

# CIVIL SOCIETY PUSHES FOR DIGITAL TAX RELIEF



By Titus Kakembo

As the Executive and Parliament get closer to approving the tax measures for the national budget of the 2026/2027 financial year, the civil society has called for the need to scrap and reduce several digital taxes, which they believe are limiting the expansion of Uganda's digital economy and closing out Ugandans from millions of opportunities in that sphere.

As Uganda heads into the national budget reading, the Government's push to deepen taxation of the digital economy is emerging as one of the most contentious policy issues — one that reaches far beyond boardrooms into the daily lives of millions.

## MOBILE MONEY TAX

Levies on mobile money transactions, internet data, and digital services have become a key pillar of domestic revenue mobilisation. Policymakers argue that these taxes are necessary to fund infrastructure, healthcare, and education. But economists, business leaders, and ordinary users warn that the same measures could be slowing the growth of one of Uganda's most promising sectors.

The Civil Society Budget Advocacy Group (CSBAG) has called for an urgent policy rethink, arguing that how Uganda taxes its digital economy will determine whether it expands or stalls.

According to CSBAG, removing the 12% excise duty on internet data could bring up to four million more Ugandans online by 2030.

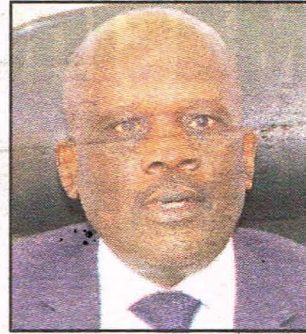
The civil society believes that the broader impact of Government removing digital taxes could be transformative by creating an estimated 1.79 million jobs and about sh2.1 trillion in additional annual tax revenues driven by increased economic activity.

That cost is already being felt in one of Uganda's greatest development success stories — mobile money.

Over the past decade, mobile money has transformed financial inclusion, bringing millions of previously unbanked Ugandans into the formal financial system. From



Raised concerns: Sudhir



Called for caution: Ocici



Tourism: Wekesa

## WHAT STAKEHOLDERS SAY

Kenneth Asimwe, an economist, says the issue goes beyond taxation. It is about access.

"Digital platforms are no longer a luxury. They are essential tools for communication, business and access to services. When you tax them, you are increasing the cost of participating in the modern economy," Asimwe said.

For low-income users who rely on frequent, small transfers, Asimwe said the burden is even heavier.

"When charges go up, people adjust quickly. They reduce usage or revert to cash. That undermines financial inclusion and reduces transparency," he said.

In Kikubo, one of Kampala's busiest commercial hubs, that shift is already visible.

"Customers now ask first how much they will lose in charges. Some decide not to send at all. Others switch to cash," said Harriet Nalugo, an online small-scale trader.

For Nalugo, the impact of mobile money taxes is greatly undermining Uganda's efforts to promote e-commerce.

"Mobile money used to make business easy. Now it feels expensive for both the customer and the business," she said.

Her experience reflects a broader reality playing out across the country — where convenience is slowly being weighed against cost.

Beyond small traders, the ripple effects are spreading across the wider economy.

Prominent businessman Dr Sudhir Ruparelia warns that rising digital costs could dampen investment and slow enterprise growth.

"In business, every cost matters. If communication, transactions, and marketing become more expensive, it creates friction. Investors compare environments, and they go where it is easier and cheaper to operate," Ruparelia said.

In the same tone, tourism entrepreneur Amos Wekesa said the stakes are particularly high in sectors that rely heavily on digital visibility.

"Everything we do is online — marketing, bookings, customer engagement. When data and transaction costs rise, it increases our expenses. Yet we are competing globally, where even small cost differences can influence decisions," Wekesa argued.

The executive director of Enterprise Uganda, Charles Ocici, said the conversation around digital taxation must be viewed through the lens of competitiveness.

"We must be careful not to tax the very tools that enable our enterprises to grow. If Ugandan businesses are to compete globally, the cost of communication, transactions, and access to markets must remain affordable," Ocici said.

market vendors and farmers to salaried workers, it has become the backbone of everyday transactions.

Yet rising charges are beginning to chip away at these gains because of the various taxes imposed on mobile money transactions.

Following the introduction of earlier digital taxes in 2018, mobile money usage dropped sharply, which is a clear signal of how sensitive the sector is to price changes. Today, the disparity in transaction costs remains stark: withdrawing shm via mobile money attracts

about sh6,630 in tax, compared to roughly sh315 for a similar transaction through a bank or ATM.

A study carried out by CSBAG on the implications of mobile money taxes established that the taxes led to a 40% drop in mobile money usage after introduction of mobile money taxes in 2018 (IGC).

"According to the International Monetary Fund report of 2025, for every 10% price rise, usage falls 20%. The tax creates 33-35% economic waste — more harm than good," CSBAG states in its policy brief meant to guide MPs and ministers before Parliament approves the final budget.

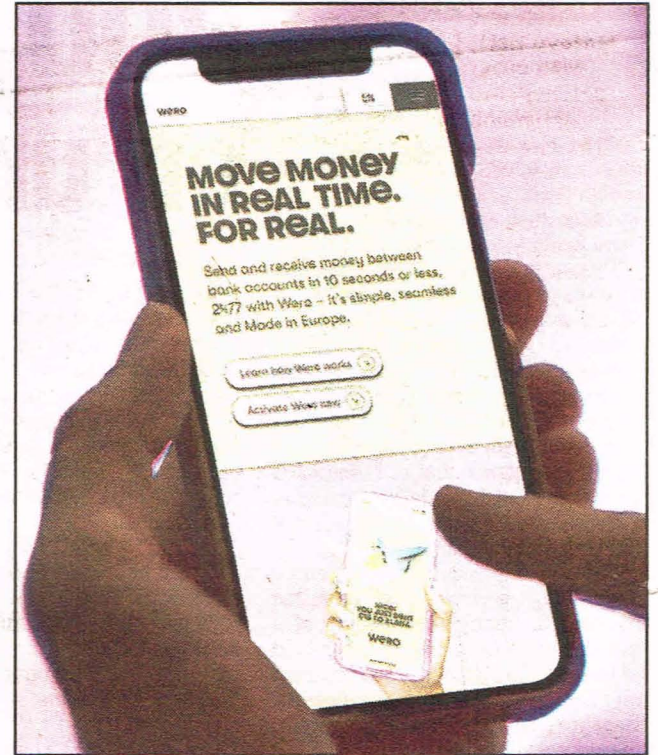
Quoting a World Bank report of 2025 on the impact of mobile money taxes in Tanzania, CSBAG says the taxes lead to rural families in Tanzania losing between 10-18% of their food money and that urban people with bank accounts were hardly affected.

CSBAG notes with concern that whereas Uganda's Digital Transformation Roadmap targets 50% smartphone penetration by 2027, it has remained at only 33% as of April 2026.

Out of 32.2 million phones in use in Uganda, CSBAG notes with concern that only 20 million phones are smartphones.

"The NDP III [National Development Plan III] promised to bring entry-level smartphones down to sh60,000. That promise was never kept. Without affordable smartphones, people cannot easily access internet banking and mobile money apps, use e-government services, online learning, or markets, and join the digital economy fully. The NDPIII target failed because taxes made phones too costly," CSBAG argues.

Noting with concern that Uganda risks lagging behind in harnessing the global digital economy opportunities, CSBAG argues that whereas the Government imposes a 10% import duty and 18% VAT on smartphones imported into



Mobile money transactions, highlight growing use of digital payments amid concerns over related taxes

Uganda, many countries in the world including neighbouring countries like Kenya, Tanzania, and Rwanda scrapped such taxes to facilitate the expansion of e-commerce.

## CSBAG RECOMMENDATIONS

CSBAG argues that digital taxes are largely discouraged across the world because they are economically inefficient, socially regressive, and inconsistent with the global practice.

The civil society group proposes that the Executive and Parliament amend the Excise Duty Act to reduce the mobile money withdrawal tax from 0.5% to 0.25%.

They also propose that the Government introduces a maximum cap of sh5,000 per mobile money transaction and protect small withdrawals through exemptions.

CSBAG wants the Government to remove import duty and amend removal of VAT on smartphones with a Cost, Insurance and Freight value less than sh350,000.

"These reforms would lower costs for households, support financial inclusion, increase digital adoption, and strengthen the tax base over the medium term," CSBAG argues.

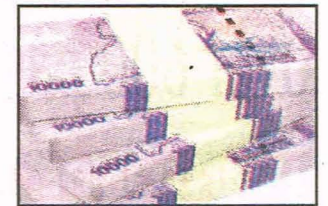
## EMERGING RESEARCH

A study by GSMA suggests that reducing taxes on data could bring millions more Ugandans online, unlock job creation, and expand the tax base through increased economic activity.

GSMA is a global organisation

unifying the mobile ecosystem to discover, develop and deliver innovation foundational to positive business environments and societal change.

Similarly, findings by the Economic Policy Research Centre indicate that modest reductions in digital taxes could stimulate growth and generate higher long-term revenues.



## FOREX RATES

CURRENCY	BUY	SELL
US DOLLAR	3695	3720
EURO	4,320	4,500
POUND	4940	5200
KENYA SH	28	31
TZ SH	1.4	1.57
DHIRAM	960	1100
S.A. RAND	225	270
JAPANESE YEN	16	30
RWANDESE FRANCS	2	4
DOLLAR OLDER & SMALLER	3500	3720

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