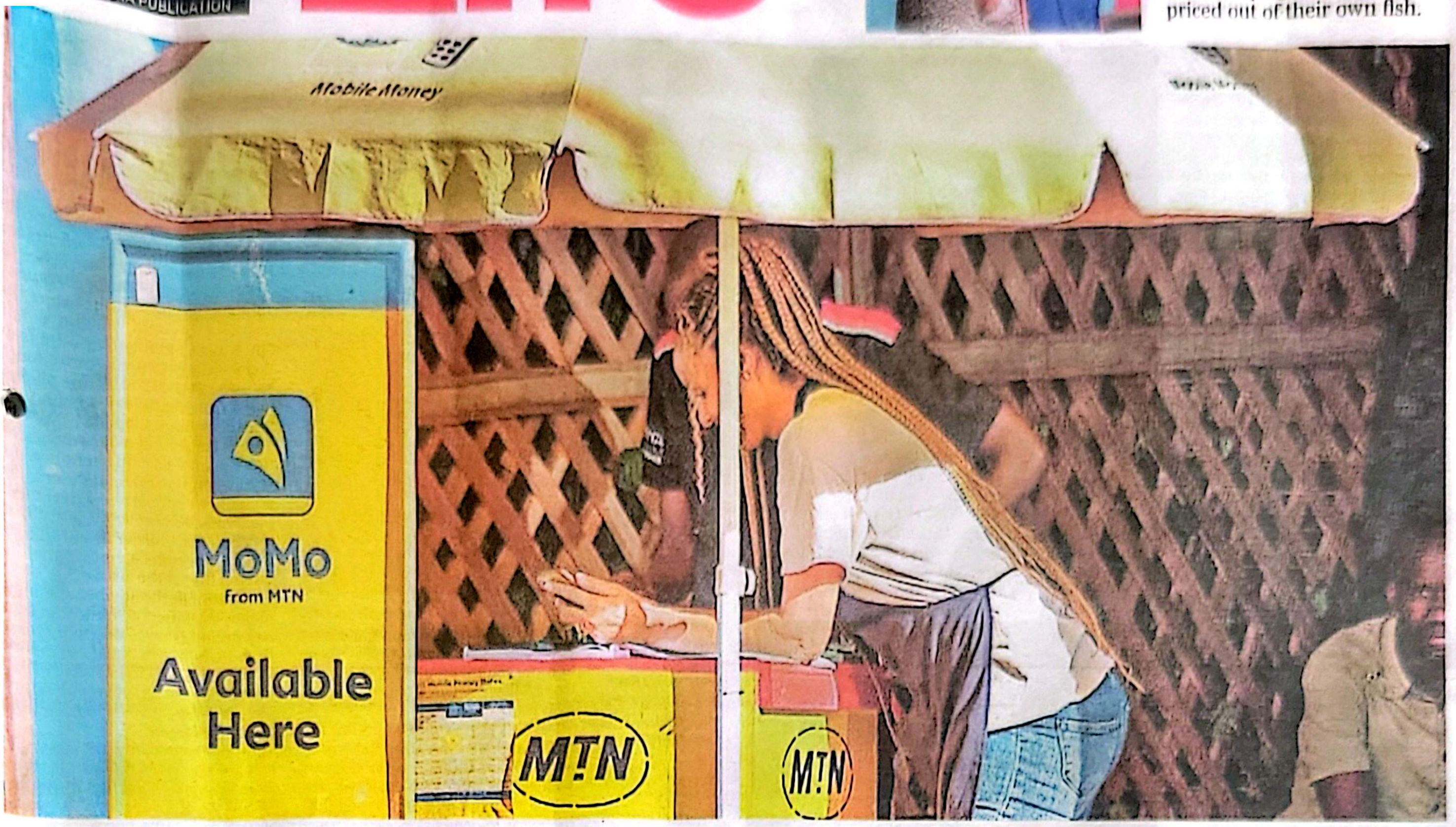


A mobile money agent attends to a customer. Banking industry analysts agree that mobile money fees are significantly higher than bank and ATM charges. PHOTO/IBRAHIM KAVUMA

Is mobile money tax a fair game?

A mobile money customer withdrawing Shs1 million already pays about Shs6,500 in taxes alone. Now, the government is proposing a 10% final withholding tax on commissions earned by mobile money agents and telecom service providers.

BUDGET SERIES 2026/27

THE BUDGET AND YOU

YOUR VOICE, YOUR MONEY

MOBILE MONEY TAX

ISMAIL M. LADU

Did you know that the cost of mobile money transactions in Uganda is multiple times higher than bank or Automated Teller Machine (ATM) charges?

Yet, the majority of users of this digital service are low-income earners or households whose transactions rarely exceed Shs50,000 at any one time.

After interrogating mobile money transactions vis-à-vis bank and ATM fees, Civil Society Budget Advocacy Group (CSBAG) experts project that the latter incurs four times higher transactional costs than the former.

"A mobile money user pays up to four times the tax compared to a bank," says the executive director of CSBAG, Mr Julius Mukunda while quoting their research.

For example, he says: "Mobile money users lose about Shs6,500 in tax for a customer withdrawing Shs1 million. While the same transaction at a bank attracts only about Shs1,500 in tax."

According to CSBAG researchers, the higher the mobile money withdrawals the steeper the fees it attracts, with certain transaction costs surging to nearly 21 times that of traditional ATM or bank charges

Banking industry analysts agree that mobile money fees are significantly higher than bank and ATM charges, but they could not confirm whether the gap is as large as 21 times.

However, according to public policy experts, the 2026/27 government tax proposals, will further deepen rather than widen the tax base.

Should Parliament rubber-stamp these executive-driven digital tax proposals, it will have willfully burdened vulnerable households, forcing the majority to either buckle under the weight or avoid mobile money services altogether.

This development deals a blow to the digital and cashless goals of the tenfold growth strategy—a 15-year blueprint aimed at expanding the economy from roughly $50 billion to $500 billion by 2040.

According to CSBAG expert analysis, titled: *Reform Digital Tax: Make Mobile Money Fair and Smartphones Accessible in Uganda*, the National Development Plan (NDP IV) digital target to expand internet use to 45 percent of the population and to increase mobile money usage to 71 percent by 2029 is being significantly affected by existing tax measures on mobile money charges and taxes on smartphone.

Is mobile money tax a fair game?

"The 0.5 percent excise duty on the total value of mobile money withdrawals, in addition to value-added tax also known as VAT (Value Added Tax) on transaction fees, is affecting the growth of these services. Uganda is the only East African country taxing withdrawals this way.

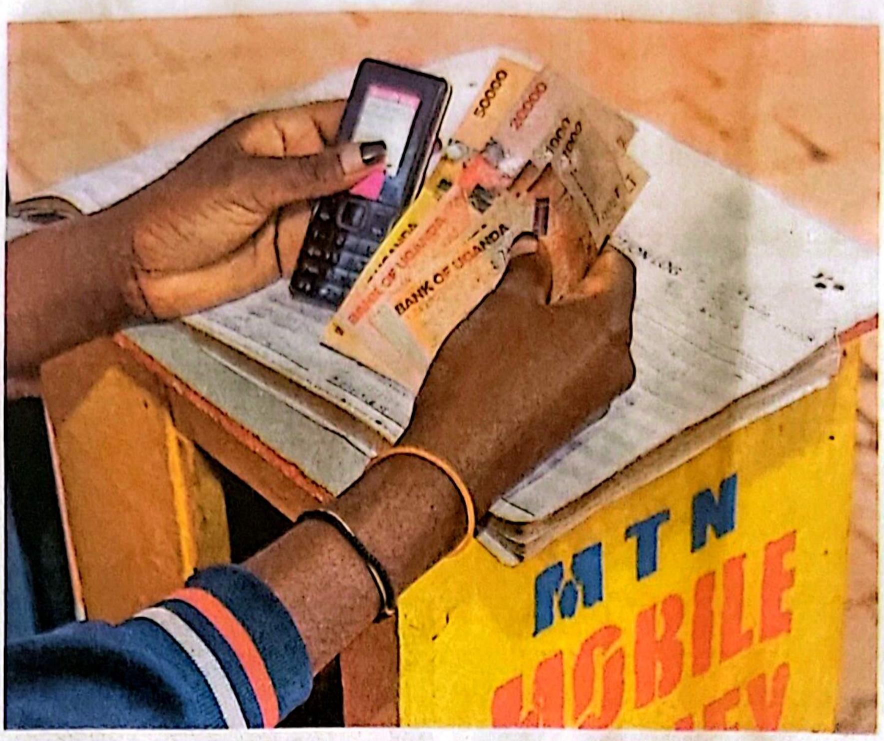
"And then the 10 percent import duty and 18 percent VAT applied to low-cost smartphones below Shs350,000 is keeping entry-level phones out of reach for millions of Ugandans," says Mr Julius Mukunda while presenting the findings of the report last week in Kampala.

According to the report, this reflects a short-term focus on revenue extraction rather than a long-term strategy that expands the tax base.

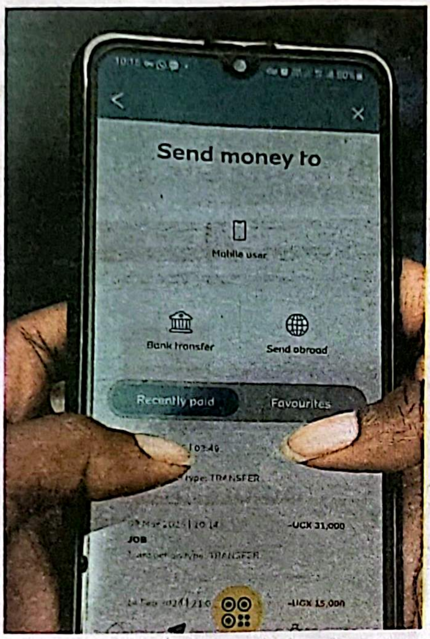
A 2025 GSMA study, known for comprehensive research, data, and forecasts for the global telecom industry, projected that removing the 12 percent excise duty on data could bring four million more Ugandans online by 2030.

This was corroborated by the CSBAG study which indicated that this action could create approximately 1.79 million new jobs and generate an additional Shs2.1 trillion.

According to another report specifically by the Economic Policy Research Centre (EPRC) published earlier in the year - 2026, notes that a modest reduction in taxes today could produce far greater fiscal or revenue returns in the future.



A mobile money agent sends money to a mobile money user. PHOTO/ MICHAEL KAKUMIRIZI



A man completes a mobile money transactoin on a smartphone. PHOTO/ MICHAEL KAKUMIRIZI

Unfairness

Currently, government taxes on mobile money transactions are higher than those on bank services, punishing lower-income users

Mobile money is the most widely used formal financial service, growing from 56 percent usage in 2018 to nearly 70 percent currently, according to financial Sector Deepening report, with 92 percent of transactions being low-value payments.

Despite driving significant financial inclusion, this digital service faces heavy taxation compared to traditional channels, highlighting a clear policy irony.

"Withdrawing Shs1,000,000 attracts Shs315 as tax on bank/ ATM fees, but Shs 6,630 as tax on mobile money withdrawals, which is 21 times more.," reveals the findings of the CSBAG expert analysis.

For a mobile money agent like Ms Jennifer Tumwebaze, who is a player in the sector, the tax on mobile money hasn't helped matters.

She said: "The high taxes are limiting the growth of not just financial inclusion but the amount of taxes the government would have collected in revenue."

She continued: "We are seeing people avoiding mobile money platforms preferring cash transactions because it is becoming very expensive to digitally transfer cash."

Withdrawing Shs1 million from mobile money (MTN or Airtel) costs approximately Shs18,000 to Shs20,000 in agent withdrawal fees. This is in addition to a 0.5 percent government tax

In short, total costs for withdrawing Shs1 million often range between Shs23,000 and Shs25,000 when factoring in the tax. This is a very expensive transaction!

Consequences

According to the International Growth Centre (IGC)—whose research identifies mobile money as a key driver of financial inclusion in developing nations, particularly Sub-Saharan Africa—there was a 40 percent drop in mobile money usage following the introduction of taxes in 2018.

Corroborating this, Federation for Small and Medium-sized Enterprises (FSME) executive director Mr John Walugembe and CSBAG Executive Director Mr Julius Mukunda noted that for every 10 percent price rise, usage falls by 20 percent.

Furthermore, a 2025 International Monetary Fund (IMF) report indicates the tax creates 33–35 percent economic waste.

Consequently, Mr Mukunda, Mr Walugembe, and Ms Jennifer Tumwebaze are advocating for a reduction in the excise duty on mobile money withdrawals from 0.5 percent to 0.25 percent.

Mr Mukunda further suggests a maximum cap of Shs5,000 per transaction to limit excessive taxation on large, legitimate withdrawals, along with an exemption on small withdrawals of Shs 20,000 and below.

Over the medium term, just like the CSBAG analysis, sector analysts recommend transitioning towards taxing transaction fees only—rather than the total transactional value—to align with regional practices in Kenya, Tanzania, and Rwanda.

Extension of withholding tax to all telecommunication retail services and mobile network services

The Tax (Amendment) Bill, 2026 proposes a 10 percent final withholding tax on commissions paid for telecommunication retail services, mobile network services, and mobile money services.

This is aimed at expanding the scope beyond airtime distribution and mobile money services.

It means more people and businesses operating within telecom—such as agents, dealers, or service providers—could have part of their earnings taxed at source.

The chairman of KACITA, H... Sekitto while presenting the ... community position last week ... head office in Kampala said ... concerns with the introduction ... tax measures such as: 10 percent ... holding tax on telecom and ... agents, 0.5 percent.

"These measures risk redu... comes, penalising struggling ... es and negatively impacting ... these sectors.

"We want a review and conse... ly reduction on withholding tax," Mr Sekitto said.

As for Mr Mukunda, Mr Walu... and other major sector players ... costs drive higher volumes.

According to the CSBAG report, ... withdrawal transactions are pr... ed to rise from nearly Shs32 bill... 2025/26 to Shs63 billion by 2029/...

Should the government redu... tax, the ecosystem will also ... Since most mobile money tra... tions—over 90 percent—are co... ed through USSD on feature ph... rather than smartphone apps, inc... ing smartphone adoption has eff... that go far beyond mobile money ... more people use smartphones, ... ta consumption rises, and users ... access to e-commerce, e-governm... platforms, and a wider range of di... services. This broader digital eng... ment also expands participation ... services that can be taxed.

For example, the number of mo... money customers active within a ... day period is projected to incre... from 16 million in 2026 to 24 mill... by 2030. Similarly, the number of m... bile money agents active within a ... day period is expected to grow fr... 266,000 to 424,000.

Cutting the rate from 0.5 percent ... 0.25 percent would reduce collectio... from this specific line. But the exp... sion of the broader ecosystem wo... generate offsetting gains that are u... mately larger.

Stalled

Uganda's Digital Transformation Roadmap targets 50 percent smart phone penetration by 2027.

As of April 2026, penetration remains stalled at 33 percent because of tax es on smartphone taxes," reads part of the CSBAG report. This is troubling because telecom companies have already laid the "digital roads" specifically 4G/5G towers covering 96 percent of the population, but two out of every three Ugandans are "walking" because they cannot afford the "vehicle" which in this case, is the smartphone to use.

Also perturbing is failure to deliver on the National Development Plan (NDP III) promise to bring entry-level smartphones down to Shs60,000. This promise was never kept because of heavy taxes on phones, making them costly.

"The phones meant to connect poor Ugandans to the digital economy are taxed until they are no longer affordable by this category of Ugandans," said Mr Mukunda.

After taxes, a smartphone costs between Shs330,000 and Shs460,000 which is out of reach for most rural households.

"All smartphones with a customs value below Shs350,000 be fully exempt from: Import duty, VAT), Infrastructure levy and Import declaration fees

"This is because the government currently loses more in "unrealised data tax" than it gains in "one-time import tax," reads the report titled reform digital tax.

Mobile money tax

'Mobile money users can lose about Shs6,500 in tax for a customer withdrawing Shs1 million. While the same transaction at a bank attracts only about Shs1,500 in tax.'