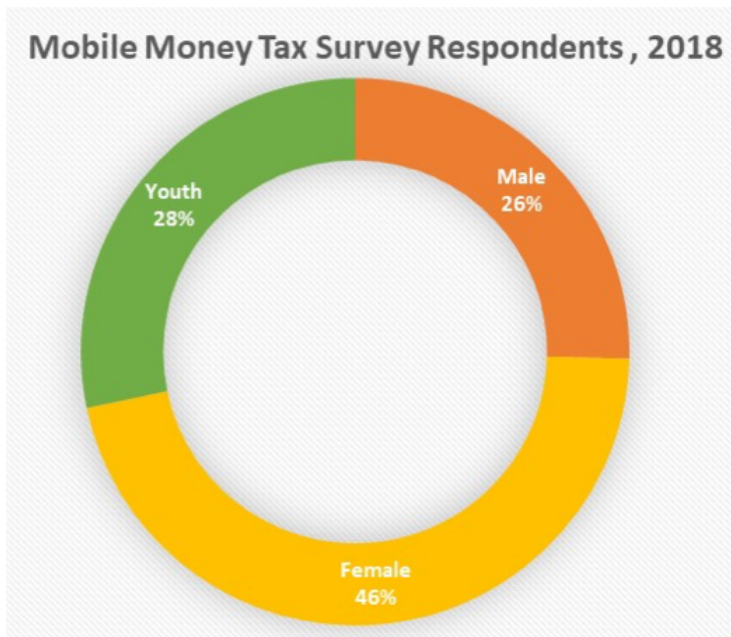
Mr David Walakira, CSBAG’s Budget Specialist, says timeframes stipulated by the Public Finance Management Act, 2015 made it difficult to conduct comprehensive research on the implications of this tax.

“The sheer lack of time to concretely look through this tax. We have just about six weeks to discuss tax proposals which we think is too little. Tax bills should be discussed for at least 6 month.,” Mr Walakira says.

Some MPs, Mr Walakira explained, were still bitter with the fact that CSBAG had conducted a campaign against them exempting their taxes and so they were not responsive to CSBAG campaigns against the mobile money tax.



# Citizens perceptions on the campaign and overall government action



In December 2018, CSBAG conducted a post campaign survey amongst across section of citizens to generate feedback on the campaign “**SAY NO to 1% tax on Mobile Money Transactions**”. Specifically, this sought, to generate feedback on the effectiveness of the campaign and to gather citizens’ perceptions and opinions on the final government position.

Altogether CSBAG 322 people from 14 regions participated in this survey .114 of these were female Below are the quick findings from this survey

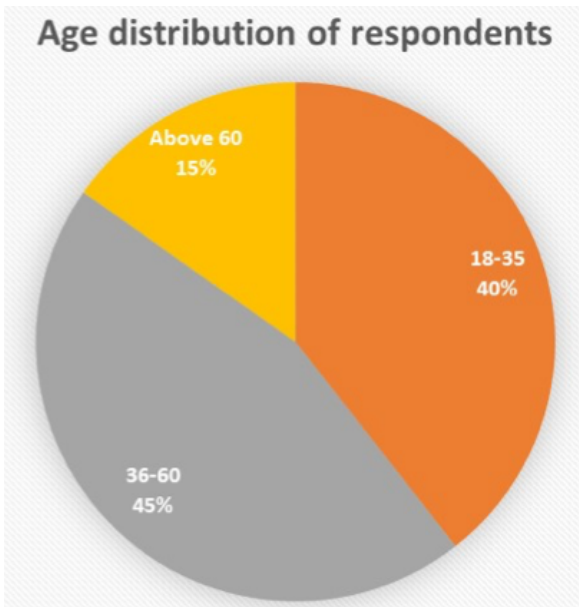
## The findings:

**Simple campaign Messages:** Owing to the simple and clear message, it was established that 92% of the affected citizens reported to have received the mobile money Tax campaign message.

**Campaign effectiveness:** 82.2% of the respondents reported to have clearly understood the campaign, and as a result, the survey traced the actions citizens took in response to the message. The details are below, or as).

- 52% of those who received the campaign message proactively acted. through; i) Sensitizing and giving more information to others, ii) Protested and stopped utilizing mobile money services, iii) Engaged their Members of parliament. Iv) Participated in dialogue meetings with policy makers throughout the process
- For those who did not directly act, at least 31% of them supported the actions of the 52% and helped frame a national opinion on the citizens stand on the matter of taxing mobile money transactions

**Attribution and coverage:** Of the 92% (respondents) who reported to have got the campaign information, **72.3% of them attributed it to have come from CSBAG.**



**Involvement:** This campaign appealed more to male, all adults aged 35 to 60 years, and the youths below 35 years, when compared to women, and the elderly above 60 years of age.

CSBAG connected and expanded its influence, to at least 50 more MP's who signed the pledge to reject the tax once tabled in Parliament

63% of respondents aged between 35 and 60 years felt the final decision of 0.5% on withdraws was not enough.

The tax seems to have impacted females more than males. 75% female respondents resented the tax, while the males were 62%.

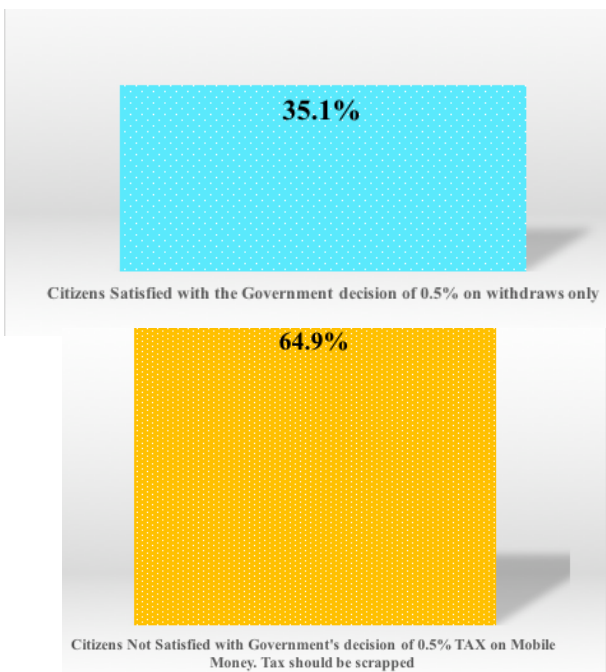
### Outcomes of the campaign:

- The 2018 excise duty act was tabled and amended just within two months of its passing. Parliament reduce the 1% tax on mobile money transactions to 0.5% applicable only to withdraws.

## Citizens opinions on overall Government decision on this tax

Despite of the government's waiver on the tax from 1% to 0.5% and on withdraws only,

- 65% of citizens are not satisfied with this decision.
- 35% do appreciate the government's final decision.



#### WHY?

1. 27% of the respondents felt the 0.5% on withdraws is affordable
2. Another 7% felt 0.5% is good for Government to raise enough revenue to run its programme
3. While 2.3% asserted that there will always be tax and everywhere people have to pay tax

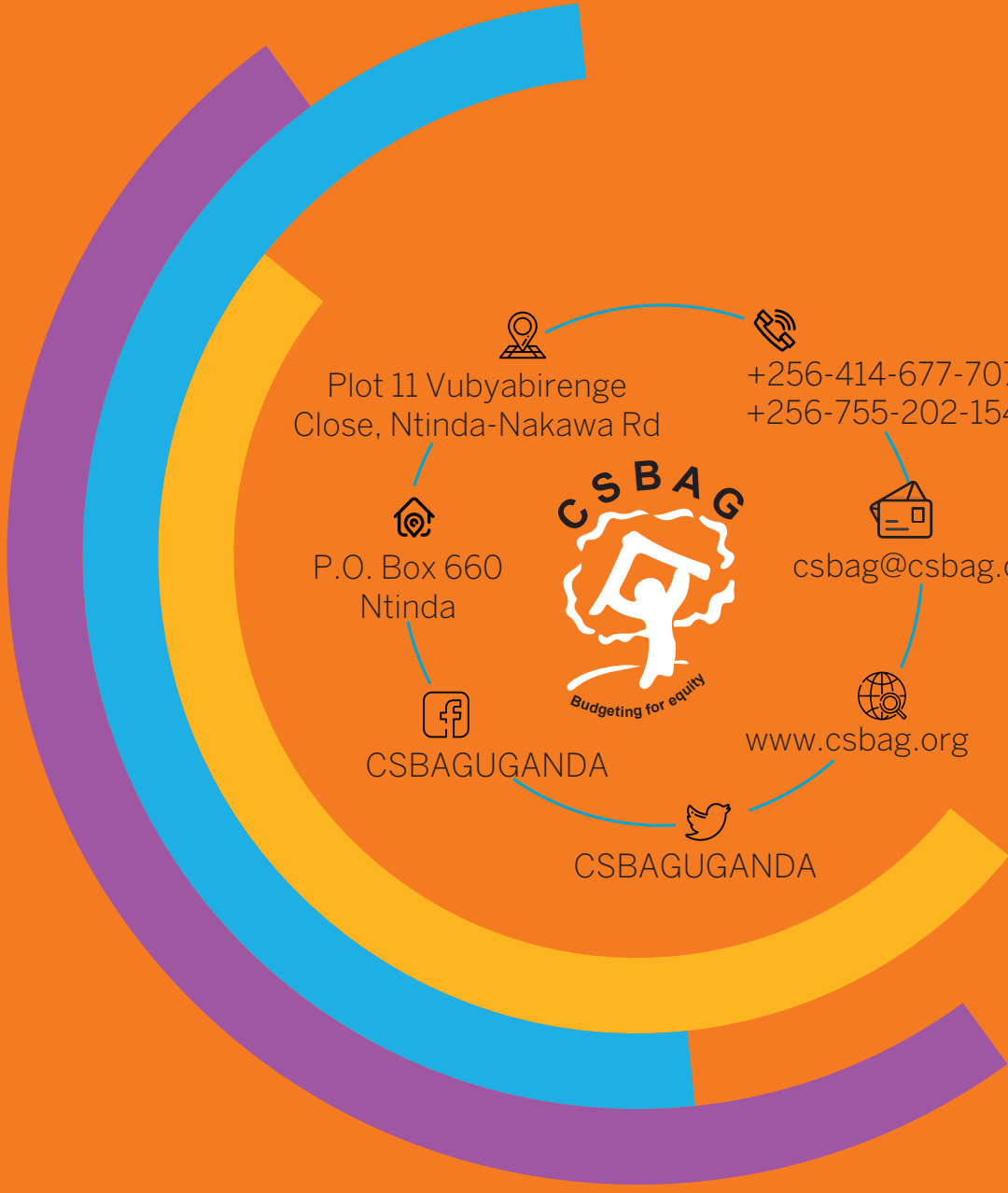
#### WHY?

1. 31% felt there was double taxation
2. 29% felt that the tax would affect the poor more
3. 7% of citizens wanted Government to first account properly for the taxes

# Civil society organizations we collaborated with during the Mobile Money Tax Campaign

1. Action Aid Kween District
2. Action Aid Uganda
3. Action Alliance
4. Adjuman NGO Forum
5. Africa Renewal Min Mayuge Overseer
6. African Rural Development Initiative-ARDI
7. Aird Amudat
8. Alittle Bit of Hope-ALBOH
9. AMECET Uganda
10. Amuria United Farmers' Co-operative Society-AMUFACOS
11. ARCOD Uganda
12. Arua District NGO Network
13. Awake Youth Relief Agency-AYRA
14. BAWILHA Bundibugyo
15. Bill Kop Investment LTD
16. Bororiet Tap Kaa RIWD
17. Bridge Builders Uganda
18. Brilliant Youth Organization
19. BUCIDI Uganda
20. BUDIFOPHAN
21. Bugangaizi Self-Help Alliance Programme (BSAP)
22. Bugiri PHA Forum
23. Buhweju Youth Network
24. Bukedea CDC
25. Bukyabu Women and Orphans
26. Bulambuli Initiative for Business and Rural Development
27. Busega Youth Development Community BUYODECO
28. Busiita Savings and Credit women group
29. Buswale Catholic Parish Integrated Development Organization-BUCAPIDO
30. Center for Women in Governance-CEWIGO
31. Centre for Action and Applied Research for Development.
32. Centre for Diseases Control and Prevention-CDC Ngora
33. Centre for Domestic Violence Prevention-CEDOVIP
34. Child Aid Uganda
35. Child Way Uganda
36. Christian Development Initiative-CDI Soroti
37. Community Action for Human Rights
38. Community for Action
39. Community Help Foundation
40. Community Vision Uganda.
41. Community Volunteer Initiative for Development (COVID)
42. Consumers Education Trust -Uganda
43. CONSENT Uganda
44. COTHALU
45. Development Research and Training
46. Evangelicals of the Body of Christ Church Ministries-EBOC
47. FIDA Uganda- Mbale Branch
48. FORDIPOM Napak
49. Forum for Women in Democracy
50. Freedom Uganda
51. Friends of Zoka
52. Global Human Rights and Peace Forum
53. Greater Mbarara Civil Society Forum
54. Gulu University
55. Help Community Concerns Uganda - HCCU
56. Help the Crying Voices
57. HESAWA Foundation Amuria District
58. Hoima District Union of Persons with Disabilities-HUDIP Hoima
59. Hope After Rape
60. HURECA Uganda
61. Institute for Social Transformation-IST
62. Integrated Development Options-IDO Isingiro
63. Jenga Afrika
64. Kabarole Development Initiative for the Youth-KADIOFY
65. Kabarole NGOs/CBOs Association - Kanca
66. Kaberamaido operation save the needy-KOSAN
67. KACHEP Uganda
68. KADI
69. Kagumu Development Organization
70. Kakiika Women's Group
71. Kakoba HC III
72. Kamuli District Persons Having HIV/ Aids Network
73. Kamuli District Youth Network-KADIYAN
74. Kanoni Youth Development Association
75. Kanungu Community Efforts for Rural Transformation-KACOERT
76. Kanungu NGO Forum
77. Karimbiro Efforts to fight Aids and Environment Protection
78. Kasese District Development Network-KADDENT
79. Katakwi Conserve Uganda-KCU
80. Kibaale Civil Society Network-KCSON
81. Kick Corruption out of Uganda -Kigezi
82. Kigezi Coffee Development Academy
83. Kiryandongo NGO Forum
84. Kitgum NGO Forum
85. Kitgum Women Peace Initiative (KIWEPI)
86. Kituuto CDC
87. Koboko Civil Society Network
88. Kumi PHA Forum (KUDPHAF)
89. Kyegegwa District Farmers Association.
90. Kyenjonjo NGO Forum
91. Lamwo Voice for Change
92. Life Concern Uganda
93. Lira NGO Forum
94. Mbarara District Civil Society Forum
95. MDWODA
96. Mitoma Women Dignity Foundation
97. MNARLIP
98. Multi Community Based Development Initiative (MUCOBADI)
99. NACWOLA Namutumba
100. Namayingo United Women Group (NUWOG)
101. Napak CSO Network
102. Nebbi NGO Forum
103. NEMACY Jinja

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|--|--|--|
| 104. Nsinze Sub County HIV/AIDS Workers Association (NSHAWA) | 123. Rural Community Development Programme-RUCODEP               | 140. Twekeembe Disabled Development Association-TWEDDA   |
| 105. NURIFO Nwoya  | 124. Rwenzori Anti-Corruption Coalition-RAC                      | 141. Uganda Debt Network-UDN                             |
| 106. Nwoya Youth for Change                                  | 125. Rwenzori Consortium for Civic Competence (RWECO)            | 142. Uganda Red Cross                                    |
| 107. One Vilage Uganda                                       | 126. Rwenzori Empowerment Progress of transformation and Action. | 143. Vision Care Foundation                              |
| 108. Pader NGO Forum   | 127. Rwerere Women in Development-RWID                           | 144. VOKYA Kyegegwa                                      |
| 109. Pallisa Network of AIDS Organization                    | 128. Save the Girl Child Uganda                                  | 145. West Ankole Civil Society Network-WACSO             |
| 110. PDF Bukwo   | 129. SEATINI Uganda  | 146. West Nile Youth Network                             |
| 111. Peace and Comfort Single Mothers                        | 130. Shield Uganda   | 147. Women and Girl Child Development Association-WEGCDA |
| 112. Peace for Change  | 131. Site for Community Services Program                         | 148. WSF Kotido  |
| 113. Prince of Peace Orphans and Widows Vision               | 132. SORAK Development Agency                                    | 149. Young Overcomers Ministry                           |
| 114. RAFI Uganda   | 133. South Western Institute for Policy and Advocacy-SOWIPA      | 150. Youth Advocacy Foundation Uganda-YAFU               |
| 115. Recreation for Development and Peace.                   | 134. SWEPCO Uganda   | 151. Youth BIT Construction                              |
| 116. Reproductive Health Uganda-RHU                          | 135. TAAISU ICS  | 152. Youth ending Hunger Association                     |
| 117. Riamiriam -Moroto                                       | 136. Task Force for Rural Awakening.                             | 153. Youth Equality Centre-YEC                           |
| 118. ROHO Katakwi  | 137. Tax Justice Alliance  | 154. Youth Fraternity for Change                         |
| 119. RTV Kisoro  | 138. Touch Net Uganda  |  |
| 120. Rukungiri Civil Society Forum                           | 139. Transparency Int. Uganda                                    |  |
| 121. RULSI Uganda  |  |  |
| 122. Rural Action for Development Organisation               |  |  |



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