

# The Internet is no longer a luxury

Uganda's recent Internet shutdown during the election period is often justified as a temporary security measure, yet its economic and fiscal consequences are anything but temporary.

Public discussion often focuses on small businesses and the informal sector, which undeniably suffer. However, the most significant and frequently overlooked damage occurs within manufacturing and large-scale production companies. These firms form the backbone of Uganda's formal economy and are among the largest contributors to tax revenue. Modern manufacturing depends on Internet-enabled systems such as automated production lines, cloud-based inventory management, digital procurement platforms, real-time logistics tracking, and electronic payroll and compliance systems. When connectivity is cut, production slows or stops entirely, supply chains break down, export schedules are missed, and contractual penalties arise.

These disruptions directly reduce output, profits, and employment. In turn, they erode Corporate Income Tax, PAYE, VAT, excise duty, and customs-linked revenues. The timing is particularly damaging, as many of these taxes fall due on the 15th day of the following calendar month.

From a tax administration perspective, internet shutdowns deliver a dual shock. First, they suppress taxable income at source because businesses are unable to operate normally.

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Internet shutdown

Second, they disable the very digital compliance infrastructure relied upon by the Uganda Revenue Authority. Systems such as EFRIS, electronic filing portals, online payment platforms, and real-time reporting tools become inaccessible. Even compliant taxpayers are pushed into involuntary default, delaying remittances and distorting revenue forecasts. For a treasury already strained by infrastructure financing, debt servicing, healthcare, and education demands, these disruptions translate into real fiscal stress rather than abstract accounting gaps.

In this context, taxpayers reasonably expect administrative relief.

Penalties, interest, and enforcement actions for non-compliance arising directly from a government-imposed internet shutdown undermine trust in the tax system. VAT that could not be filed or paid due to inaccessible platforms should not attract punitive meas-

ures. A digitally driven tax system cannot impose digital obligations while simultaneously disabling access to digital tools.

More proportionate alternatives exist. Uganda's own 2021 National Internet Governance Forum multi-stakeholder position paper recommended targeted bandwidth throttling of specific high-risk platforms rather than nationwide blackouts.

Authorities could also implement pre-emptive cybersecurity coordination with major internet service providers and large businesses, ensuring that critical economic and tax compliance systems remain accessible. Establishing a clear, publicly communicated protocol between the Uganda Communications Commission and the Uganda Revenue Authority would allow rapid response to digital threats without severing the entire network.

Uganda's revenue mobilisation strategy depends on stability, continuity, and trust. Policies that periodically shut down the internet erode all three. They shrink today's tax base while discouraging the investment needed to expand it tomorrow.

A forward-looking policy must weigh immediate security concerns against the profound long-term economic and fiscal damage, and pursue precise, minimally disruptive interventions that protect both public order and the digital economy's vital pulse.

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