Public Statement: Uganda Government Should Take a Different Path to Social Media and Mobile Money Taxation

The Government of Uganda has maintained taxes on Over the Top (OTT) services and mobile money transactions despite widespread national and international outcry against the taxes, with concerns raised on the extent to which they push basic access to the internet and to digital finance tools further out of reach for millions. While asserting that the taxes are fundamental for the expansion of the country’s tax base, a new bill has been tabled before parliament to reduce the tax on mobile money transactions tax from 1% to 0.5%.

Ugandan citizens are now calling upon the Government to reassess its position on the taxation to ensure a more inclusive financial economy and digital society that does not discriminate or disenfranchise already marginalised and vulnerable communities, including persons with disabilities (PWDs), women, youth and rural communities.

The following recommendations were made at a recent dialogue on the impact of social media and mobile money taxation in Uganda, organised by the Collaboration on International ICT Policy for East and Southern Africa (CIPESA) and the Internet Society Uganda Chapter.

- Government should repeal the contentious provisions in the Excise Duty (Amendment) Act, 2018, specifically sections 3(b) which requires telecommunication service operators providing access to Over the Top (OTT) services to account for and pay excise duty on access to OTT services; and section 6 (g) which among others in Item 13 (b) introduces a daily charge of UGX 200 for OTT, and item 13 (f) which imposes a levy of 1% of the value of mobile money transactions on receiving, payments and withdrawals. Repealing the provisions will restore the momentum for the growth of the digital economy and enjoyment of online freedoms in Uganda.

- Government should base policy and taxation decisions on publicly available evidence and feasibility studies and complement these efforts with multi-stakeholder public consultations for informed decision-making. This is a practice encouraged globally by the Internet Governance Forum (IGF), UN Human Rights Council Resolution of 2014 on the Internet and Human Rights, and the African Declaration on Internet Rights and Freedoms on decisions that affect the use of the internet and related tools.

- Government should be more proactively accountable for taxes currently collected including through supporting the principles of open data. This availability of information is in line with the Uganda Access to Information Act 2005 which is aimed at promoting an efficient, effective, transparent and accountable government. In this regard, focus should be on promoting use of the internet and its related platforms such as social media and other digital tools as avenues for information disclosure and dissemination, for civic participation, service delivery and e-governance.
● The Government needs to better explain to citizens the reasons for any proposed taxes and provide clear plans on how any income generated will be used. This could be accomplished through public awareness campaigns across different media platforms in language that is easily understandable to the ordinary Ugandan.

● The Government should take a deliberate effort to invest in the wider digital economy so as to grow the tax base. Although efforts like the National ICT initiatives Support Programme (NIISP) are commendable, more initiatives are needed to reach the broader spectrum of internet users in Uganda including by robustly encouraging the use of online tools.

● The Government should uphold the mandate of the Rural Communications development Fund (RCDF) and the Uganda Digital Vision which have the shared goals of building a robust information and communications sector in Uganda.

● Government should look at available alternatives for raising government revenue without necessarily taxing citizens and suffocating Uganda’s nascent digital economy. Some of these alternatives include reducing and optimising government expenditure such as through curbing extravagant public expenditures and transferring part of the tax burden from platform users to platform owners. According to proposals by the European Commission tax rules should recognise the new ways in which profits are created, in particular the role that users play in generating value for digital companies. They propose that Member States should tax profits that are generated in their territory, even if a company does not have a physical presence there and thus ensure that online businesses contribute to public finances at the same level as traditional 'brick-and-mortar' companies.