

CIPESA

Submissions to White Paper on ICT Tax Reduction

Submitted to the National Task Team
on Enhancement of Government
Revenue from the ICT Sector
Ministry of ICT in Uganda

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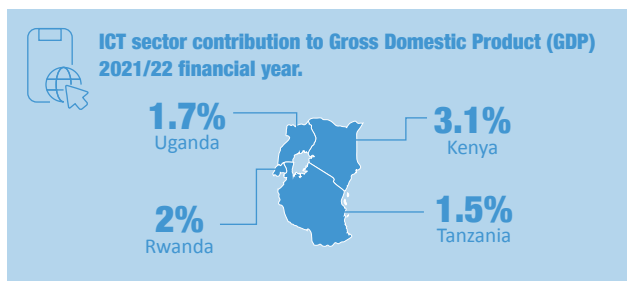
1.0. Introduction

The Information and Communication Technology (ICT) sector is not a standalone sector. Beyond broadcast and [tele]communications, it is increasingly integrating and digitalising critical parts of the economy, including manufacturing, finance, health, and transport. In Uganda, the ICT sector has been recognised as vital for enabling and boosting revenue generation and collection.

This submission showcases revenue-generation practices in Uganda's ICT sector and benchmarks them against East African jurisdictions, namely Kenya, Rwanda, and Tanzania, while occasionally drawing lessons from other markets. By reviewing Uganda's ICT sector tax policies, licensing fees, and regulatory regimes, this position statement demonstrates that although Uganda has registered considerable growth in the sector and made important steps toward revenue generation, the short-term gains have perhaps come at the expense of a more sustainable growth of the nascent digital economy. In particular, the taxes on digital devices and connectivity infrastructure, combined with gaps in leveraging technology to support the domestic tax revenue mobilisation strategy, might be causing more harm than good. Although countries in the region face similar challenges – especially on the persistence of informality and tax complexities introduced by international technology data transfers and exchanges - Uganda's ICT sector could learn from successes from elsewhere and undertake a comprehensive review of digital devices taxes and telecommunications license regimes, and also conduct tax impact assessments of emerging technologies such as Artificial Intelligence (AI).

2.0. A Snapshot of Uganda's ICT Sector

Uganda has made important strides in the digital economy with significant investments in digital infrastructure and services. According to the Uganda Bureau of Statistics (UBOS), the ICT sector contributed 1.7% to Uganda's Gross Domestic Product (GDP) in the 2021/22 financial year.¹ This contribution is lower than Rwanda (2%)² and Kenya (3.1%), but slightly higher than Tanzania (1.5%). Notably, ICT has been spotlighted in Uganda for its enormous growth potential and capacity to strengthen tax collection and administration. Uganda's 2024/25 Budget Framework Paper has highlighted the recent momentum of the country's Domestic Revenue Mobilisation Strategy, which includes a more comprehensive taxation regime and the adoption of ICT in tax enforcement. Also, while the country's expected tax-to-GDP ratio in 2024/25 grew to 13.6%, up from 9% in 2014, it is still below the Africa average of 16%.³ Indeed, the recognition of the urgency and importance of digitalisation to economic transformation aligns with broader national objectives spelt out in the Third National Development Plan (NDP III) and the Digital Uganda Vision 2040.



Currently, Uganda's main mobile networks MTN and Airtel have operational 5G networks, with the former having 500 sites across the country.⁴ The companies also offer affordable 5G data bundles that enable access to advanced technologies such as artificial intelligence, cloud technologies, Internet of Things, and other smart technologies. Furthermore, with increasing digitalisation, companies such as Liquid Intelligent Technologies, Roke Telkom, Seacom Uganda, and Dimension Data now provide cloud solutions to meet the demand in sectors such as ICT, agriculture, healthcare, financial services and e-government services.⁵ These solutions not only support existing users but can also spur the startup ecosystem, with companies such as SafeBoda and Rocket Health among the leaders. Uganda's IT services market is expected to reach USD 330 million in 2025 (with IT outsourcing accounting for USD 121 million)⁶ while overall revenue in the sector is expected to grow annually at 9.23% to reach USD 469.85 million by 2029. Additionally, the country's software market, which is dominated by Microsoft, Adobe, SAP, Oracle, and Salesforce, is expected to net USD 150.63 million in 2025, with enterprise solutions having a market volume of USD 63.94 million.⁷

¹ 2023 Statistical Abstract <https://www.ubos.org/wp-content/uploads/publications/2023-Statistical-Abstract.pdf>; While UBOS is the authority on computing national statistics, there are different figures from other bodies on ICT sector contributions to national GDP. For example, NITA-U shows a 2.5% ICT sector contribution to GDP – <https://www.nita.go.ug/sites/default/files/2024-04/2023%20NITA-U%20STATISTICAL%20ABSTRACT-FINAL.pdf>

² Rwanda Development Board, ICT Skill Snapshot, April 2022, <https://rdb.rw/wp-content/uploads/2022/05/ICT-Skills-Snapshot.pdf>

³ Ministry of Finance, Planning and Economic Development, The National Budget Framework Paper FY 2024/25 – FY 2028/29, <https://budget.finance.go.ug/sites/default/files/National%20Budget%20docs/National%20Budget%20Framework%20Paper%20%28NBF%29%20FY%202024-25.pdf>

⁴ MTN Uganda Expands 5G Access with Affordable Bundles in Latest Gaga Campaign, https://www.linkedin.com/pulse/mtn-uganda-expands-5g-access-affordable-bundles-latest-gaga-campaign-insyf?trk=public_post#:~:text=With%20over%20500%205G%20sites,fast%20internet%20on%20compatible%20devices

⁵ Navigating Uganda's Digital Future: Trends and Predictions for 2025, <https://campusbee.ug/news/navigating-ugandas-digital-future-trends-and-predictions-for-2025/>

⁶ IT Services - Uganda, <https://www.statista.com/outlook/tmo/it-services/uganda>

⁷ Software - Uganda, <https://www.statista.com/outlook/tmo/software/uganda>

Telephone, internet and Mobile Money subscriptions recorded a continuous growth trajectory between December 2023 and December 2024. As of December 2024, mobile SIM subscriptions stood at 51 million, with active users increasing by 12.4% to 41.6 million. Similarly, mobile money registrations increased by 22.5% to 50.5 million, while active users rose by 16.7% to 32.1 million. Lastly, mobile internet subscriptions rose from 16 million to 19.5 million, a 21.9% increase. These figures indicate a mobile SIM penetration of 82% and mobile internet penetration of 38%, suggesting a continuing disparity in connectivity in the country. Notably, a 2022 study by the National Information Technology Authority - Uganda (NITA-U) showed that 94.3% of households surveyed did not have internet access at home.⁸ Respondents attributed the low uptake of internet access to the high cost of equipment (48.3%), high cost of internet services (40.1%), low digital literacy levels (30.4%), and lack of electricity (21.5%).

Telephone, Internet and Mobile money Subscriptions 2023-2024

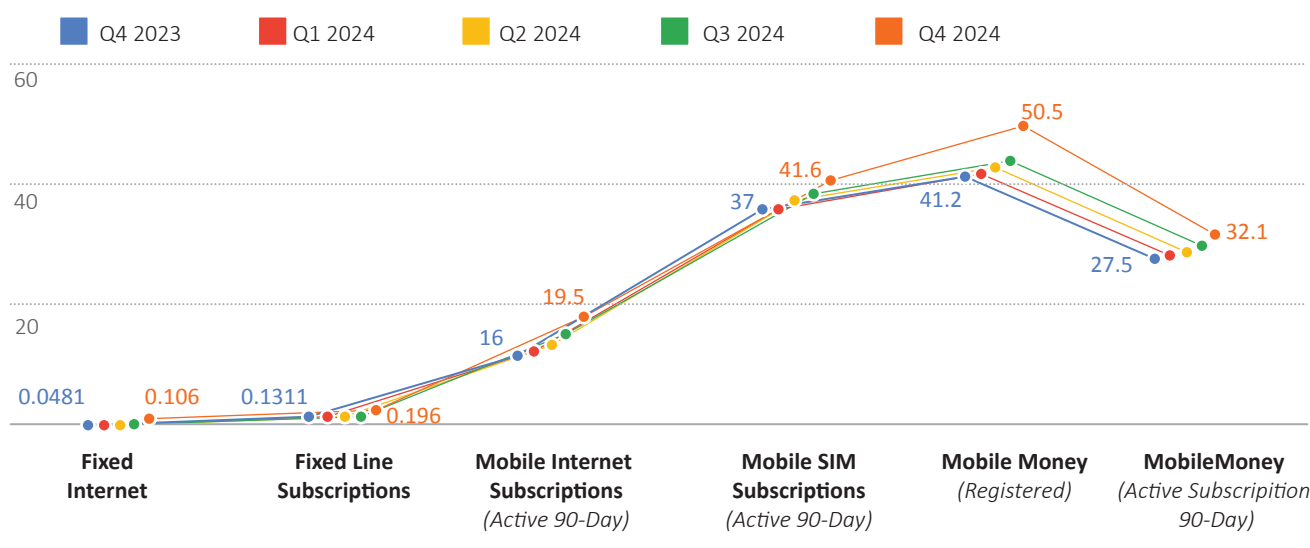


Figure 1: Telephone, Internet and Mobile Money Subscriptions 2023-2024.⁹

Source: UCC Market Performance Reports 2023-2024

Overall, social media usage has declined by 14% from 2.8 million in January 2022 to 2.4 million in January 2025. Platforms where a decline was registered include Facebook and Messenger, which dropped by 4% and 15% to 2.4 million and 416,000, respectively. Notable increases were reported on LinkedIn, rising by 97.5% to 1.6 million, and X, which rose by 66.8% to 698,000 in January 2025. The government restrictions on Facebook appear to have deterred the growth of the platform in the country, despite a significant number of social media users still being able to access it through Virtual Private Networks (VPN).

⁸ National Information Technology Survey Final Report <https://www.nita.go.ug/sites/default/files/2022-12/National%20IT%20Survey%20Report%202022%20-%20Final.pdf>

⁹ Market Performance Reports 2023 - 2024, <https://www.ucc.co.ug/wp-content/uploads/2025/02/UCC-Market-Report-for-Q4-2024-December-2024.pdf>; Market Performance Report Q3 2024, <https://www.ucc.co.ug/wp-content/uploads/2024/11/UCC-Market-Report-for-Q3-2024-September-2024.pdf>; Market Performance Report Q2 2024, <https://www.ucc.co.ug/wp-content/uploads/2024/09/UCC-Market-Report-for-June-2024-FY-2Q23.pdf>; Market Performance Report Q1 2024, <https://www.ucc.co.ug/wp-content/uploads/2024/09/UCC-Market-Report-for-March-2024-FY-2Q23.pdf>; Market Performance Report Q4 2023, <https://www.ucc.co.ug/wp-content/uploads/2024/09/UCC-Market-Report-for-December-2023-FY-2Q23-final.pdf>

Social media Usage 2022 - 2025

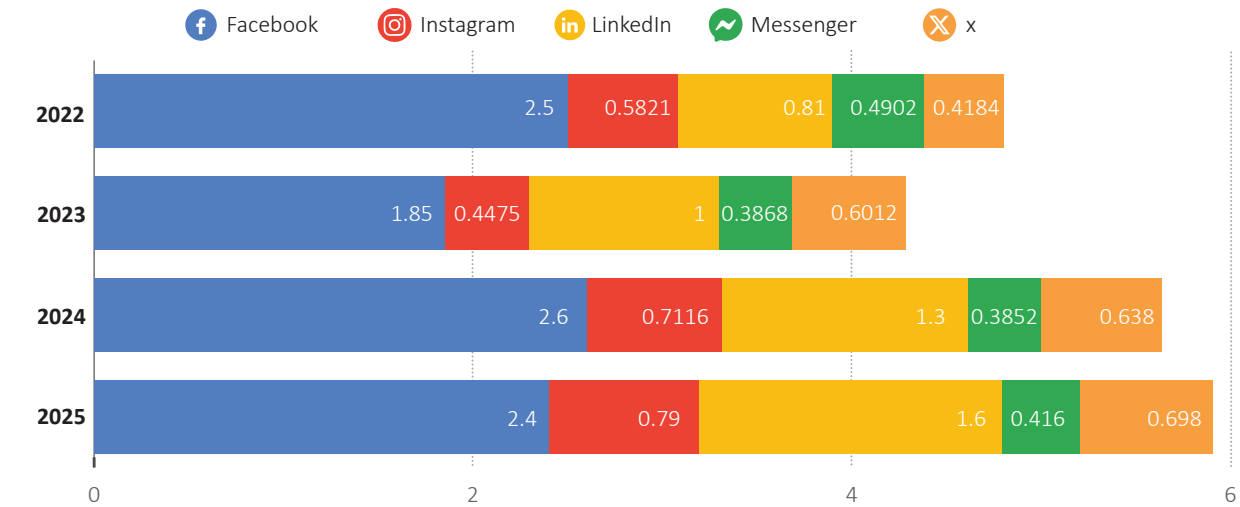


Figure 2: Social Media Usage in Uganda 2022 - 2025. Source Data Reportal¹⁰

The chart below shows trends in mobile device adoption. From the analysis, basic phones increased by 20% between December 2023 and December 2024, peaking at 2.4 million. Notably, smartphone adoption recorded the highest increase of 21.3%, rising to 18.2 million, compared to 6.8% for feature phones during the same period. Feature phones are the majority at 26.7 million handsets.

Trends in Mobile Devic Adoption 2023-2024

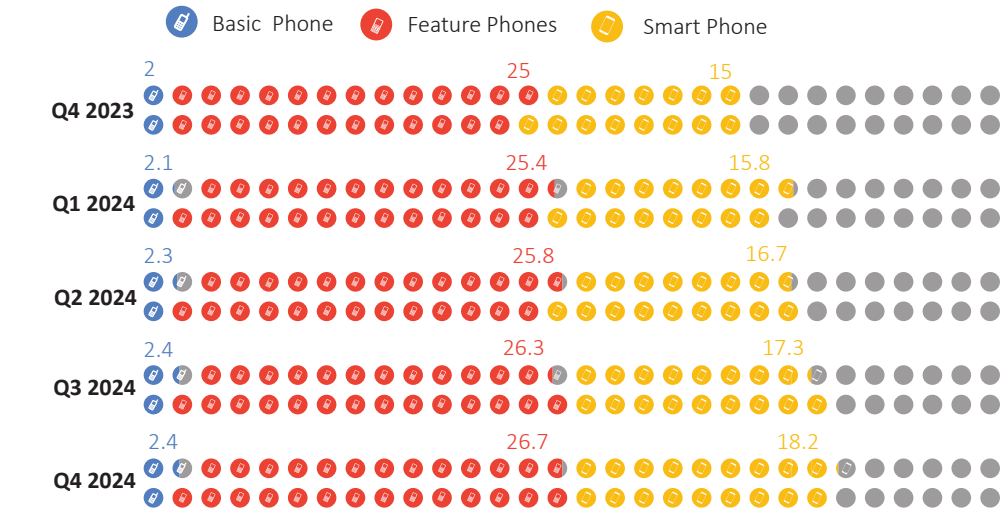


Figure 3: Trends in Device Adoption. Source: UCC Market Performance Reports 2023-2024¹¹

¹⁰ Digital 2025: Uganda <https://datareportal.com/reports/digital-2025-uganda?rq=Uganda>; Digital 2024: Uganda <https://datareportal.com/reports/digital-2024-uganda?rq=Uganda>; Digital 2023: Uganda <https://datareportal.com/reports/digital-2023-uganda?rq=Uganda>; Digital 2022: Uganda <https://datareportal.com/reports/digital-2022-uganda?rq=Uganda>

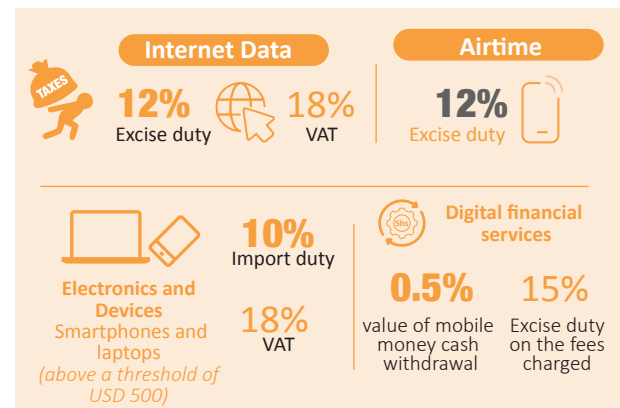
¹¹ Ibid

3.0. Taxes Applicable to the Digital Economy

On the supply side, telecommunications companies and over-the-top (OTT) providers are subject to corporate income tax (CIT), digital service tax, and a raft of license fees. Uganda imposes a CIT of 30% on resident companies such as mobile network operators.¹² The CIT also applies to non-resident companies that derive income from sources in Uganda. Following the Income Tax (Amendment) Act 2023, Uganda implemented the unilateral Digital Service Tax (DST) levied at 5% of the annual gross incomes of non-resident companies providing digital services to customers in Uganda. Further, an import service tax of 18% is levied on companies dealing in ICT services such as software reselling or offering any imported ICT services.¹³

In September 2024, the Uganda Revenue Authority (URA) commenced enforcing Value Added Tax (VAT) (18%) on electronic services, including online adverts, streaming services, massive open online learning, webhosts, and cloud service providers. Regarding telecommunications, UCC's revised 2020 telecommunications licensing framework instituted a multi-tiered licensing framework with annual license fees ranging from the high-cost 20-year term National Telecommunications Operator License, which costs USD 21.3 million, to the Communal Access License, which costs USD 1,000.

On the demand side, consumers of digital and ICT products and services face a raft of taxes, including excise duties and VAT. Uganda imposes a 12% excise duty on the net price of internet data, after which a VAT of 18% applies.¹⁴ There is also a 12% excise duty on prepaid airtime, post-paid airtime, and value-added services. Also, electronics and devices such as smartphones and laptops (above a threshold of USD 500) attract an import duty of 10%, withholding tax of 6%, infrastructure levy of 1.5%, and VAT of 18%.¹⁵ Digital financial services attract various taxes, such as 0.5% tax applicable on the value of mobile money cash withdrawals and 15% excise duty on the fees charged by banks and for money transfer services by non-bank operators.¹⁶ Computers, tablets and computer applications used for education and financial or mobile money services are exempt from VAT.¹⁷



¹² PWC, Uganda Corporate - Taxes on corporate income, February 10, 2025, <https://taxsummaries.pwc.com/uganda/corporate/taxes-on-corporate-income>

¹³ UCC, License Application Requirements for the New Telecom Licenses, <https://www.ucc.co.ug/wp-content/uploads/2023/10/LICENSE-APPLICATION-REQUIREMENTS-FOR-THE-NEW-TELECOM-LICENSES.pdf>

¹⁴ Policy Brief: Taxing Ugandan Citizens Out Of The Digital Society, <https://cipesa.org/2022/04/policy-brief-taxing-ugandan-citizens-out-of-the-digital-society/>

¹⁵ ICT Ministry pushes for tax reduction on digital gadgets, https://www.newvision.co.ug/category/sports/ict-ministry-pushes-for-tax-reduction-on-digi-NV_191500

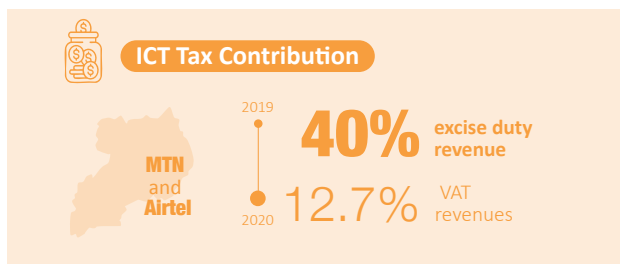
¹⁶ Taxation of digital financial services in Uganda, https://www.ictd.ac/wp-content/uploads/2024/06/Uganda_DFS_Factsheet_0224.pdf

¹⁷ International Trade Taxes, <https://ura.go.ug/en/international-trade-taxes/>

3.1. Immediate Challenges of ICT Sector Taxation in Uganda

a) High Taxes Discourage the Growth of the Digital Economy

While ICT sector taxes generate the needed revenue, on the demand side they have also discouraged digital inclusion by making electronic devices such as smartphones, as well as internet access and mobile money services, more expensive. The high tax (and indeed double taxation) rates have impacted affordability, particularly for low-income individuals and vulnerable people, such as persons living with disabilities and rural women. On the supply side, there is an over-reliance on excise duty and VAT. For example, according to Research ICT Solutions, MTN and Airtel in Uganda “alone made up 40% of excise duty revenues and 12.7% of VAT revenues in the financial year 2019/2020.”¹⁸ Altogether, over-taxing mobile connectivity products and services, and the platforms providing these products and services, risks stifling digital economic growth and transformation. This is especially a concern given the growing role of ICT in Uganda's economic development, where digital services are critical in industry, agriculture, finance, health, education, and commerce.



b) The ICT Sector's Tax Regime is Broad and Duplicative

As several research studies have highlighted, Ugandan consumers are carrying the burden of double taxation for ICT products and services. For example, under sections 1 and 3 of the Excise Duty Act, an excise duty of 12% is applied on internet data services and on prepaid and postpaid airtime. The same law in section 3(5) requires telecommunications service operators providing data used for accessing over-the-top (OTT) services to account for and pay excise duty on the access to OTT services. There is a further 18% VAT, per the Value Added Tax Act.¹⁹ While the cost of 1GB of data fell from about UGX 10,000 in 2019 to UGX 5,000 (USD 1.3) in 2023, the cost of internet data remains fairly high because of the tax burden that consumers ultimately carry. With an average revenue per user (ARPU) of USD 2.8 per month for a basket of telecommunication services (including voice, data, and SMS), 1 GB of data would cost 46% of the ARPU. Yet at the same time, electronics and devices attract an import duty of 10%, withholding tax of 6%, infrastructure levy of 1.5%, and VAT of 18%. As such, the taxes comprise up to 35.5% of the selling value of ICT devices, and these devices could easily sell at over 50% of their initial selling value, accounting for vendor profit. Consequently, the multiple taxes are a burden to consumers and consequently exacerbate accessibility and affordability issues.²⁰

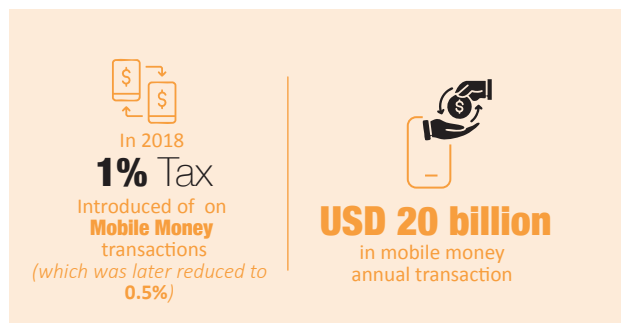
¹⁸ Research ICT Solutions, *Taxation for The Digital Era: Uganda*, <https://researchictsolutions.com/home/wp-content/uploads/2022/04/Uganda-policy-brief.pdf>

¹⁹ The excise duty on internet data services, for example, was instituted in 2021 after the less-than-desirable performance of OTT tax (also known as social media tax). See <https://cipesa.org/2021/07/uganda-abandons-social-media-tax-but-slaps-new-levy-on-internet-data>.

²⁰ The State of Access of Digital Tools, Usage of ICT and Digital Threats to CSOs in Uganda, https://cipesa.org/wp-content/files/reports/The_State_of_Access_to_Digital_Tools_-_Usage_of_ICT_and_Digital_Threats_to_CSOs_in_Uganda.pdf

c) High Taxes Hinder Financial Inclusion

Taxation also undermines financial inclusion. While tech-enabled financial transactions are enhancing social economic transformation, governments in the region, including Uganda, are accused of taking advantage of the growth to widen their tax base.²¹ The widening of the tax base has, however, adversely impacted financial inclusion by widening the exclusion gap. In 2018, the introduction of 1% tax on mobile money transactions (which was later reduced to 0.5%) led to public outcry especially among the low-income earners.²² Meanwhile, mobile money, with over USD 20 billion in annual transaction value, attracts a tax of 0.5% on withdrawals. These taxes regressed mobile money transactions with the public shifting to alternative ways of effecting their transactions such as agency banking which is also a tech-enabled financial transactions platform.²³ The mobile money taxation practices require policy makers to review the effects of taxes on the digital economy while also looking for income generation alternatives in order to lighten taxes on financial transactions.



d) High Taxes Hinder the Digital Inclusion of Marginalised and Vulnerable Populations

According to the UN Capital Development Fund (UNCDF) Inclusive Digital Economy Scorecard of 2023, the digital inclusiveness score for persons with disabilities stands at 26% with a digital divide of 74%.²⁴ Migrants stand at 25% (digital inclusiveness) and 75% (digital divide), refugee stand at 30% (digital inclusiveness) and 70% (digital divide), the elderly stand at 19% (digital inclusiveness) and 81% (digital divide), the youth stand at 74% (digital inclusiveness) and 26% (digital divide), women stand at 77% (digital inclusiveness) and 23% (digital divide), while the rural communities stand at 53% (digital inclusiveness) and 47% (digital divide). Taking one group as an example, the justification for the imposition of high taxes on tech gadgets for persons with disabilities is not evidently clear. Members of this community are among the vulnerable populace, with large numbers having little or no incomes, and also largely lacking the requisite capacities and skills to use technologies.²⁵ From 2018, persons with disabilities have been calling on the government for tax waivers in order to facilitate their access to assistive technologies.²⁶ Despite the vulnerability and high average poverty levels among this community, the 18% VAT is uniformly applied without regard to their special status.²⁷ Since vulnerable groups are so widely affected, policy makers and legislators need to take into consideration measures to reduce or waive the taxes.

²¹ Lotto, J. (2025). Mobile Money Taxation and Financial Inclusion Agenda in East Africa: Is it killing the Goose That Laid the Golden Egg? *Journal of Social and Political Sciences*, 8(1), 96-117, https://www.asianinstituteofresearch.org/_files/ugd/ed8b62_d296f31dba3a4215b72c8664a4bfd1e.pdf

²² GSMA, The causes and consequences of mobile money taxation: An examination of mobile money transaction taxes in sub-Saharan Africa, https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/wp-content/uploads/2020/06/GSMA_The-causes-and-consequences-of-mobile-money-taxation.pdf

²³ UNCDF, The Impact of Mobile Money Taxation in Uganda, <https://www.rfilc.org/wp-content/uploads/2021/12/The-Impact-of-Mobile-Money-Taxation-in-Uganda.pdf>

²⁴ UN Capital Development Fund (UNCDF), Digital Economy Scorecard, 2023, <https://ides.uncdf.org/2023/UGA>

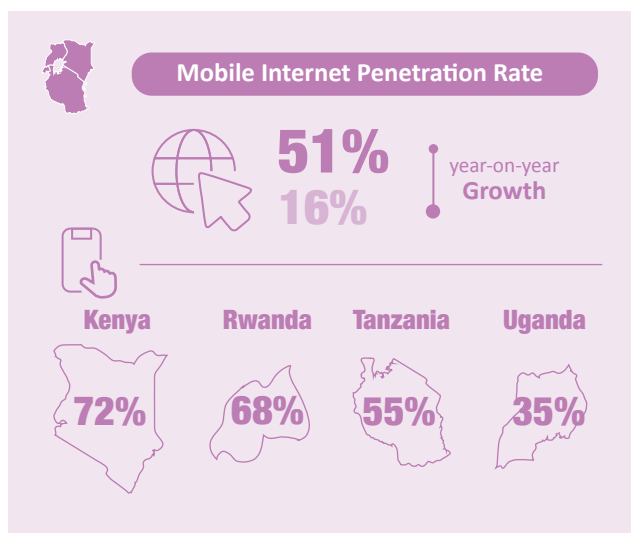
²⁵ CIPESA, Digital Taxation in Uganda: A Hindrance to Inclusive Access and Use of Digital Technologies, 2022, <https://cipesa.org/wp-content/uploads/2022/04/Digital-Taxation-in-Uganda-A-Hindrance-to-Access-and-Use-of-ICTS.pdf>

²⁶ Daily Monitor, PWDs call for tax waiver on supportive devices, <https://www.monitor.co.ug/uganda/news/national/pwds-call-for-tax-waiver-on-supportive-devices-1795282>

²⁷ PWC, Uganda: Corporate - Other taxes, February 10, 2025, <https://taxsummaries.pwc.com/uganda/corporate/other-taxes>; RIS, Uganda imposes VAT on digital services, July 8, 2022, https://researchchartsolutions.com/home/uganda_vat/#:::text=Effective%201%20July%202022%2C%20VAT,hosting%2C%20software%20and%20streaming%20services.

4.0. Learning from Other Jurisdictions in East Africa and Beyond

According to the 2023 Statistics Report on Telecommunications by the East Africa Communication Organisation (EACO),²⁸ East Africa is one of the fastest-growing mobile internet markets in the world, averaging a 51% mobile internet penetration rate and year-on-year growth of 16%. Per the report, Kenya has a mobile internet penetration of 72%, Rwanda 68%, Tanzania 55%, and Uganda 35%.



Although Uganda trails its contemporaries in mobile connectivity and digital transformation, its market and political economy structures are not too different from the regional average. For example, most countries in the region levy similar VAT rates: Uganda levies 18% VAT while Kenya charges 16%, Tanzania 18%, and Rwanda 18%.²⁹ Additionally, the countries in question are extremely reliant on excise duty and VAT. While Uganda has disproportionately higher rates of reliance on mobile service excise duties (40% of excise duty revenues and 12.7% of VAT revenues in 2020),³⁰ Kenya's excise duties contributed to 2.2% of total tax revenue in 2020, and Tanzania's reliance on VAT and excise duties contributed to 4.3%.³¹ Meanwhile, Tanzania and Uganda have adopted a unilateral digital service tax (DST) at 2% and 5%, respectively. While Kenya initially had a DST (1.5% of gross invoice income) it has recently replaced it with a 3% tax on gross annual turnover under the Significant Economic Presence (SEP) tax programme. Rwanda has recently started considering the DST and other revenue measures under the National Strategy for Transformation.³² Despite the recent adoption of e-filing and invoicing systems, challenges persist in the use of these digital tax collection methods all over the region.

²⁸ EACO Communication Sector Report, 2023, <https://eaco.int/admin/docs/reports/StatisticsFullReport.pdf>

²⁹ <https://www.vatcalc.com/south-africa/south-africa-vat-on-digital-services-by-non-residents/>

³⁰ Supra note 18.

³¹ Research ICT Solutions, Taxation for The Digital Era: Tanzania, <https://researchictsolutions.com/home/wp-content/uploads/2022/04/Tanzania-policy-brief.pdf>

³² VAT Calc, Parliamentary approval 1.5% DST on digital and electronic transactions, <https://www.vatcalc.com/rwanda/rwanda-digital-services-tax-proposal/>

Kenya's ICT sector, which contributes 3.1% to the GDP and is the highest in the region, could be worth closely investigating. Kenya's ICT sector has been strongly boosted by both consumption and productive forces in at least two ways. First, following the adoption of import duties on electronics, local production of high-quality smartphones has been encouraged and is showing signs of major success. The Communications Authority of Kenya reported that 4.8 million smartphones were sold in 2024, and 20% of the phones sold were locally assembled by M-KOPA, one of the two local phone assemblers, the other being a Safaricom-led consortium.³³ Over the last two years, three million phone handsets have been assembled in Kenya. These high-quality smartphones, which are also accessed through innovative credit arrangements, have widened mobile internet connectivity and the consumption of digital products and services. Kenya's government has supported this growth by waiving certain import duties and offering tax holidays to local device assemblers, especially under the Digital Literacy Programme. Public procurement commitments such as government bulk purchases of locally assembled tablets for schools further stimulated domestic manufacturing and downstream tax revenue.

Second, investments in the ICT sector are driving productivity and growth. Kenya has positioned itself as the regional hub for ICT connectivity and infrastructure, attracting international investments in electronics assembly and manufacturing, asset financing, digital infrastructure for cloud and edge computing, and, more recently, AI.³⁴ For example, the ICT sector in Kenya was the second-fastest-growing sector in Kenya only after hospitality in 2022. It is reported that most of these gains were from foreign

direct investment (FDI) by large technology companies such as Google and Microsoft in that year.³⁵ Kenya's new national AI Strategy,³⁶ under its Digital Master Plan 2022–2032, includes frameworks for responsible data monetisation, regulation of digital labour platforms, and investment in AI research and development, signalling long-term potential for new tax sources and innovation-driven growth.

In addition, Kenya has advanced programmes such as the Ajira Digital Programme, which has trained over 100,000 youth in digital skills and connected many to online gig work, contributing to a growing digital workforce and an emerging tax base.³⁷ Likewise, Rwanda's Irembo platform, which digitised over 100 government services, has significantly increased the use of mobile payments and e-government services, helping formalise the digital economy and strengthen transaction traceability for taxation.³⁸

These examples show that carefully crafted tax and industrial policies combined with investment in digital skills, infrastructure, and innovation ecosystems can boost both sector vibrancy and long-term government revenues. Uganda's ICT sector can build on these insights to design a more inclusive, innovation-friendly, and revenue-generating digital ecosystem. Accordingly, to attain double-digit growth in the next 15 years, Uganda requires not only extensive investment in productive sectors (including ICT) but also stronger tax enforcement and inclusive tax regimes.

³³ Kabui Mwangi, M-Kopa smartphone market share hits 20pc, <https://www.businessdailyafrica.com/bd/corporate/companies/m-kopa-smartphone-market-share-hits-20pc-4964028>

³⁴ International Trade Administration, Kenya Country Commercial Guide, <https://www.trade.gov/country-commercial-guides/kenya-information-communications-and-technology-ict>

³⁵ ICT sector leads in new foreign direct investments in Kenya, <https://www.businessdailyafrica.com/bd/markets/capital-markets/ict-sector-leads-new-foreign-direct-investments-in-kenya-4694642>

³⁶ Ministry of Information, Communications and the Digital Economy, Kenya National Artificial Intelligence (AI) Strategy (Draft) for Public Validation, <https://ict.go.ke/sites/default/files/2025-01/Kenya%20National%20AI%20Strategy%20%28Draft%29%20for%20Public%20Validation%20%20%5B14-01-2025%5D.pdf>

³⁷ International Labour Organization, Kenya needs digital skills and inclusive strategies to connect young people, <https://www.ilo.org/resource/news/kenya-needs-digital-skills-and-inclusive-strategies-connect-young-people>

³⁸ NEC Corporation, eGovernment in Africa, <https://www.nec.com/en/global/insights/article/2020022516/index.html>

5.0. Policy Recommendations

- Uganda should repeal import duties or significantly minimise the total sum of taxes on electronic devices for at least three years. This intervention should be followed by careful quality control of devices imported and management of e-waste from the ensuing demand and consistent disposal of older devices. The tax cuts should apply to low-cost items such as smartphones, tablets under USD 100, and entry-level laptops. This intervention would significantly enhance digital access and affordability, especially for the underserved population. A similar approach was successfully implemented in Rwanda, where the elimination of import duties and reduction of VAT on smartphones contributed to improved affordability and expanded digital inclusion.³⁹
- Uganda should boldly incentivise local device *assembly and* manufacturing with the view of turning the country into a regional hub for production of high-quality but affordable products in eastern and central Africa. Incentives may include tax breaks, access to affordable finance, supporting research and innovation to locally produce some smartphone components, and facilitating entry into regional markets. Others may include supporting bulk purchases of components so that manufacturers achieve economies of scale to make the prices of local products comparable to those manufactured in China, and supporting local smartphone producers to diversify into the manufacture of products such as smart metres, charging devices, network equipment such as routers, TV sets and earphones.
- Consider implementing demand-side incentives such as digital inclusion vouchers redeemable for smartphones or broadband subscriptions among women, youth, and people in rural or underserved areas. South Africa piloted a similar e-voucher programme for internet access with a positive impact.⁴⁰
- Uganda should push for the development of locally relevant (mobile) applications and content for small businesses and individuals to boost a more effective and simplified tax compliance and collection. For example, an increase in smartphone adoption among SMEs may not by itself result in dramatic improvement in e-filing. While the intelligent network monitoring system could help curb the potential “under-declaring” of telecommunications billing revenue data,⁴¹ the Electronic Fiscal Receipting and Invoicing System (EFRIS) is unlikely to curb similar challenges for informal businesses as e-filing depends on a suite of applications and knowledge practices that might be missing in informal businesses.
- Uganda should fast-track a more integrated central banking payments infrastructure to minimise the amount of taxes and illicit financial flows through platforms like mobile money. Accordingly, a more centralised payment infrastructure will give the government great visibility into everyday transactions while enabling a more competitive private sector payments market.

³⁹ Rwanda Utilities Regulatory Authority (RURA), *Annual Report 2022–2023*, https://rura.rw/fileadmin/Documents/docs/report/Annual_Report_for_2021-2022.pdf

⁴⁰ Research ICT Africa, *Universal Access Funds and Public Wi-Fi in South Africa*, <https://researchictafrica.net>

⁴¹ Reuters, *Uganda's president "astonished" MTN charged less for telecom licence renewal*, <https://www.reuters.com/article/world/ugandas-president-astonished-mtn-charged-less-for-telecom-licence-renewal-idUSKCN1P90X2/>

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- Review the DST and consider aligning with OECD Pillar One or Kenya's Significant Economic Presence (SEP) model. While Uganda's DST is a notable step, the country should explore moving towards a SEP model that targets foreign digital service providers based on user base or economic activity. Kenya's 2023 shift to a 3% SEP tax improved compliance while avoiding potential double taxation.⁴² Uganda could also prepare for a transition into the OECD-led Pillar One framework, which aims to fairly allocate taxing rights over multinationals in the digital economy.⁴³
 - Uganda should lower licensing fees and ease regulatory requirements for community networks and innovative last-mile connectivity providers.⁴⁴ While the country has made efforts through its tiered licensing framework, further revisions are needed to enable non-profit and small-scale actors to operate sustainably in remote and underserved areas. To support digital inclusion at the margins and foster a more diverse and resilient ICT sector, Uganda could adapt the Botswana model of exempting non-profit community networks from certain license fees to facilitate access to the spectrum.⁴⁵
 - Uganda should balance economic and security interests against basic freedoms that are enshrined in the constitution, including freedom of speech. For example, the over four-year blockage on Facebook should be unanimously lifted as this platform contributes to business and is a potential source of digital services VAT and SEP tax. Its continuing blockage does not support the attraction of FDI to Uganda's digital technology sector.
 - Finally, Uganda should harmonise research and data sharing on ICT sector contributions and taxes. This should be done by fostering collaborations between ministries, departments and agencies (MDAs) and private sector players as well as other relevant actors in civil society and academia. In this way, faulty data and assumptions that led to taxes such as the controversial OTT tax, would be mitigated. Additionally, this harmonisation should support research into emerging technologies such as AI and their effects on sectors, such as Business Process Outsourcing (BPO) and potential tax implications.

⁴² Understanding Significant Economic Presence Tax: A Shift from Digital Service Tax in Kenya, <https://www.bdo-ea.com/en-gb/insights/understanding-significant-economic-presence-tax-a-shift-from-digital-service-tax-in-kenya>

⁴³ OECD, Addressing the Tax Challenges of the Digital Economy – Pillar One Blueprint (2020) https://www.oecd.org/en/publications/2020/10/tax-challenges-arising-from-digitalisation-report-on-pillar-one-blueprint_6034ca99.html

⁴⁴ Shamirah B and Rebecca N, Influence Of Regulatory Changes On Compliance Costs: A Case Study Of Uganda Communications Commission, https://www.researchgate.net/publication/384323534_Influence_Of_Regulatory_Changes_On_Compliance_Costs_A_Case_Study_Of_Uganda_Communications_Commission

⁴⁵ Association for Progressive Communications (APC), Policy and Regulatory Frameworks for Community Networks in Africa, https://www.apc.org/sites/default/files/community_network_regulation_around_the_world.pdf

5.1. Conclusion

By carefully reviewing the country's current ICT tax policies and drawing lessons from regional practices and tax frameworks, Uganda can make substantial improvements in capturing tax revenues from the digital economy. By facilitating wider access to devices such as smartphones as well as implementing a tax system based on significant economic presence and simplified tax collection mechanisms, Uganda could better harness the potential of its digital economy while ensuring that mobile network operators and digital platforms contribute fairly to the country's total tax revenue. A key plank in this agenda should be a reduction in taxes on smartphones, tablets and entry-level laptops and a contemporaneous incentivisation regime to turn Uganda into a regional manufacturing hub for high-quality but affordable products in eastern and central Africa.



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