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LEGAL INSIGHT

An analysis of the impact of the Tax Procedures Code Amendment Bill, 2025 on the digital payments ecosystem, with an emphasis on the monopolistic structure it establishes within Uganda's betting and gaming sector.

KTA ADVOCATES

The proposed amendments to the Tax Procedures Code Act Cap. 343 regarding payment processing for betting and gaming activities—mandating a centralised payments gateway managed by the Bank of Uganda—raise significant concerns about the creation of monopolistic structures in Uganda's financial technology sector. This legal alert evaluates the potential implications of this Bill with reference to Uganda's competition law, focusing on how it may impact the business of Payment Service Providers (PSPs) and Operators (PSOs) respectively.

Overview of the Proposed Amendment

The Tax Procedures Code (Amendment) Bill, 2025 (the **'Bill'**)[1] proposes the establishment of a centralised payment gateway for all betting and gaming transactions in Uganda, wherein Bank of Uganda will deploy a secure and robust payment gateway system to handle all transactions related to betting and gaming activities in Uganda. This gateway would integrate with existing financial systems and would be for the purpose of ensuring compliance with tax laws and regulations. While the amendment aims to address legitimate government concerns, including tax compliance, transparency in the gaming and lotteries sector, prevention of money laundering, and consumer protection, the proposed approach creates significant market distortions that may adversely affect the nascent industry and the technological innovations supporting it.

The Bill designates absolute power to a single entity (the Central Bank) to process all financial transactions related to betting and gaming activities, effectively creating a statutory monopoly in what has historically been a competitive segment of Uganda's digital payments ecosystem.

Competition Law Implications

A. Conflict with Uganda's Competition Act Cap. 66

The proposed amendment stands in direct conflict with the recently enacted Competition Act Cap. 66 (the **'Competition Act'**), a framework designed to foster fair competition and prevent monopolistic practices within the Ugandan economy. The Competition Act explicitly prohibits:

a. Monopolistic practices and agreements;

b. Abuse of a dominant market position; and

c. Market concentration in different industries within the economy through mergers, acquisitions, or joint ventures.

By creating a mandatory single payment gateway for an entire sector, the proposed amendment to the law essentially establishes a government sanctioned monopoly. This contradicts the core principles of the Competition Act, which seeks to ensure the Ugandan markets remain competitive, innovative, and consumer friendly.

[1] The Bill provides for an insertion of **Section 93A (1),** *"An operator of a casino, gaming or betting activity shall only receive a wager or money staked and only make payouts through the gaming and betting centralised payments gateway system licensed by Bank of Uganda under the National Payments Systems Act."*

B. Inconsistency with the National Payment Systems Act Cap. 59

The Bill also contradicts the National Payment Systems Act Cap. 59 (the "**NPS Act**"), which provides for the licensing of multiple Payment service Providers (PSPs) and Payment Service Operators (PSOs) to ensure fair competition and innovation.

This framework was designed to avoid centralised control and to encourage a vibrant digital payments market as well provide other fringe benefits such as low transaction costs and better-quality services for consumers as a result of competition. The proposed amendment threatens to undermine this thriving ecosystem by limiting operational scope to a single entity, which will ultimately stifle competition, innovation and ultimately affects service delivery for the consumer/ citizens.

Economic and Social Impact Analysis

A. Adverse effects on Payment Aggregators

The payment aggregators[2] currently serving the betting and gaming sector may be adversely affected by the proposed amendment as these businesses have invested significantly in developing specialised technical infrastructure, compliance systems, and customer relationship management systems tailored to the gaming and betting sector's unique requirements.[3]

In the 2019/2020 financial year, using TIMS/DMS data, the URA collected a little over $5 million in gaming taxes. In stark contrast, recent estimates indicate that this figure has grown to $26 million, even after some large gaming operators pulled out of the market.[4] The gaming and betting sector which grossed UGX 4 Trillion in revenue in 2024, up from UGX 500 Billion the previous year[5] represents a substantial portion of digital payment transactions in Uganda. By reserving all these transactions for a single provider, the Bill would;

i. *Eliminate a major revenue source for aggregators and PSPs.*

ii. *Trigger layoffs and downsizing in the payment sector due to reduced transaction flow.*

iii. *Discourage future private investment in digital finance due to the presence of a state-owned monopoly in the Central Bank.*

iv. *Increase systemic risk in the sector by centralising operations in a single provider whereby network shutdowns and downtimes would have a more systemic impact as all transactions for multiple players in the sector would be hampered.*

B. Impact on Financial Inclusion Initiatives

The amendment may also inadvertently undermine ongoing financial inclusion efforts in the country.

[2] *Section 2 of NPS Act defines an aggregator as a a payment service provider who facilitates electronic receipt and payment for goods and services.*
[3] *New Vision, 'How Aggregators have shaped the financial sector' (2022), https://www.newvision.co.ug/category/news/how-aggregators-have-shaped-the-financial-sec-NV_138992 Accessed 9th April, 2025.*
[4] *Sigma, 'Uganda Revenue Authority (URA) takes charge of betting pay-outs' (2025), https://sigma.world/news/uganda-revenue-authority-ura-takes-charge-of-betting-pay-outs/ Accessed 14th April 2025.*
5 New Vision, 'Uganda's Betting Sector: Revenues surge amid push for responsible gambling' (2024), https://www.newvision.co.ug/category/undefined/ugandas-betting-sector-revenue-surges-amid-pu-NV_201231 Accessed 9th April, 2025.

Despite its social and moral complexities, the betting and gaming sector has been a significant driver of digital payment adoption among previously unbanked and underbanked segments of the population. As a result, the sectors proliferation, there is a considerable improvement as previously in 2017, the Government of Uganda had estimated that approximately 80% of payments were still conducted in cash, while the World Bank had reported that only approximately 33% of Ugandans had access to a bank or other financial institution account.[6]

Projects like the Financial Technology Service Providers Association of Uganda (FITSPA) initiative in collaboration with Financial Sector Deepening Uganda (FSDU) to onboard unlicensed operators into the formal financial system could face severe barriers to entry if the proposed centralised gateway increases costs or reduces market accessibility for the ordinary citizen.[7]

Government objectives and alternative approaches

While acknowledging the government's desire to improve regulatory oversight, in particular, combatting money laundering and increasing tax compliance in the sector, we note that there are less disruptive and more inclusive measures that could be adopted, while preserving the competitiveness in the industry;

A. Consumer Protection and Social Responsibility

Concerns about the danger of underage gambling and gambling related behaviours can be addressed through:

i. Mandatory Know Your Customer (KYC) and age verification protocols for all PSPs;

ii. Transaction monitoring and suspicious activity reporting; Spending limits and self-exclusion tools; and

iii. Enhanced data sharing between the sector players and regulators to increase for regulatory oversight.

B. Tax Compliance and Revenue Protection

The government's interest in ensuring adequate revenue collection from betting and gaming transactions can be addressed through:

i. Mandatory reporting requirements for all licensed PSPs through the introduction of a transaction information return that would be mandatorily filed with the URA;

ii. Implementation of standardised transaction classification codes: Through having uniformity across transactions by providing codes to clarify and identify transactions, ensuring all parties involved- banks, payment processors, and regulators can track these payments.

[6] *PricewaterhouseCoopers (2022), Evolution of the payments industry in Uganda. Available at https://www.pwc.com/ug/en/press-room/evolution-of-the-payments-industry-in-uganda.html*

[7] *Financial Sector Deepening Uganda, 'Enabling a Digital Ecosystem - The Financial Technology Service Providers Association of Uganda (FITSPA)' https://fsduganda.or.ug/our-work/foundational-work/enabling-a-digital-ecosystem-the-financial-technology-service-providers-association-of-uganda-fitspa/ Accessed 9th April, 2025.*

Furthermore, for cross-border transactions, standardised codes facilitate smoother integration with international payment systems, reducing delays and discrepancies.

III. Regular audits and compliance checks of payment providers: Through the National Lotteries and Gaming Board of Uganda (NLGRB) as the regulator in the betting and gamming sector, the establishment of a clear and unified regulatory framework overseeing payment providers in this sector providing for specific compliance standards and audit frameworks. Furthermore, the utilisation of the National Central Electronic Monitoring system (NCEMS) to monitor transactions and detect irregularities. Sharing data between NLGRB and Bank of Uganda can help identify suspicious activities and ensure compliance with anti-money laundering laws.

IV. Application Programming Interface (API) integration between PSP systems and tax authorities: Through the development of a standardised APIs that enables seamless data exchange between PSPs/PSOs and tax authorities. These APIs will support secure and real-time sharing of transaction data, tax deductions, and compliance reports.

C. Anti-Money Laundering ('AML') Measures

AML concerns can be effectively addressed through:

i. Enhanced due diligence requirements for betting and gaming related transactions;

ii. Standardised suspicious transactions reporting frameworks for all PSPs;

iii. Cross-institutional monitoring of high-risk activities; and

iv. Increasing International cooperation and transparency on financial intelligence.

Recommendations

Based on our analysis, we recommend the following modifications/revisions to the Bill;

1. Establish standardised compliance requirements that all participating payment providers must meet: Through the amendment of the Tax Procedure Code Act Cap. 343 introducing a requirement for the participating payment providers to file a tax return for gaming and betting transactions with the Uganda Revenue Authority.

Section 50 of the Lotteries and Gaming Act Cap. 334 provides for a similar tax return that is filed by the betting and gaming companies. The presence of these two data sets shall ease comparison and tax audits of operator in the betting and gaming space.

2. Implement a centralised monitoring system rather than a centralised processing system: Through the utilisation of the National Central Electronic Monitoring system (NCEMS) to monitor transactions, Bank of Uganda can mandate all operators to integrate their systems with the monitoring platform which would allow Bank of Uganda to track activities such as bets placed, payouts and tax obligations of payers in the Betting and Gaming sector.

3. Create a multi-stakeholder oversight committee including representatives from the payment industry, betting and gaming operators, and regulatory bodies.

While the government's objectives are valid, the proposed approach of creating a monopolistic payment structure is inconsistent with Uganda's market liberalisation policies. It risks stifling innovation, driving up transaction costs, and reducing service quality in the long term.

We urge policymakers to adopt a collaborative and balanced regulatory model, one that supports transparency and compliance without sacrificing market competition.

Uganda's digital economy has grown on the foundations of innovation, inclusion, and private sector dynamism. Protecting these pillars while achieving regulatory objectives will ensure sustainable growth for all stakeholders.

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