

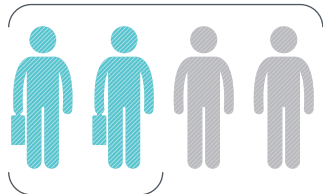
Digital Payments Taxation Factsheet: UGANDA



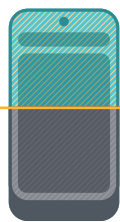
1 Why are digital payments important for Uganda?

Digital financial services are growing in Uganda and play an important role in supporting the financial inclusion of the poor.

Total population: **44.3 million**



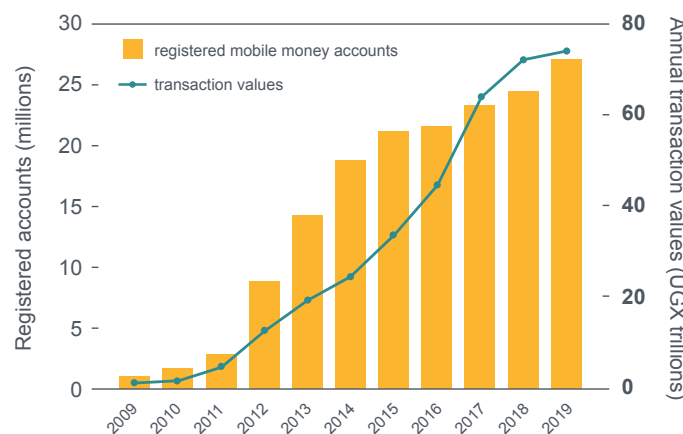
Working age (15-64) population: **22.8 million**¹



54.7%

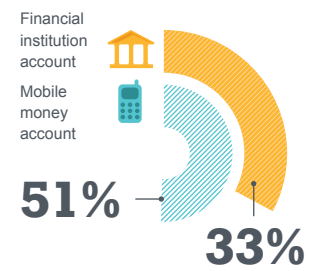
of adults are using digital payments^a

Growth in mobile money usage²

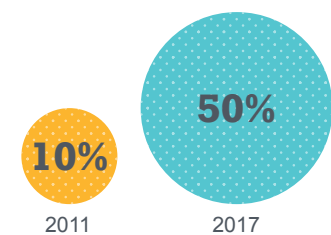


In 2019, an average of **7.8 million mobile money transactions** were conducted daily

Financial services use by the total adult (15+) population:³



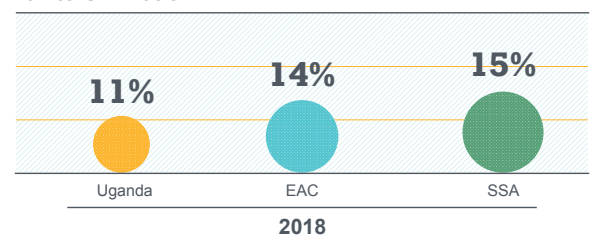
Access to financial accounts by the poor^b:



2 How are digital payments taxed?

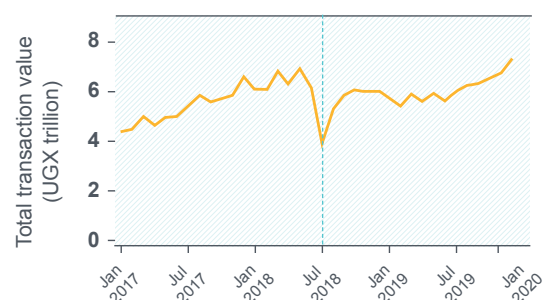
Recently, the Ugandan Government has increased the level of taxation on traditional and digitally-delivered financial services, with some taxes applying specifically to digital payments.

Tax to GDP ratio^c



	Rate	Tax
	15%	Applied to all fees charged by banks (increased from 10% in 2018)
	0.5%	Applied to the value of mobile money cash withdrawals (introduced in 2018)
	15%	Applied to fees charged for money transfer services provided by operators other than banks (increased from 10% in 2018)
	10%	Applied to commissions earned by mobile money agents (introduced in 2018)
	0%	No Value-Added Tax applied to financial or mobile money services

Immediately after introducing a tax on mobile money withdrawals, the total value of transactions declined, but has since recovered.⁴



a. The proportion of adults using digital payments (sending and/or receiving digital payments) is higher than those reporting that they have a mobile money account. This is not necessarily inconsistent as some people send or receive digital payments through someone else's account, or transact directly through a mobile money agent

b. Poorest 40% of the population

c. ICTD/UNU-WIDER Government Revenue Database (2018)

3

What do these taxes contribute to government revenue?

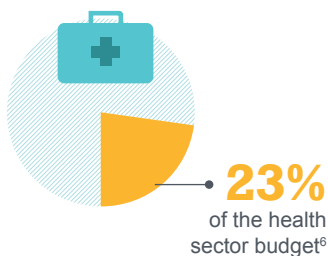
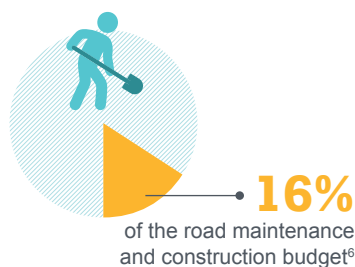
In 2019/2020 total revenue collected from all taxes was

UGX 17.3 trillion (4.8 billion USD)⁵

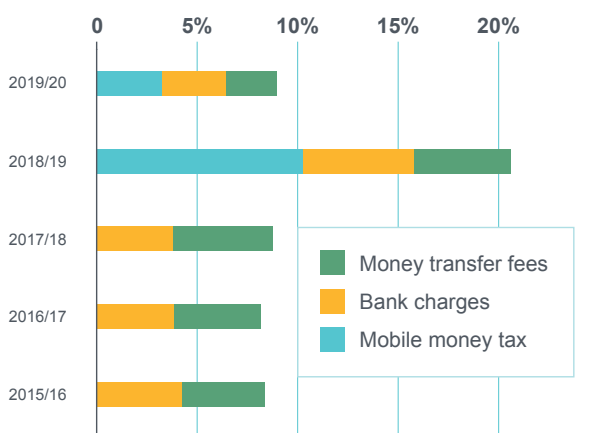
Taxes on all bank charges, money transfers and mobile money contributed

UGX 278 billion (1.61% of total revenue)

This is the equivalent of:



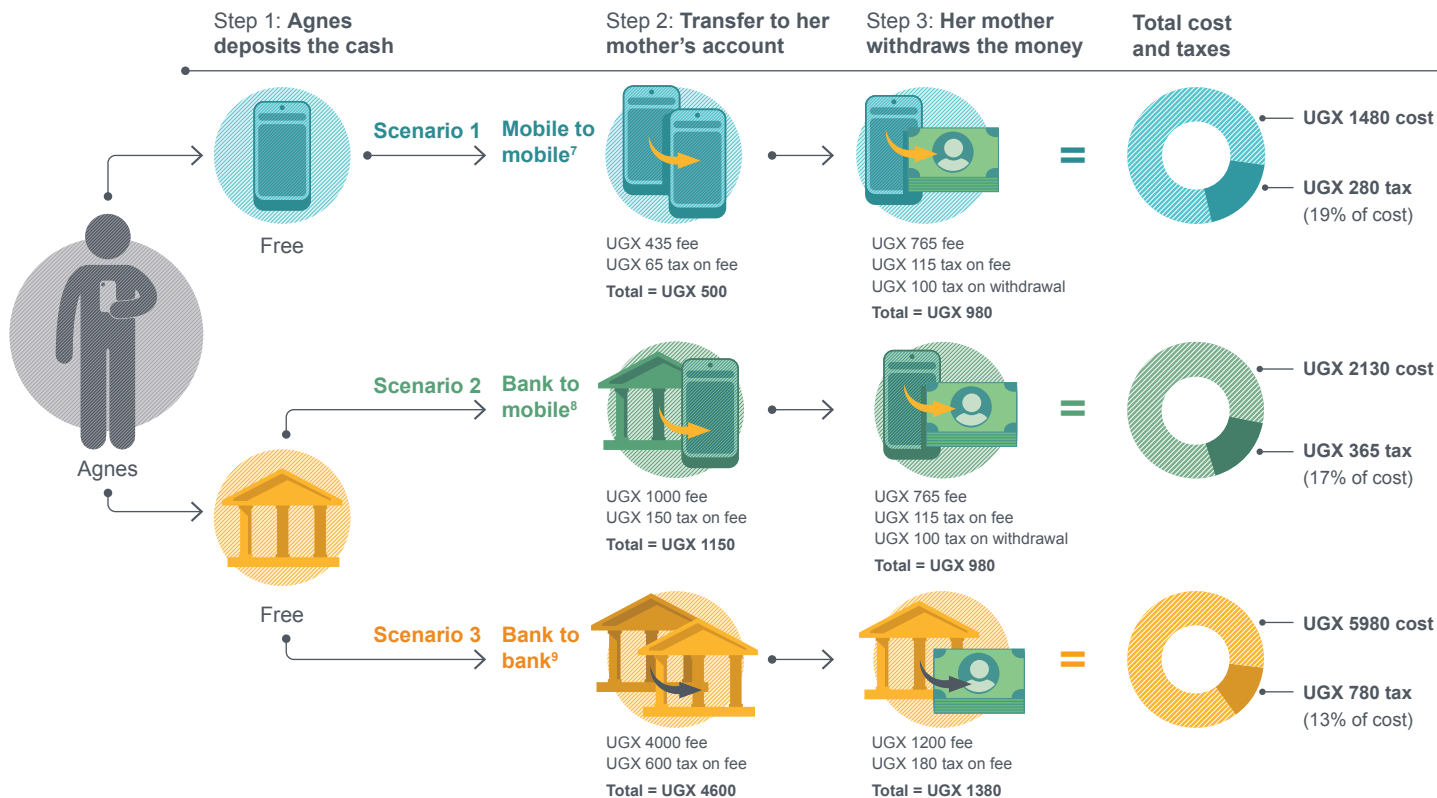
Tax collected from financial and mobile money services^d
% of total excise duty collections



4

What do these taxes mean in practice?

Agnes has just received her salary and wants to send UGX 20,000 (USD 5)^e to her mother in the village for medical bills. She prefers to use digital payment methods because they are faster and more secure. But should she do a bank transfer or a mobile money transfer? **She decides to compare the options:**



d. The figure illustrates all revenue collected from taxes on bank charges, some of which are not for digital payments. Our data does not allow further disaggregation.

e. Data from the Uganda FinScope (2018) indicates that UGX 20,000 is a common remittance amount.

Data sources:

1. Population: World Bank World Development Indicators (2019)
2. Growth in mobile money usage: Bank of Uganda Mobile Money Statistics (2020)
3. Financial services use in the total population: World Bank Global Financial Inclusion database (2017)
4. Mobile money transactions graph: Bank of Uganda Mobile Money Statistics (2020)
5. All government revenue data (section 3): Ministry of Finance, Planning and Economic Development, data shared by the Tax Policy Department (2021)

6. Budget items (bottom of section 3): Ministry of Finance, Planning and Economic Development, Background to the Budget Papers (2020)
7. Mobile to mobile tariffs: MTN mobile money tariffs (1 May 2021)
8. Bank to mobile: Stanbic Bank online banking tariffs (31 March 2021)
9. Bank to bank: Stanbic Bank online banking & ATM withdrawal (31 March 2021)