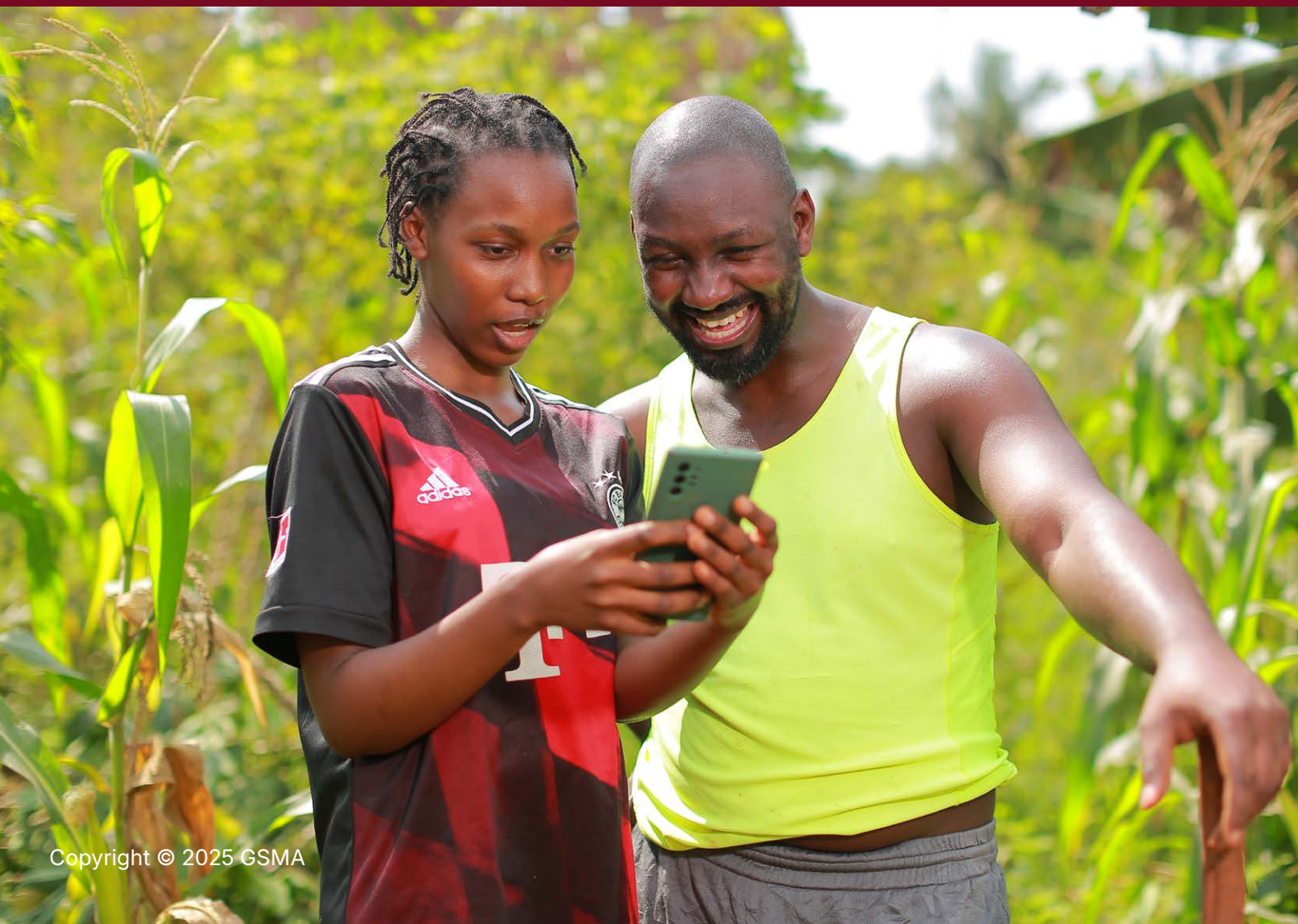


Mobile Sector Taxation: Comparative Fiscal Burden in Uganda

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GSMA

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This policy brief has been prepared by the Digital Infrastructure Policy and Regulation team of GSMA to contribute to policy discussions on the mobile sector and its fiscal framework. The views expressed herein do not necessarily reflect those of the companies mentioned.

The tax information, Average Effective Tax Rate (AETR) estimates, and tax base analysis included in this document were provided by Ernst and Young LLP, based on information available in 2024. The AETR analysis was prepared specifically for the GSMA and cannot be relied upon by any other third-party. Data and assumptions were drawn from various sources.

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1. Introduction

The mobile telecommunications sector in Uganda faces a highly complex and burdensome tax environment. This includes numerous general and sector-specific taxes and fees imposed on both consumers and operators. Such complexity results in a high overall tax burden and significantly increases compliance costs for operators. These fiscal challenges hinder infrastructure investment, limit network expansion, and reduce service quality, thereby slowing digital inclusion and broader socioeconomic development.

This brief assesses the fiscal burden on the mobile sector and compares it with the retail finance sector in Uganda.

2. High taxation of mobile consumers and operators





The table below outlines the various taxes and fees mobile operators in Uganda must pay, both directly and on behalf of their consumers.

Table 1: Mobile taxes and fees

	Tax name	Tax rate and details	Tax type/base
Corporate taxes	Corporate income tax (CIT)	30% of taxable income less allowable deductions	Profit
	Turnover tax	30% of turnover and fixed fees charged as taxes for companies with annual turnover between UGX 10 million and 150 million	Revenue
Employment taxes	Local service tax	Between UGX 5,000 and UGX 100,000 per annum, subject to employee's income bracket (Excluded from the model as the tax burden is on the employee)	Labour costs
	National Social Security Fund	An employer is required to make contributions to each employee's National Social Security Fund, equal to 10% of their gross pay	Labour costs
Consumption taxes	Customs duty	Mobile phones: 10% Base stations: 0% Towers and masts: 25% SIM and memory cards: 25%	Cost of goods/ services
	Excise duty	12% of price charged exclusive of VAT on airtime, data services and value-added services	Price of service
	Value added tax (VAT)	18% on mobile services (Excluded from the model as the tax burden is on consumers)	Price of goods/ service
Other taxes	Capital gains tax	Environmental levies are charged on vehicle purchases manufactured over nine years ago	Taxable gains
	Stamp duty	(Excluded from the model as no vehicle purchases for the purpose of carrying goods and services assumed)	Transaction value
	Environmental levies	Environmental levies are charged on vehicle purchases manufactured over nine years ago (Excluded from the model as no vehicle purchases for the purpose of carrying goods and services assumed)	Import value

Table 2: Sector-specific operator fees

	Fee name	Fee rate and details	Fee base
Sector-specific fees	Commission paid by Telecommunication Service Providers for Airtime Distribution or Provision of Mobile Money Services	A telecommunication service provider must withhold a 10% tax on the gross amount of any commission paid for airtime distribution or mobile money services (Excluded from the model as withholding tax burden is not on the telecom operator)	Transaction value
	Transfer of telecommunications licence	2.5% of previous year gross annual revenue or USD 50,000, whichever is higher (Excluded from the model as there are no licence transfers assumed)	Revenue / Fixed fee
	Rural Communications Development Fund	2%	Revenue
	National Telecom Operator (NTO) licence	Telecom operators are required to procure a licence to establish and operate a telecommunications network spanning Uganda. Minimum licence value: USD 21,300,000 1.84% of gross annual revenue multiplied by licence payment terms (10 years) / minimum licence value — whichever is higher. Licence is for a duration of 20 years, with 10-year extensions thereafter	Fixed fee
	Telecom operators acting as service payment providers	Telecom operators facilitating mobile money services are liable to pay an annual fee of UGX 50 million per annum	Fixed fee
	Sale of telecommunications apparatus	The licence involves the following fees: - Application: USD 1,000 - National dealers of telecoms apparatus: annual licence fee of USD 5,000 - Importers/wholesalers of telecom apparatus: annual licence fee of USD 2,500	Fixed fee
	Annual spectrum fees on mobile operators	Formula: spectrum fee in USD paid per MHz paired 1.7 GHz: USD 2,700 3.3 GHz: USD 4,100 3.5 GHz: USD 4,100 2.3 GHz: USD 4,100 2.6 GHz: USD 5,400 800 MHz: USD 24,300 for first 5 MHz paired and then 40,500 per extra MHz 900 MHz: USD 40,500 for first 5 MHz paired and then 121,600 per extra MHz 1800 MHz: USD 20,300 for first 5 MHz paired and then 40,500 per extra MHz 2.1 GHz: USD 27,000 for first 5 MHz paired and then 81,100 per extra MHz 450 MHz: USD 4,500	Per MHz paired

3. Comparison of average effective tax rate



To evaluate the tax burden across sectors, the AETR for a hypothetical representative firm was calculated for:



1. Mobile telecommunications



2. Retail finance

These calculations used revenue, capex, and opex profiles specific to each sector over the modelling period of 15 years, along with the applicable tax regimes.

Key metrics:

AETR as a share of revenue: NPV of total taxes and fees payable / NPV of revenue (10% discount rate).

AETR as a share of pre-tax profit: NPV of total taxes and fees payable / NPV of pre-tax profit (10% discount rate).

Table 2: Tax categories used to calculate the two modelled sectors:

Tax type	Tax sub-type	Mobile Telecoms	Retail Finance
Corporate taxes	General	Corporate income tax (CIT)	Corporate income tax (CIT)
Employment taxes	General	National Social Security Fund	National Social Security Fund
Consumption taxes	Sector-specific	Customs duty	Customs duty
Sector-specific taxes	Sector-specific taxes	Excise duty on mobile services	N/A
Fixed fees	Sector-specific	National telecom operator license	Licence to establish a financial institution
		Mobile money provider levy	Foreign Exchange Bureau License
		Rural Communications Development Fund	Money remittance license
		N/A	Licence to operate as bancassurance agent
		N/A	Trading licence
Other taxes/ contributions	General	Capital gains tax	N/A
		Stamp duty	Stamp duty

Key findings

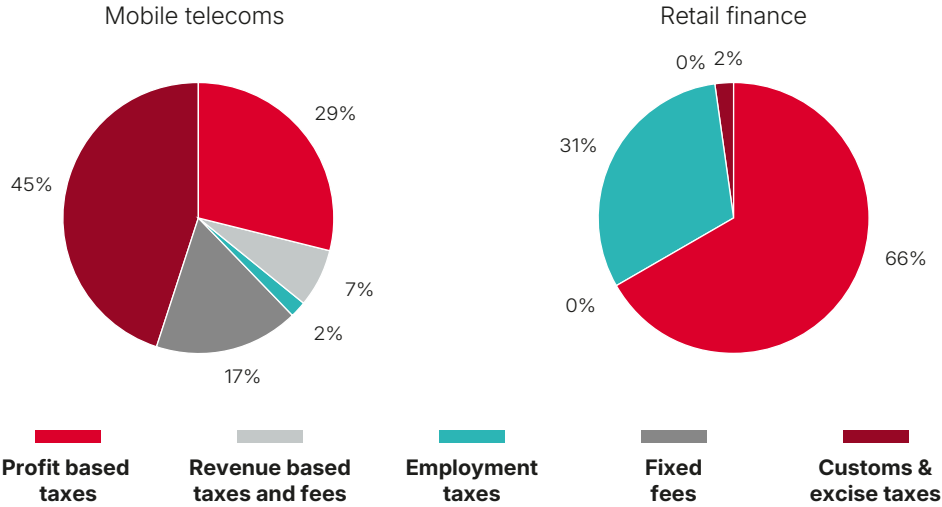
The table below presents the estimated metrics.

Table 3:

	Mobile telecoms	Retail finance
AETR as a share of pre-tax profit	68%	39%
AETR as a share of revenue	24%	11%

- The mobile telecoms sector faces a notably higher AETR relative to pre-tax profit (68%) compared to retail finance (39%). This elevated burden is driven largely by sector-specific excise taxes on mobile services and fees based on operators' turnover rather than profit, as well as the fixed upfront regulatory charges.
- Only 29% of the mobile sector's tax burden is profit-based, with most taxes derived from sector-specific fees either fixed or as % of revenues. In contrast, profit-based taxes account for 66% of the total tax burden in the retail finance sector. Notably, the retail finance sector faces no significant sector-specific taxes, with most of its tax obligations arising from standard corporate income taxes and employee-related contributions.

Figure 1: Share of total tax by tax base



- When tax contributions are compared with each sector's share of national GDP, the telecoms sector contributes disproportionately more. This is primarily due to heavy sector-specific taxes and fees.

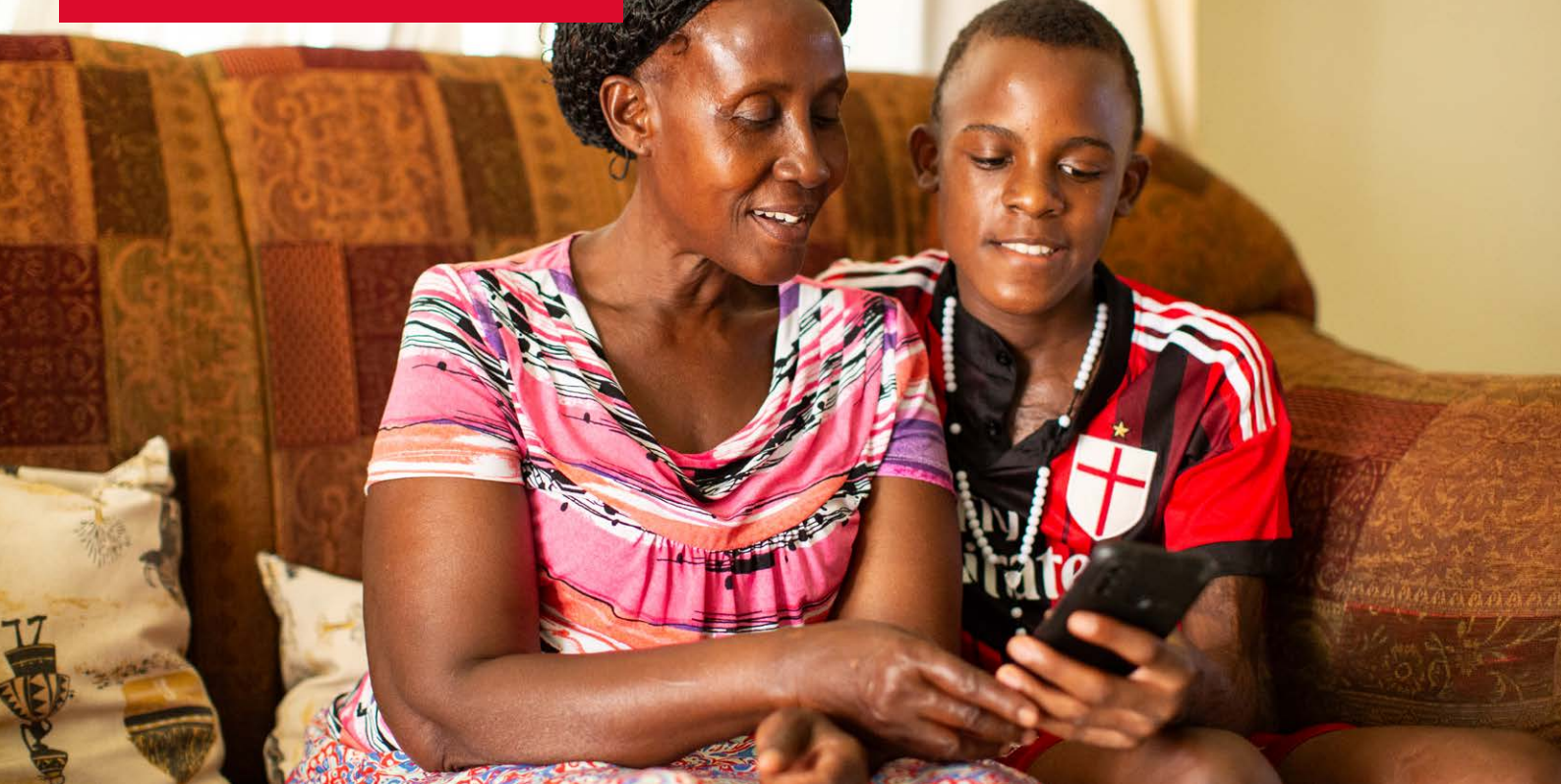
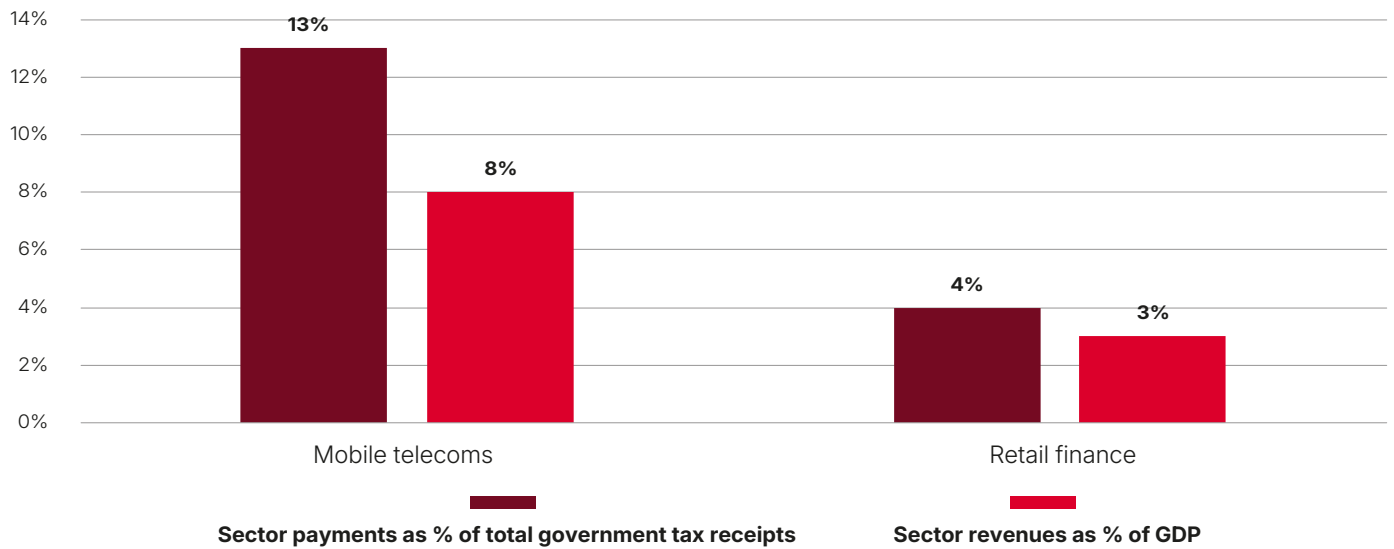


Figure 2: Sector share of total Uganda GDP vs. sector tax contributions



- The mobile telecoms sector shares several similarities with the retail finance sector. Like retail finance, it operates in concentrated markets and primarily serves consumers. The two sectors also tend to have comparable operating margins. However, despite these

commonalities—and the mobile sector’s critical role in socioeconomic development, it is subject to a significantly heavier tax burden than retail finance.

4. Taxation principles for mobile sector

Reforming the tax framework for the mobile sector can encourage greater investment and improve sector performance. Key principles include:



Promote fair and broad-based taxation:

Shift toward a broad-based tax framework by minimising or eliminating sector-specific, revenue-based fees imposed on mobile operators. This would ensure the mobile sector is treated more equitably than other key sectors of the economy.



Remove excise duty on mobile services:

Eliminate the sector-specific excise duty on mobile services to enhance affordability, especially for lower-income populations, to support wider adoption of mobile connectivity.



Simplify the tax regime:

Streamline the mobile tax structure by reducing the number of overlapping levies and fees. This would lower compliance costs for operators and create a more predictable and efficient fiscal environment to support long-term investment.

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