

A Shot in the Dark:

The Impact of the Social Media Tax in Uganda on Access, Usage, Income and Productivity

Research conducted by

POLLICY

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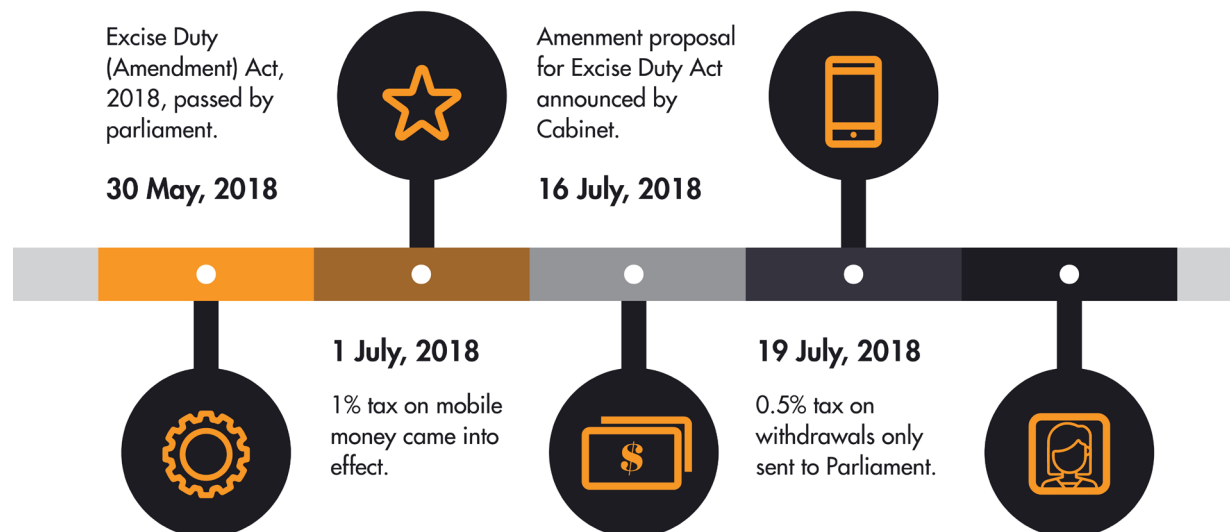
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Introduction

Background

On July 1st, 2018, Ugandans awoke to a new reality: the country were wasting time online by partaking in gossip 58 social media services such as Whatsapp, Facebook and (lugambo) and the spread of disinformation. A bill to this effect was soon after proposed in parliament, passed in May 2019 and came into effect in July. Twitter were rendered inaccessible, without the payment of a UGX200 (US\$0.05) levy. The “social media tax”, as it is now called, was first proposed in early 2018 by the president of Uganda, Yoweri Museveni, after he claimed that the youth of

*Amendments in the **Mobile Money Tax** in Uganda*



In a letter written to the citizens, the President stated that the purpose of the tax was to improve the low GDP to tax ratio in the country, as an effort to reduce borrowing from foreign donors. He went on to strengthen his argument by stating, "Social media use is definitely a luxury item. Using the internet to access social media for chatting, recreation, malice, subversion, inciting murder, is definitely a luxury"¹

In the national budget of 2018/2019, projections for revenue from the tax were predicted at UGX486Bn (US\$129M) per year by 2022/2023.

The "Social Media Tax" was first proposed in early 2018 by the president of Uganda Yoweri Museveni

¹"Museveni slaps taxes on social media users - Daily Monitor."

<https://www.monitor.co.ug/News/National/Museveni-taxes-social-media-users-Twitter-Skype/688334-4366608-oilivjz/index.html>.

Accessed 4 Feb. 2020.



The services affected by this tax are called “Over-the-Top” (OTT) services, another name for the tax

How does it work?

The services affected by this tax are called “Over-the-Top” (OTT) services, another name for taxes. These services lack a clear definition from the government, but can be defined as “the transmission or receipt of voice or messages over the internet, including access to virtual private networks”. Examples of these services include Skype, Google Hangouts, Instagram, and even dating services such as Tinder.

Under the new law, Internet service providers (ISPs) in Uganda were required to block access to these platforms until a user paid their social media tax, on a daily, weekly, monthly, quarterly or annual basis. Payments are made using Mobile Money, or as bundles with data plans, using USSD menus. It is also possible for one to pay the tax for other users. Though access at first expired at midnight, it now lasts for a 24 hour period from the time of payment². Additionally, a 1% excise duty is charged on mobile money transactions resulting in a final payment of UGX202.

²“Telecoms extend daily OTT Tax Validity to 24 hours” 2 Nov. 2018.
<https://www.dignited.com/36669/telecoms-extend-daily-ott-tax-validity-24-hours/>
Accessed 4 Feb 2020.

Reactions and Outcomes

Following the introduction of the taxes, a few citizens took to the streets to protest the unfair nature of the law. Robert Kyagulanyi, a Member of Parliament and popular local musician known as Bobi Wine, as well as another musician Alexander Bagonza (A Pass) led the protests in the capital city, Kampala. The protesters were tear gassed and some arrested and further unrest was quelled. Protest hashtags such #thistaxmustgo did achieve significant traction in online spaces for several months following the proceedings in parliament. As a form of protest, and necessity, many Ugandans have resorted to using circumvention tools such as virtual private networks (VPNs). Despite threats to block access to the VPNs, they continue to be in wide use.

PUBLIC NOTICE: OTT TAX

Following the directive from the Government of Uganda, a new tax is to be implemented on Over The Top (OTT) services effective 1st July, 2018.

We hereby inform the general public of the introduction of the new taxes on the OTT services.

OTT services are applications that offer voice and messaging over the Internet; for example, but not limited to: Facebook, WhatsApp, Twitter, SnapChat, Instagram, Skype, LinkedIn etc.

Effective 1st July, 2018; OTT services can be accessed upon payment of the OTT Tax by the customer of Ushs 200 per user, per day.

Payment of the OTT Tax can be made by the customer using their Mobile Wallet, EVC or any electronic wallets upon which access to the OTT services will be granted.




- MTN Mobile Money (*165*2*8#)
- Airtel Money (*185*2*5#)
- Africell Money (*144*2*5#) or Africell EVC (*133*6#)

Africell customers can also pay this tax using MTN Mobile Money or Airtel Money at no extra charge.

Access will be granted for a calendar day i.e. from the moment of payment until 11:59 PM of that same day. For the convenience of customers we have the following options:

- Daily (Ushs. 200),
- Weekly (Ushs. 1,400)
- Monthly (Ushs. 6,000)

Should you have any questions or queries regarding the above, please contact us on the Customer Toll Free line 100 or visit our websites.



Within a year of passing the taxes, it also became evident that the revenue projections had been overestimated. In a tweet posted in January 2019, the Uganda state-run communications authority, Uganda Communications Commission (UCC), reported that revenue generated from the tax reduced from UGX5.6Bn in July 2018 to only UGX3.9Bn at the end of September 2018. The number of subscribers paying the tax also dropped from 8.04Mn to 6.84Mn. In an event on budgeting in June 2019, the Ministry of Finance, Planning and Economic Development projected revenues from the OTT tax at UGX 46.3Bn (UGX322Bn initial estimates) for 2019 & UGX 51.7Bn (UGX368Bn initial estimates) for 2020.

“UCC also reported a 30% drop in the number of internet users across the country”

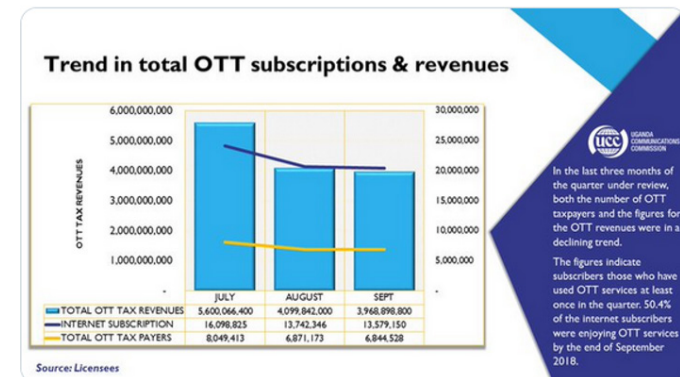
More alarmingly, the UCC also reported a 30% drop in the number of internet users across the country in the first three months following the implementation of the taxes. The number of internet subscribers declined from 16Mn to 13.5Mn over this same time period, accounting for three million users. Given population estimates of 44.27Mn, this puts the internet penetration rate in the country at only 30%. With estimates of internet penetration in neighbouring countries such as Kenya at 89.7%³, these taxes appear to have significantly hampered internet access and growth in the country.

³“Top Internet Usage - Internet World Stats.” 30 Jun. 2019, <https://www.internetworldstats.com/top20.htm>. Accessed 4 Feb. 2020.

It is important to note that this tax, and those being proposed across the continent, was passed without evidence of research on the impact on the tax on vital developmental indicators and without an analysis of cost/benefit. The legal processes behind the implementation of the taxes were largely behind closed doors and without public consultation. This has led to continued questions around how the revenue from these taxes are being utilized.



In the last three months of the Qtr under review, both the number of OTT taxpayers & figures for OTT revenues declined. Figures indicate subscribers using OTT services at least once in the quarter. 50.4% of the internet subscribers used OTT services by the end of September 2018.



4:52 PM · Jan 25, 2019 · Twitter Web Client

Literature Review

Reports on affordability of internet access showed that a 1GB mobile broadband plan in Uganda costs more than 15% of average monthly income⁴. For the poorest quartile in the country, the same amount of data could cost up to 40% of the average monthly income. Furthermore, if one was to pay the OTT tax every day for a month, this UGX 6,000 represents 71% of MTNs monthly average revenue peruser (ARPU)⁵. This further strengthened the claims that the taxes are likely to deepen digital inequality between the rich and the poor, given the high cost of data in Uganda⁶.

Taxes are likely to deepen digital inequality between the rich and the poor

⁴"Mobile Broadband Data Costs - Alliance for Affordable Internet."
<https://a4ai.org/mobile-broadband-pricing-data/>. Accessed 4 Feb. 2020.

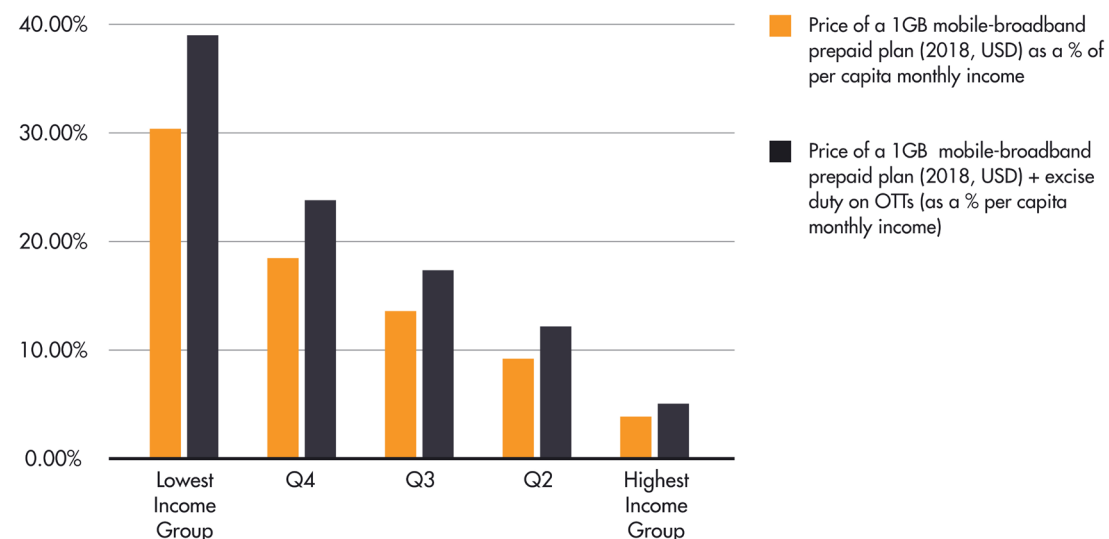
⁵"(PDF) Regulatory and tax treatment of OTTs in Africa." 3 Dec. 2019, https://www.researchgate.net/publication/337648378_Regulatory_and_tax_treatment_of_OTTs_in_Africa. Accessed 4 Feb. 2020.

⁶"Who Wins? Who Loses? Understanding women's experiences" https://docs.google.com/document/d/1KTSocHJ4FtxDAiu7b_yMkV6PbuUrpV4WOJK0i6cKLEQ/mobilebasic. Accessed 4 Feb. 2020.

Chart 1. Impact of Social Media Tax on Mobile Broadband Affordability by Income Group Quintiles, 2018

Through qualitative inquiry, the report also shows that the participants in the study had “little awareness or understanding of the rationale behind the taxes”, due to the lack of effective government communication and information dissemination on the new taxes and little to no public consultation before the introduction of the taxes. The government of Uganda reported that the tax had been introduced to further develop internet infrastructure in rural parts of the country which had little or no access to the internet. Nonetheless, internet speeds remain consistently slow in most parts of the country, including the urban areas where internet speeds average 2.4 Mbps compared to a global average of 7.0 Mbps and are limited to personal use but cannot be used for commercial economic growth⁷.

Impact of Uganda’s ‘Social Media Tax’ on Mobile Broadband Affordability, by income group (June 2018)

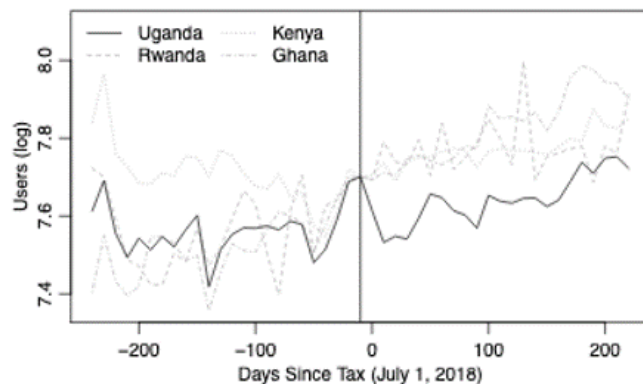


⁷“The National Broadband Policy - Ministry of ICT.” 1 Sep. 2018, <https://ict.go.ug/wp-content/uploads/2019/05/National-Broadband-Policy-Booklet.pdf>. Accessed 4 Feb. 2020.

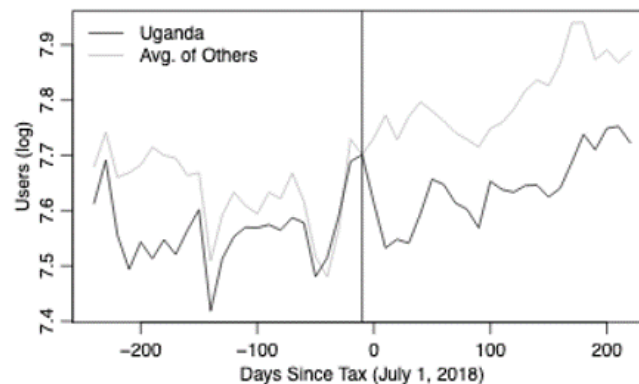
In another study that used a synthetic control framework to compare georeferenced tweets from 50 sub-Saharan African countries, the tax was found to decrease the number of unique Twitter users over the study period by 13% on average, and reduce the new account registrations by 20%⁸. However, despite the observed decline in Twitter usage, there was a marked increase in tweets referencing collective action (31%) and observed protests (47%). This study, however, does not take the use of VPNs into account and how their sustained use would affect the georeferencing of tweets.

Our prior research conducted in four districts, six months after the implementation of the tax showed that only 56% (n=976) of persons interviewed paid their social media taxes, in comparison to 38% of users who used a VPN to access the OTT services. In terms of economic development, one third of respondents said that they used social media for business activities, and of these respondents, 74% reported a decline in income following the tax implementation.

Panel A: Uganda vs. Select Other Countries



Panel B: Uganda vs. Average of Other Countries



⁸"The impact of a social media tax in Uganda arXiv:1909.04107v1." 9 Sep. 2019, <https://arxiv.org/pdf/1909.04107>. Accessed 4 Feb. 2020.

Tax had impacted expenditures on internet access

Our prior research conducted in four districts, six months after the implementation of the tax showed that only 56% (n=976) of persons interviewed paid their social media taxes, in comparison to 38% of users who used a VPN to access the OTT services. In terms of economic development, one third of respondents said that they used social media for business activities, and of these respondents, 74% reported a decline in income following the tax implementation.

In terms of lifestyle changes, a qualitative study on the behaviours of youth found that the tax had impacted expenditures on internet access, with a number of persons interviewed adjusting to these consumption changes by regularly and/or occasionally foregoing meals, beverages, and convenient forms of transportation.

Finally, a research report by Research ICT Solutions comprehensively outlines how demand for data services is replacing that of traditional voice and SMS revenues for mobile network operators (MNOs). By obstructing OTT services, notably social media, this can lead to a reduction in the demand for data, and in turn revenues for the MNOs and taxes for the government.

⁹"Offline and Out of Pocket - Pollicy." <http://pollicy.org/wp-content/uploads/2019/01/Offline-and-Out-of-Pocket.pdf>. Accessed 4 Feb. 2020.

¹⁰"Social media tax and lifestyle patterns of Ugandan youth ..." <https://scholars.in.edu/hk/en/publications/social-media-tax-and-lifestyle-patterns-of-ugandan-youth>. Accessed 4 Feb. 2020.

¹¹"Regulatory and tax treatment of OTTs in Africa - The Mozilla Blog." <https://blog.mozilla.org/netpolicy/files/2019/11/Regulatory-Treatment-of-OTTs-in-Africa-1.pdf>. Accessed 4 Feb. 2020.

Research Goals and Objectives

In early 2020, the Uganda Revenue Authority (URA) proposed a policy shift to directly tax internet use, rather than simply focusing on the over-the-top tax¹². This new proposal was based on the failure of the tax institution to collect the revenue targets from OTT tax. These new policy shifts, however, do not take into account the social and economic impacts of taxing vital access to the internet, and the repercussions that these policies could pose to the development of Uganda.

In order to understand how the social media tax continues to impact the social, economic and cultural aspects of the day-to-day lives in Uganda, a mixed-methods study on the perceptions and behavior of Ugandans towards the taxation was conducted in November 2019. In order to further understand the lived experiences of different socio-economic groups from four major regions of the countries, we conducted focus group discussions as well.

¹²URA wants to shift tax to data, decries increased evasion of OTT. Daily Monitor. <https://www.monitor.co.ug/News/National/URA-wants-to-shift-tax-data-decries-increased-evasion-OTT/688334-5417762-31rrdbz/index.html>. Accessed on 14 Feb. 2020.

The Uganda Revenue Authority (URA) proposed a policy shift to directly tax internet use





Methodology

The study utilized a mixed-methods approach, with both quantitative and qualitative data collection methods employed to facilitate the triangulation of the findings as well as enrich the study outcomes. The study population included men and women, aged 18 years and above who have accessed and used the internet at least once in the last 6 months. We also included respondents who have used mobile money for any transactions at least once in the past 6 months. A total of 1188 respondents were interviewed in November 2019 using face-to-face interviews and research assistants used convenient sampling as a non-random sampling method to determine the respondents. Four focus group discussions of 8-10 purposively selected participants were conducted across the districts.

The study was conducted in 4 districts; Gulu, Jinja, Mbarara and Kampala. In all the districts except for Kampala, data was collected within only the municipalities. For Kampala, it was collected in all the 5 divisions of the city. The districts were selected because of their relatively high population and high number of internet users, but also because they were chosen in round 1 of this study which was conducted in November 2018.

**The study was conducted in
4 districts: Gulu, Jinja,
Mbarara and Kampala**

Limitations

This study is, however, not without limitations. The study population is not representative of the population of Uganda, since enrollment in the study targeted people living in four districts across the different geographical zones of Uganda. Therefore, the results of the study are not generalizable to the entire population of Uganda.

Furthermore, convenience sampling of individuals in the municipalities and division could affect the final study results. Persons with strong opinions about the social media or mobile money taxation might be more or less willing to talk to enumerators about their personal experiences. Lastly, only persons who had accessed the internet in the past 6 months

were interviewed for the study. This leads to the exclusion of persons who do not own a smartphone or cannot afford to access the internet, which is likely to be a group that is even more marginalized and pays a higher cost for the digital divide.

However, this study does contribute to the limited re-search published on this topic and it provides a basis for additional research that further explores digital taxation, as well as broad studies that employ more diverse sampling methods and techniques.

Analysis

Descriptive analyses were conducted on the socio-demographic characteristics of participants. Percentages were used to measure and compare access and usage of social media and mobile money tax between the two study periods. Cross tabulations and logistic regression were used to determine relationships and association between different variables and how they affect access and affordability of internet usage and mobile money transactions.

Demographics

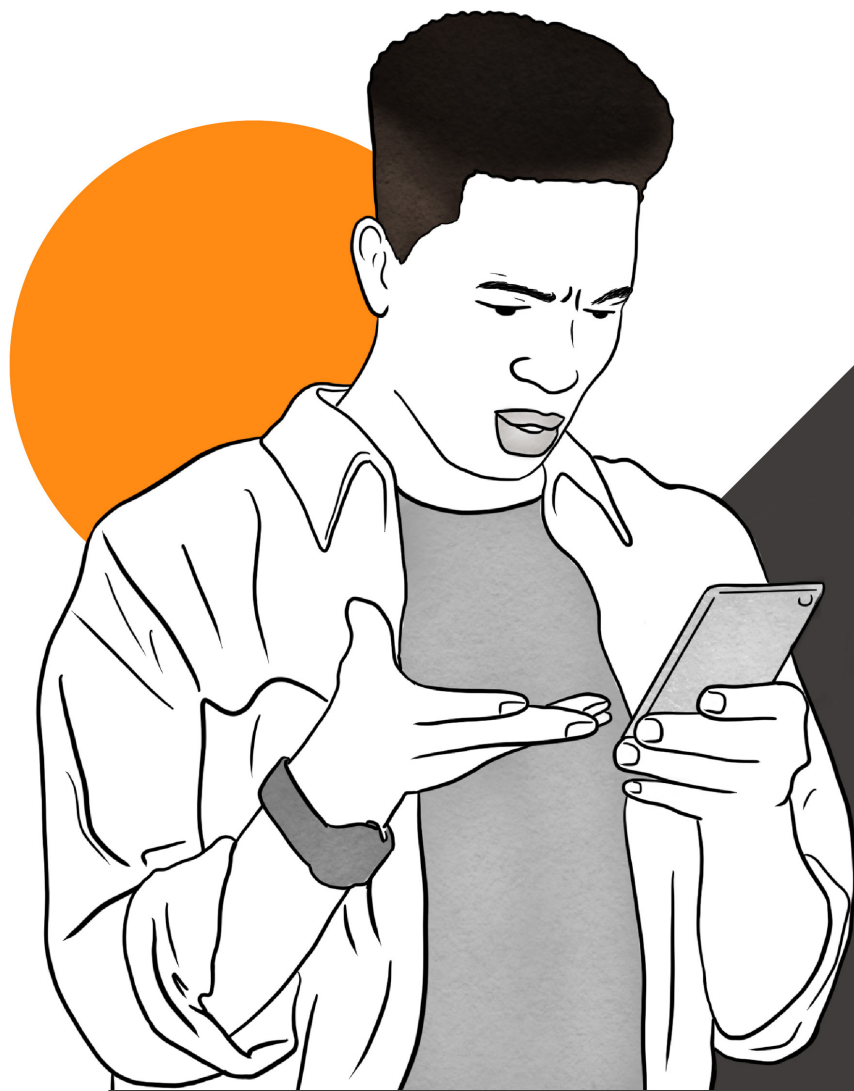
Overall, 1188 respondents were interviewed. More than a half (58%) identified as male compared to 42% female. A majority (78.5%) of participants were under the age of 35. The median age for Uganda in 2020 is 16.7 years, and 78% of the population is under 30¹³. Of the 1188, 37% were self-employed, 24% engaged in formal employment, while 21% were involved in casual or informal employment. Only 7.6% of respondents were unemployed. About a quarter (21.4%) of respondents made less than UGX99,999 (\$27) per month. Six (6.6%) of respondents self-reported one or more disabilities.

¹³“Uganda | Factsheets | Youthpolicy.org.” 24 Oct. 2014
<https://www.youthpolicy.org/factsheets/country/uganda/>.
 Accessed 4 Feb. 2020.

Table 1

Percentage distribution of demographic characteristics of respondents			
Variable	Category	Frequency (n)	Percentage (%)
Gender	Female	499	42
	Male	686	58
Age	18-25	481	40.5
	26-35	451	38
	36-45	188	15.8
	45+	68	5.7
Occupation	Casual/Informal	243	20.5
	Formal employment	289	24.3
	Retired	17	1.4
	Self-employed	438	36.9
	Student	111	9.3
	Unemployed	90	7.6
Education	No education	61	5.1
	Primary education	100	8.4
	Secondary education	390	32.8
	Diploma/Vocational	380	23.6
	Bachelor’s degree	325	27.4
	Post graduate	32	2.7

The table shows the characteristics of the population.



Basic **OTT Tax Facts**

A daily fee of UGX 200 (\$0.05) to access "**over-the-top**" services such as: Facebook, Twitter, LinkedIn, WhatsApp, Tinder, Skype.

Paid via Mobile Money on a Daily, Weekly, Monthly or Annual Basis.

*Lasts for a **24-hour period** from time of payment.*

*Implemented to increase the taxbase & improve **low GDP : tax ratio.***

Access

Findings show that a majority (88%) of the respondents access the internet through their smartphones and a very small proportion through their laptop (1.4%) and tablets (1.2%). Over half (51.1%) use their phones for greater than 3 hours per day.

In terms of satisfaction with internet speed, 49% of respondents reported that the speed of internet in their area is average. Twenty one (21.4%) felt that the speed of the internet was slow whereas 20.4% felt that the speed was fast. Participants in Jinja were more likely to report fast speeds (28%) compared to those in Gulu who were more likely to report slow or very slow speeds (38%).

Participants in the focus group discussion affirmed these sentiments, also noting that internet connection depends on the type of phone an individual has, while others attributed changes in speed to weather changes.

Of the 1188 respondents, 76% access social media by paying the OTT tax. Fourteen (14%) exclusively use VPNs to access social media whereas 2.7% of respondents no longer use social media platforms. The remainder utilize some combination of OTT payment, VPN and open Wi-Fi.²

Usage and Productivity

The most popular social media network amongst the sample was Whatsapp (92.1%), followed by Facebook (90.8%), Youtube (45.5%) and Instagram (29.3%). Twitter was only used by 23.5% of respondents. Sixty six (66%) of respondents used social media platforms on a daily basis, while 25.6% used it a few times a week. Ninety four (94%) of the total respondents had used social media in the last 6 months. Additionally, 29.7% of respondents reported using the internet to access government services online, while 38.5% were self-described as producers of content such as blogs, videos etc.

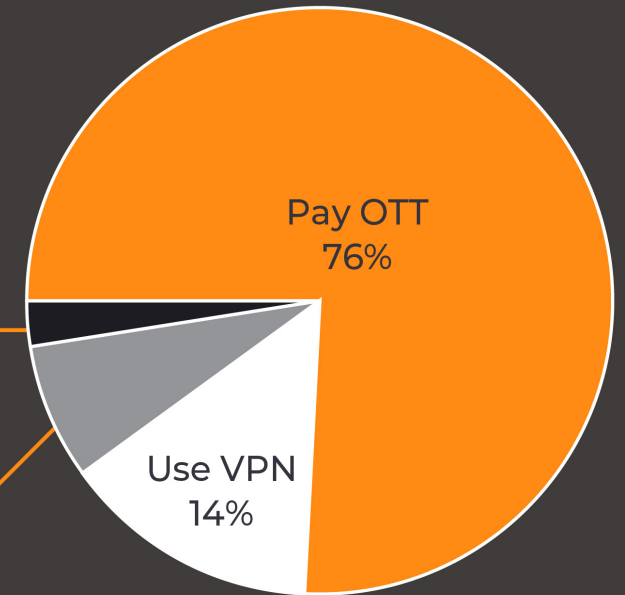
It affects us women, especially those of us who do not work or earn any income. We want to use internet but we have no money to pay OTT & buy data bundles.



How Do You Access Social Media?

Don't Access Social Media
2.7%

OTT, VPN
Open Wi-Fi
7.3%



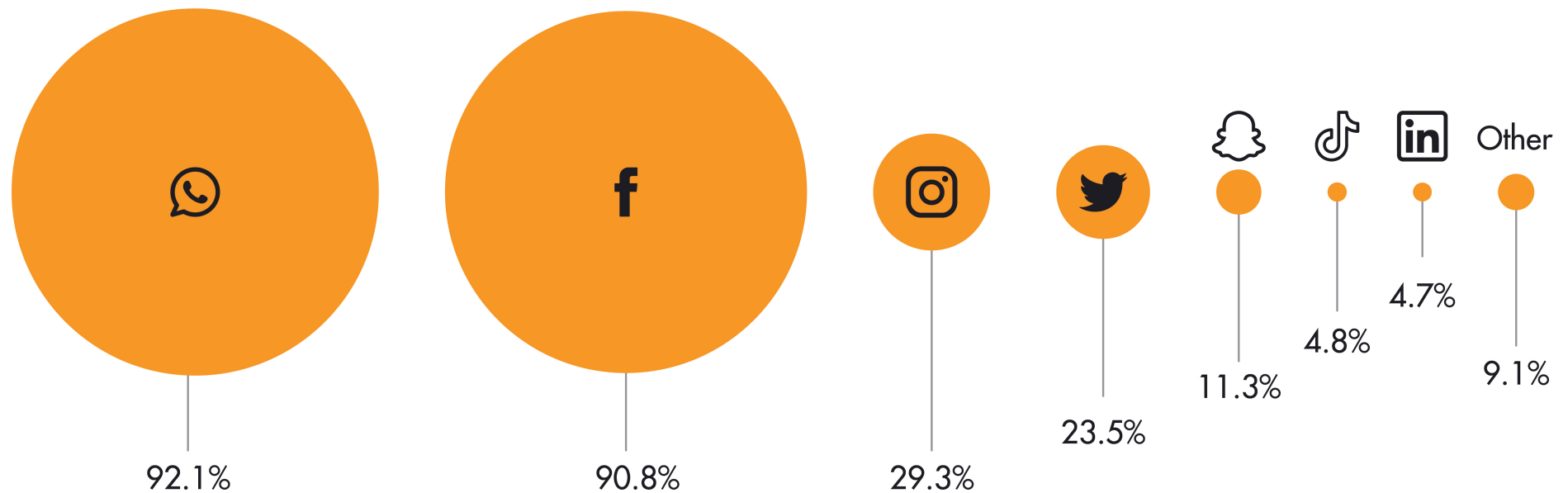
Participants in the FGDs also reported primarily using Whatsapp and Facebook as their social media platforms of choice. They attributed this to the ease with which one connects to the platforms and easy-to-use interfaces:

“WhatsApp is what I use because it makes messaging easy and quick for me. Facebook you can open an account if you have a phone number which is easier than WhatsApp. WhatsApp also helps to make a phone call which is better than using airtime is low or not available, making life easy”
-FGD Kampala

In terms of frequency of use, a major drop was reported in how respondents accessed the social media accounts before and after the introduction of the taxes. Thirty six percent (36.4%) reported using the internet greater than 10 times per day prior to the tax and only 12.3% reported a similar frequency after the taxes were introduced, resulting in a large drop of 24.1%. Similarly, the number of respondents accessing social media accounts only a few times a week increased from 8.2% before the taxes to 23% after the taxes.

Chart 2: Social Media Platform Usage, 2019

*Have you used any of these **Social Media** platforms in the past 6 months?*



Respondents from the focus group in Kampala commented on their online behaviour:

“We would have loved to be online all the time, but because of the reason that there are costs involved and they are high, so we are online for a short while because we fear that if we are online for a longtime, the cost to keep us there also will increase and this means that I will look at the UGX2000 I was to spend on buying data and pay for OTT. I decide to save it and use it for other things, then when I have a pressing issue to be online then I will go there.”

-FGD Kampala

“I don’t earn daily so if I don’t earn I will not pay. Some areas there are no mobile money agents. Saturdays and Sunday, you are in the village so you spend the whole weekend offline because you can’t find a mobile agent to get mobile money.”

-FGD Jinja

Thirty five (35%) of respondents reported using social media for economic activity. A participant in an FGD reported using social media platforms to sell clothing items:

“On WhatsApp, you can take a screenshot of a dress and send it to your friend and ask her whether she would take it then. If she likes and she will buy it, then she tells you that she will come. I do business like this on WhatsApp”

-FGD Jinja

When asked how social media has affected their business or income generating activities, 62% reported that there has been a reduction in their income. Twenty eight (28%) reported that their income had remained the same.



An FGD participant explained how the social media tax is affecting his business transactions, and more so, how the requirement of mobile money to pay the OTT can further complicate matters:

“The truth about OTT is that for a business that is data-based, especially that you have to communicate using social media, sometimes OTT gets expired without your knowledge because you forget that it will expire at this and this time. This means there are messages you may have received in the right time but you miss them when OTT has expired hence missing out on that business opportunity. The second thing is, if someone is doing business and they want OTT but have no mobile money, and even where the business is located mobile money accessibility is difficult, and I don’t have airtime to call someone to deposit money for me on my mobile money, then it means that I can spend a whole day without doing any business because of failure to pay OTT”

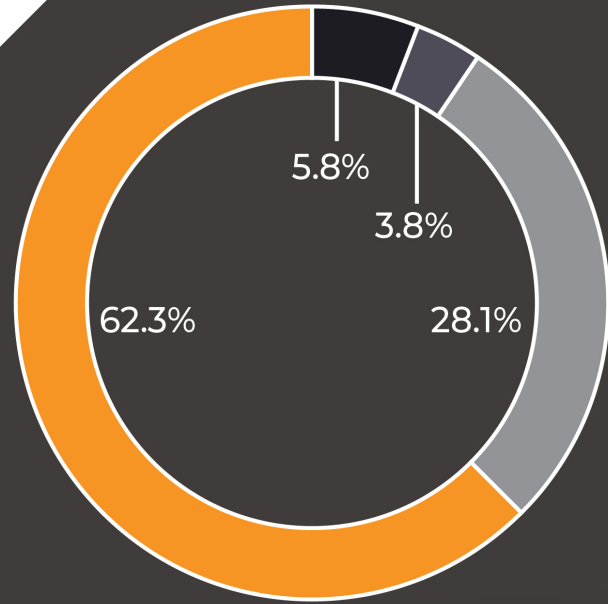
-FGD Kampala

Chart 3.



I can spend a whole day without doing any business because of failure to pay OTT.

How has the **Social Media Tax** affected your **Business or Income Generating Activity**?



- Key**
- Income has reduced
 - Income has remained the same
 - Income has increased
 - Not sure

Affordability

In terms of amount of money spent on internet connectivity per month (with OTT), the respondents reported a wide range. The largest group (28.3%) spent between UGX10,000-19,999 per month, followed by 26.3% who spent between UGX20,000-49,999 per month. Only 12.4% spent over UGX50,000 (US\$13.6) per month and only 2.7% spent less than UGX1000 per month. Furthermore, being formally employed is likely to be associated with spending between UGX30,000-50,000 on the internet per month (OR=3.8, 95% CI). Also, those who pay for OTT on a monthly basis are 6 times more likely to spend UGX30000-50000 on the internet per month compared to those who pay on a daily basis (OR=5.7, 95%CI).

Chart 4. Monthly Expenditure on Data (with OTT)

Unsurprisingly, men spent more money on a monthly basis compared to their female counterparts. For example, of those who spent greater than UGX50,000 per month, 66.7% were men compared to 33.3% women. This can be due to a number of factors such as the digital gender digital for internet use, which stands at 41% in sub-Saharan Africa , or other factors such as men earning more than women or higher employment rates for men.

Sixty seven (67.7%) of respondents were unsatisfied with the volume of data they purchased on a monthly basis, where as 26.9% reported that it was sufficient for their needs.

How much money you spend on your Monthly Internet Usage? (With OTT)

	Frequency	Percent
<Ugx 1000	32	2.7
1000 - 4999	161	13.6
5000 - 9999	198	16.7
10000 - 20000	336	28.3
20000 - 49999	314	26.4
>50000	147	12.4
Total	1188	100.0

¹⁴"GSMA Gender Gap - Mobile for Development." <https://www.gsma.com/r/gender-gap/>. Accessed 4 Feb. 2020.

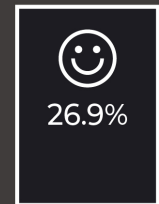
I am not satisfied because this internet is expensive. Sometimes, I look at myself, like if **I can't afford data**, what about other people in **rural areas**? How do they do it



Satisfaction from **Volume Of Data** Purchased on A **Monthly Basis**



Unsatisfied



Satisfied

An FGD participant expounded on their dissatisfaction and insufficiency of the data they purchase:

“Am also not satisfied because this internet is expensive... I sometimes I look at myself like if I can't afford data what about other people in rural areas. How do they do it? Last time I was shocked when members of parliament were saying that they should pay for their OTT. I sometimes fail to contact my mother in the village because she can't afford the internet. So am not satisfied”

-FGD Jinja

We further stratified this information by employment status. Results show that 45% of respondents who reported self-employment spend more than 50,000ugx monthly on the internet and pay for OTT on a weekly basis (44%). However, only about a quarter (26%) of those who are self-employed reported that this data is sufficient for their needs. Based on further information from the FGDs, this could be attributed to the fact that some of these respondents have higher data consumption needs because they have businesses that they run online.

Mobile Money

Respondents from the focus group in Kampala commented on their online behaviour:

“I use mobile money as the easiest way for me to way to make online payments to buy on goods like jumia...to send money to family...since scratch cards were scrapped, mobile money was the only way to buy airtime”

-FGD Jinja

Focus group participants also described the effect of the tax on their transactions:

“...after the tax was introduced, the cost of transaction became high, so we went to the bank for mobile money. The only transactions we do is deposits, and buying airtime because it is free...I won't say much about the tax because that's for the government there's not much I can do about it but all I can say is I would never make a big transaction on mobile money... again they extort us because deposit is supposed to be free but then they tell us to pay an extra tax”

-FGD Jinja

When asked how their mobile money use has changed since the tax was introduced in 2018, the majority (97%) reported that their mobile money transactions have remained the same. However, 72% of those who use mobile money for business/income generating activities reported that their income has reduced, and for only 20% their income has remained the same.

Approval



Interviewees were asked about their opinion of the social media tax on a likert scale of “very fair”, “fair”, and “neutral”, “unfair and very unfair”. Forty two percent (42.8%) of respondents reported that they feel that the OTT is unfair or very unfair.

“Looking at my mother in the village, there is no fairness or something to do with equity. At the end of the day if I am paying for monthly data, I pay UGX6000, an MP up there also pays UGX6000 and even my grandmother in the village also pays UGX6000. Yet the standards of living are not the same.”

-FGD Jinja

When asked an open-ended question on what the best course of action could be for the social media tax, forty four percent (44%) of respondents stated that social media tax should be removed, primarily because it is costly. In addition, 13% of the respondents think that it should be removed so as to ease communication and increase access to the internet. Only 12% were in favor of the tax staying. Reasons given include that 1) it is fair because daily OTT payments and access to social media last for 24 hours compared to expiring at midnight previously, 2) it has reduced idleness and 3) taxation helps the government to provide services.

Most of the participants in the FGDs were not in favor of the social media tax as one participant commented:

“In like the rural areas it’s making internet accessibility hard for those people. In fact, it looks like the government wants to make internet accessible to only the rich people. So the social media tax has really excluded the poor because even getting internet, they struggle, so how about tax? It is expensive for this group of people who I will refer to as the needy people. So with the limited funds that they access, they now have to again divert it to pay tax and access internet which is tough. However, in terms of effect to the economy, I am confident. The government needs the money and all the revenue from the tax will help us pay debts, build roads.”

-FGD Gulu

On the other hand, some participants were more concerned with how their tax money was being spent.

“If the grass root people were able to know the public services where this money is Channeled, say it is used to improve on water services or electricity, then there would be no problem. There is need for public sensitization on these taxes, especially to the grassroots people. They see money being taken away from them but they don’t know where it goes.”

-FGD Kampala

Similarly, when asked what they think should be done regarding the mobile money tax, 43% of the respondents think that the tax should be reduced or removed because the rate is very high. Forty one percent (41%) think it should be removed because it hinders transactions. Only 9% think it should be maintained because it is a source of revenue to the government.

Thirty eight percent (38%) of the respondents disagree that social media tax will reduce gossip and idle talk, while 39 also disagree that it will reduce the country's debt burden. Similarly on game betting, 42% disagreed that the tax will reduce on this activity, while 32% strongly disagreed. Thirty six percent (36%) agreed that social media tax affects their access to and utilization of the internet, whereas a quarter strongly agreed.



Discussion

This study was conducted to assess the impact of social media and mobile money tax on access, usage, income and productivity. While respondents had complaints and shared their frustrations with this tax, this study found out that respondents were increasingly paying the tax. This is possibly because respondents found out that VPNs which were widely used following the introduction of the tax consumed high volumes of data and phone battery. This in turn led respondents to reverting to paying tax instead of using VPN as they consumed more of their data and drained their phone batteries¹⁵.


Many respondents in the study mentioned the lack of communication from the government to citizens on the true rationale behind the taxes, a lack of public consultation on the best way to implement such a tax and furthermore, a lack of transparency on how the revenue from the taxes were being utilized by the government.

One of the biggest barriers to internet usage is cost which involves buying internet bundles as well as paying the social media tax. As previously mentioned, the study conducted in Uganda, Zambia, and Tanzania¹⁶ had similar findings where on average, 1GB of mobile data could cost up to 9% of an individual's monthly income, even without the OTT.

¹⁵"Does using a VPN on Android radically drain your battery?." 28 Aug. 2019, <https://www.techentice.com/does-using-a-vpn-on-android-radically-drain-your-battery/>. Accessed 4 Feb. 2020.

¹⁶"Public: Who Wins? Who Loses? Understanding women's" https://docs.google.com/document/d/1KTSocHJ4FtxDAiu7b_yMkV6PbuUrpV4WOJK0i6cKLEQ/mobilebasic. Accessed 4 Feb. 2020.

These taxes also targets primarily one sector only: the ICT sector, which largely relies on the internet to develop and innovate



This high cost of access to the internet, and even more so, to social media platforms due to the social media tax, can have a detrimental impact on access, usage, income and productivity. This is especially significant for marginalized groups such as youth, women, persons with disabilities and low-income earners. These taxes are likely to further widen the digital divide and inequality between men and women, and between the rich and the poor.

These taxes also targets primarily one sector only: the ICT sector, which largely relies on the internet to develop and innovate. With most countries scrambling to develop cutting edge technologies and launching startups, regressive taxes that disproportionately affects youth is likely to impact the economic growth and competitiveness of Uganda on this global scale for the foreseeable future.

It was also revealed that there has been an increase in use of mobile money in buying airtime top ups and this is because the airtime scratch cards were scrapped off the market, forcing people to buy airtime using their mobile money or from a mobile money operators. However, there was also a decrease in use of mobile money for support and allowances for household or emergencies. This could be attributed to the high withdraw charges, resulting in changing preferences to giving cash directly to the persons in need while others have reverted to using the banks because bank charges are lower than mobile money withdrawal charges.

3.5.1 MDA online presence and social media use at a glance

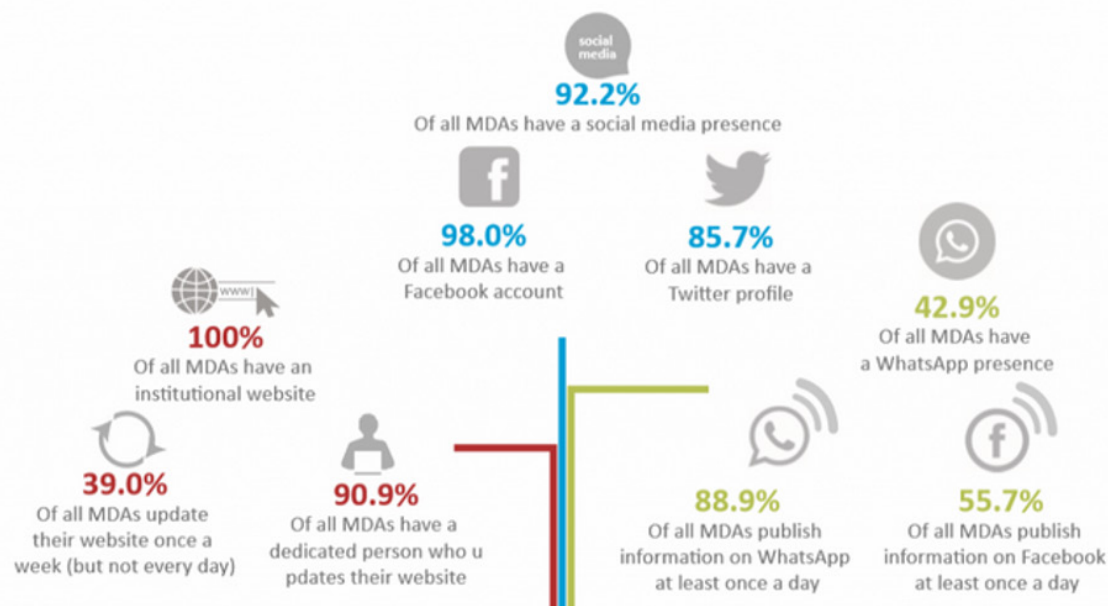


Figure 3.31: MDA online presence and social media use at a glance

Source:
National IT Survey 2017/2018

Thus, the 0.5% tax on mobile money withdrawals coupled with the strong sentiments may prevent users from further using mobile money for fear of losing money at the point of withdraw ¹⁷

Therefore, social media and mobile money taxes prod users to revert to analogue systems and self-censure online, which inherently affects the flow of information within society. There are serious concerns about how the tax affects freedom of speech and access to critical government services, as many ministries and departments move to digitize their offerings. Many Ugandan ministries, districts and agencies are moving towards digitalization, and many of these services interact with citizens through social media platforms, primarily Facebook and Twitter. Results from a 2017/18 study conducted by the National Information Technology Authority, in collaboration with the Collaboration on International ICT Policy for East and Southern Africa (CIPESA), are shown upward.

¹⁷"Digital activism and free expression in Uganda." http://www.scielo.org.za/scielo.php?script=sci_arttext&pid=S1996-20962019000100010. Accessed 4 Feb. 2020.

Evaluation of best practices principles for taxation on Uganda's OTT tax

Principle	Evaluation	Description
Broad-based	No	The new taxes single out the ICT sector.
Take into account externalities	No	There are multiple layers of taxes for a sector that is meant to be a growth engine for the economy.
Simple and enforceable	No	The social media taxes can be circumvented by using VPNs or shifting social media use to Wifi. Also, excise duties on mobile money & social media have been imposed without any analysis of the effects, and they are difficult to understand. The mobile money tax has been subject to two clarifications from the URA and the Excise Act of 2018 is being revised by parliament three weeks after its initial passing.
Incentives for competition & investment should be unaffected	No	The mobile money tax discriminates the mobile money channel compared to other payment channels, like credit cards and bank transfers. The tax has led to a drastic drop in mobile money transaction volumes and value since its introduction. The social media tax resulted in declining data revenues. Which will may have follow-on impacts on investment decisions regarding 3G & 4G upgrades.
Progressive not regressive	No	The social media tax is regressive and not progressive. The poor and the rich have to pay for the same whether they're in metropolitan Kampala or in rural Bukedi. For example, the social media tax is only to 2.4% of average individual income in Kampala, but 22.6% & the average individual income in Bukedi. Also, users effectively pay a double tax by paying excise duty and VAT on airtime and then the social media tax as well.

Source: Research ICT Solutions

Recommendation

It is our hope that the government of Uganda will conduct more research into the impact of taxing the ICT sector, and adopt an evidence-based approach to developing further policies, in a manner that leads to economic growth, increased access for all and fuels the innovation of novel approaches to revenue generation.



The government should sensitize the public about the social media and mobile taxes, including how this revenue contributes to the development of the country



The government should consider removing the taxes as they are largely regressive



The modes of payment should be revised to curb the double taxation