



## UGANDA<sup>1</sup>: WORKING THROUGH COALITIONS TO OPPOSE UNFAIR TAXES

The Southern and Eastern Africa Trade Information and Negotiations Institute in Uganda (SEATINI Uganda) is a leading pan-African civil society organization (CSO) championing an array of trade, fiscal and development related issues. It currently hosts and coordinates the **Tax Justice Alliance Uganda (TJA-U)**, a coalition of 43 Ugandan CSOs working together to advocate for a fair, just and accountable tax system. The goals of the coalition include mobilizing the public for tax fairness, at both the national and subnational level; building capacity among member organizations for tax policy work; and publishing tax research. In 2018, the coalition worked to oppose two controversial and regressive new taxes, one on mobile money transactions and the other on the use of social media. Their campaign was mobilized very quickly to respond to the government's proposed new taxes before their enactment and included public awareness campaigns including radio programs in rural areas, press conferences, social media activity, petitions to legislators and court cases.

### THE TAX REFORM

Compared to many countries, the Ugandan tax system relies disproportionately on excise taxes, imposed on broad categories of consumption goods, which represented around 8% of total revenues in 2018. Tax collections are undermined by widespread evasion, lax enforcement, and a large informal sector (valued at as much as half of the country's economy). Among a population of 42 million, the tax authority has registered fewer than two million taxpayers; high-wealth individuals, in particular, have been known to evade their tax obligations. According to the OECD, Uganda collected 11.8% of GDP in taxes in 2018, below the 16.5% average for African nations.

In April 2018, legislation was introduced in the Ugandan parliament to impose a 1% tax on the value of mobile money transfers. This manner of money transfer is extremely popular in the country—with 24 million subscribers in 2018—and is used particularly by breadwinners who migrate to urban areas in search of employment to remit extra earnings to their families in rural areas. The proposal received immediate, widespread public condemnation. The finance ministry argued that it was necessary as a way of expanding the tax base. Around the same time, a leaked letter from the Ugandan president to his finance minister raised the idea of taxing the use of social media—so-called “over the top” (OTT) streaming media services like Facebook, WhatsApp, and Twitter. The letter suggested that the tax could help reduce insults and gossip that are shared over such platforms; its revenue, he suggested, would be used to “cope with the consequences” of such speech. In response to the outcry, alternative rationales were offered to justify the tax: it would encourage the use of local apps and create tax equity between users of conventional means of communication that were subject to taxation (like phone calls and texting). The government also claimed that the revenues could be used to bring broadband infrastructure to rural communities.

Both proposed taxes were regressive in nature and widely perceived to be unfair, as they disproportionately affected people in lower income groups. But in May 2018, the Ugandan Parliament

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<sup>1</sup> Derived from Solomon Rukundo's case study paper: “Civil Society Organisations and tax policy reform: examining the case of mobile money tax and social media tax in Uganda”

passed both the mobile money tax (a 1% tax on the value of remittances sent using mobile phones) and the OTT services tax (a fixed levy to access services including social media sites and mobile communication applications). Despite the controversy surrounding the new taxes, the President assented to the Excise Duty Act and the taxes came into force in July 2018. Shortly after the tax was passed, and possibly on account of the widespread protests that followed, the finance minister “disowned” the enacted mobile money tax, declaring that the cabinet had agreed on a 0.5% rate, instead of 1%. Several months later, the parliament voted to reduce the rate to 0.5% (though it rejected calls to eliminate the tax altogether). The social media tax was not changed and remains in place today.



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## THE CAMPAIGN

Although CSOs in Uganda have been active in general policy reforms since the 1990s, they have become engaged in tax policy only in recent years. They have developed working relationships with government agencies—including through an annual process where they analyze the draft tax bills when they are presented to Parliament and formally submit alternative tax proposals to the finance ministry—and, on occasion, file petitions in the legislature or with the courts. Drawing on this experience, civil society groups mobilized immediately after the two taxes were proposed and mounted various efforts including public protests, legislative petitions, awareness campaigns and court processes. The various groups generally acted in concert, primarily through the TJA-U—collaborating, for example, to release a single position paper on both taxes, avoiding conflicting arguments and pooling scarce resources.

As soon as the taxes were announced, TJA-U organized a two-day strategy retreat for its members and invited other stakeholders, including mobile money vendors and human rights activists. During the retreat CSOs developed a position paper to discuss the regressive impact of the two taxes. Media engagements were organized to spread awareness among the public; radio interviews were found to be particularly effective at reaching residents in the rural communities who were most affected by the mobile transfer levy. These campaigns—which some radio stations refused to host—encouraged listeners to lodge complaints with their members of parliament. The coalition also worked to partner with local cultural leaders to host public events around the country, although some leaders refused to participate, as many earn their income from the government. In partnership with a mobile money vendors’

organization, the coalition also hosted two major press conferences; these events featured testimony from affected groups and generated wide press coverage. Finally, the coalition organized campaigns against the tax on social media use on social media; this was cost effective and well-targeted to affected groups.

Petitions against the two taxes were also organized by the coalition. Instead of following the normal approach of getting signatures from the public, they worked to get signatures of support from members of parliament; they received 116 signatures (short of their 320 target), but additional members refused to sign once the petition became public. During parliamentary debate, the groups presented position papers arguing against the taxes.

After their passage, a policy research organization published a study on the taxes' impact, focusing on how the social media tax limited access to government information and how mobile money taxes made it harder to pay for services. The TJA-U and partner business groups petitioned the opposition leader to support full repeal of the mobile money tax, highlighting the impact on youth employment; they also partnered with an organization representing deaf Ugandans to highlight the welfare harms imposed on this group by the social media tax. Street protests were organized by business groups, opposition politicians and others; several resulted in arrests.

Two court cases against the tax were initiated, though only one had support from civil society groups. Litigation, however, was not a major strategy for TJA-U, because they had neither a qualified lawyer on staff nor the funds to hire one; they also were reluctant to attempt an approach with which they were unfamiliar. The court case they assisted with was initiated independently by a young human rights lawyer who argued against the social media tax on free expression grounds; TJA-U helped draw attention to this challenge by hosting a series of online "tax chats" about it. The case is still pending.

## **ASSESSMENT**

The advocacy campaign organized by TJA-U was a partial success. It resulted in the reduction of the mobile money tax from 1 to 0.5%. But this change fell short of the coalition's goal of full repeal, and the social media tax remains in place. The mixed results stem largely from three factors. First, from the beginning, the government was strongly committed to retaining these taxes. The mobile money transfer tax was considered a necessary revenue raising measure to capture informal sector income, while the OTT service tax was largely driven by the president's desire to curb "gossip" on social media. Second, the campaign became associated with the political opposition—which may have had the effect of *strengthening* governmental support for the tax. And, finally, the groups were hindered by a lack of technical capacity and funding.

The groups' partial success on the mobile money transfer tax was attributable to several features of their campaign. Their quick mobilization and public education effort helped build political pressure against the tax, such that the proposal was quickly seen as a political liability by the government. The combination of public protests and organized calls to the members of parliament signaled widespread disapproval. Indeed, this quick response was likely the catalyst for the finance minister's decision to distance the government from the proposal just days after its passage. Use of radio and seminars to raise awareness of mobile money tax, while using social media and press conferences to discuss social media tax, allowed the coalition to target messaging to those who were most affected by each proposal. And the coalition also benefited from its partnership with private sector interests who were adversely affected by the tax.

In a country where the ruling party holds an overwhelming majority in Parliament, the coalition's efforts may have been hindered by the extent to which it aligned with the political opposition. The petition for the repeal was submitted by the opposition party's leader, for example, and one of the major protests was led by a rising star in opposition politics who had clashed with the government on a number of previous occasions.

Additionally, they struggled with funding shortfalls and lack of technical expertise: the position papers they released were based on limited empirical data and made its case mostly on the basis of emotive arguments and assumptions. They failed to predict, for example, that the social media tax would raise considerably less than what government projections produced by the government (which turned out to be the case, as people reduced their use of these apps and found technological workarounds to paying). That argument may have been more persuasive to the government than the moral arguments that were deployed. But it was not only the lack of technical expertise that prevented this: there is a dearth of public economic data available in Uganda and collecting private data would be an expensive endeavor.

## **LESSONS**

Civil society organizations advocating for tax fairness face an uphill battle in environments like Uganda, due to structural problems like limited financial resources and technical capacity, as well as a challenging political environment. Several lessons emerge from SEATINI Uganda and TJA-U's campaign. Organizations benefit from acting in concert, as that allows them to mobilize quickly and pursue multiple strategies, and from including various stakeholders like influential community leaders and the private sector. Media efforts should target the information outlets most accessed by those directly affected by proposed tax reforms. And organizations should be strategic in forming alliances: not every supporter of the desired tax reform needs to be a public ally. The alliance between CSOs and the opposition party helped raise public awareness, but also turned the campaign into a difficult contest between the ruling party and the political opposition.