

# TELECOMS PUSH FOR LOWER MOBILE MONEY TAX



By Sarah Nabakooza

Telecom operators have asked Parliament to revise the proposed tax measures, warning that the 0.5% excise duty on mobile money withdrawals risks undermining financial inclusion and increasing the cost of digital transactions for ordinary Ugandans.

Appearing before Parliament's finance committee on Wednesday, industry players — led by Dennis Kakonge, the MTN Mobile Money general manager of corporate services and company secretary — told legislators that mobile money has evolved from a convenience service into a critical financial infrastructure, particularly for low-income earners.

"This tax directly impacts the ordinary Ugandans, who are the very constituents you represent, because it is applied on the transaction value at the



Mobile money has evolved into a critical financial infrastructure. Inset is Kakonge of MTN MoMo

point of withdrawal," Kakonge said.

He said MTN Uganda alone has contributed over sh6.1 trillion in taxes and levies over the past decade, with corporate income tax rising from sh103b in 2015 to sh268b in recent years. Despite this contribution, Kakonge said the sector remains highly sensitive to the tax changes due to its broad user base and central role in enabling access to financial services.

Telecom operators said

the tax discourages usage, particularly among low-income users who rely heavily on mobile platforms to receive and access funds under government programmes such as the Parish Development Model, Emyooga and the Social Assistance Grants for Empowerment.

Kakonge proposed that the tax be reduced to 0.25% rather than removed entirely, alongside the introduction of a transaction cap of sh5,000.

"We recognise the need for the Government to raise

## MPS' CONCERNS

Paul Omara (Otuke County MP) said withdrawal charges by telecom operators in some cases exceed traditional banking fees.

"If I send sh500,000, the charges can go as high as sh13,750. Wouldn't it be more prudent to reduce your rates so that more Ugandans use the platform and both you and the Government earn more in the long run?" Omara said.

In response, Airtel Money managing director Japhet Aritho said much of the transaction charges go to taxes and agent commissions. He said taxes alone can account for over 50% of the total charge, with excise duty and a 0.5% levy forming a substantial share.

"When you combine taxes and commissions, up to 85% of the value is allocated to sustaining the ecosystem. The operators retain a very small margin," Aritho said, adding that over 240,000 agents depend on these commissions for their livelihoods.

revenue, but a lower rate will drive higher transaction volumes, which ultimately expands the tax base," Kakonge said.

Industry projections presented to the committee indicate that reducing the tax could increase government revenue from about sh80b in the 2025/26 financial year to sh158b by 2029/30, driven by higher transaction volumes.

Kakonge referenced past trends, saying when the tax was first introduced in 2018, mobile money transactions

dropped by about 49% before gradually recovering after the revisions.

"The lesson is that higher rates shrink the base, while moderate rates grow it," he said.

## TAX MEASURES, DIGITALISATION

Airtel Money managing director Japhet Aritho called for the removal of the 10% import duty on low-cost smartphones, saying device affordability remains a key barrier to digital inclusion.

Aritho said Uganda

continues to impose the duty despite a prior regional agreement within the East African Community to waive it. He said reducing the cost of smartphones, especially those below sh500,000, would accelerate digital adoption and expand the tax base through increased consumption of data services.

"The Government already earns 12% excise duty on data and 18% VAT [value-added tax]. If more Ugandans own smartphones, the usage will increase, and the resulting tax revenue will offset the initial loss from removing import duty," Aritho said.

Waiving the duty could initially reduce tax collections by about sh155b over five years for a limited roll-out of 500,000 devices. However, the telecom heads argue that this would be fully offset within the same period through increased consumption.

They also raised concerns about the lack of a level playing field across financial service providers. They said mobile money withdrawals attract a 0.5% tax, while similar transactions conducted through agency banking or automated teller machines are not taxed in the same way.