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Impacts of Social Media Taxation in Africa

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While the high cost of internet data remains a major part of the connectivity challenge, there is a trend in East and Southern Africa of countries introducing additional taxes to raise revenue, including content license fees and excise taxes. Such policies make data yet more expensive, putting internet access further out of reach for many (Sarpong, 2018).

In this paper, we analyse how these fiscal instruments are impacting internet users in Tanzania, Uganda, and Zambia — three countries where new forms of taxation on social media use have been implemented or proposed. We are particularly interested in the impact of these taxes on women. Women are less likely to access and use the internet (Sambuli et al 2018), and yet there is little research looking at how they are affected by ICT-related tax policy. Such research is important to help inform fiscal and universal access policies.

Reasons for the digital gender divide include high costs, digital skills shortages, and the perception that online content is not relevant to women's lives (Web Foundation, 2015). This is certainly the case in the three countries covered in this study, where internet penetration rates are significantly lower than the global average (ITU, 2018) and the percentage of women connected to the internet is extremely low by global comparison (EIU, 2019). In addition, in all three countries internet access costs remain expensive and above the 2 percent threshold recommended by the UN Broadband Commission (A4AI, 2019).

What then are the experiences of women in countries that have introduced social media taxes — and how do they see the impact of these taxes on their ability to use and benefit from the internet? To address this we conducted expert interviews and focus groups in all three countries (with over 80 participants in total). Here we summarize the key findings:

1. Governments failed to rationalise or effectively communicate the imposition of taxes and fees being introduced. Citizens are not convinced about the need and were not consulted. One of the first issues we discussed in the focus groups was awareness of and understanding of how the taxes came into being. Across the board we found little awareness or understanding of why taxes/fees were introduced, what they are for, and why users are asked to pay them.
2. The ability to cope with increasing prices depends largely on socio-demographic status, including age, gender, occupation, literacy, and income. In all three countries, taxes and fees were imposed universally, with no variation based on people's financial means or how much they used social media platforms. In Uganda, the tax was shown to have a severe impact on social media and internet use, with at least 5 million internet users reported to have cancelled their internet connections (Tobor, 2019). In Tanzania, there have been media reports that online content producers, including bloggers and content aggregators, have shut down rather than pay for licenses (The Citizen, 2018).
3. The taxes can prevent people with a low-level of digital literacy from using the internet. A lack of digital skills is one of the greatest barriers to women in many low- and middle-income countries accessing and using the internet (Web Foundation, 2015). Online applications vary in the level of technical skill they ask of users, with some social media platforms providing meaningful access to the

[1] The summary is based on Canares, M. and Thakur, D. (2019). Who wins? Who loses? Understanding women's experiences of social media taxation in East and Southern Africa. Washington DC. Alliance for Affordable Internet. Available online.

internet for users with a low level of digital literacy. For instance, one interviewee highlighted the voice-note feature in WhatsApp, a communications app that many respondents reported using, which does not require much digital skill. Therefore interviewees felt that taxing social media services can directly undermine one of the ways that low-skilled women can access the internet.

4. Increased costs restrict civic engagement for civil society and women's rights groups. Several civil society organizations have pointed to the repressive nature of these taxes, arguing that they affect freedom of expression and civic engagement (Article 19, 2018). Likewise, some of the respondents predicted there will a reduction in political content because people would not, or could not, pay to connect and participate in online discussions.
5. The taxes had economic consequences and harmed businesses. For example, businesses that use mobile money payments in Uganda have been greatly affected by the new levy on transactions. Adding a 1 percent excise tax on top of existing transmittal fees discouraged customers from sending money through mobile money agents and prompted them to look for alternative options. A series of tweets from the Ugandan Communications Commission acknowledged there has been a drop in the value of mobile money transactions and attributed some of the decline to the tax (UCC, 2019).
6. Digital inequality between the rich and poor is likely to increase. Even where women are not online they may feel the burden of the tax. As one group of low-income women noted in a focus group discussion in Uganda, while they may not be online they often pay for their children to be online because they feel that it is important. As a result, the new taxes create an increased burden on the family income.

Based on the experience of the participants surveyed for this study and existing research on the impact of consumer-focused internet taxes, we urge governments in East and Southern Africa, and elsewhere, to consider four significant things as they evaluate their ICT fiscal policies. First, tax policy related to internet access (and fiscal policy in general) is not gender neutral. Governments should therefore pay particular attention to how taxes impact women and other groups who use the internet at lower rates than others. It is therefore imperative that taxation policies are gender-responsive — meaning they actively consider gender issues and the gender gap in internet access — from conception to implementation and monitoring.

Second, fiscal policies that tax use of social media and other related internet-based services distort people's use of the internet. Governments should reassess the introduction of taxes, including conducting sensitivity and gender-responsive analysis of tax measures, considering potential harms to citizens and businesses, and re-evaluating their revenue and behavioural targets. Failing to consider potential harms of taxes on citizens and businesses may ultimately lead to large social costs.

Third, social media taxes appear to contribute to a shrinking civil society space. Governments must recognise that effective policy development, and the functioning of society in general, depends on a strong and active civil society, including women's rights groups. For many of these organisations, social media and the internet are crucial tools for organising and operating and such taxes undermines their work.

Finally, tax policies, when poorly designed, can have an adverse effect on the objective of revenue generation; harming taxpayers and failing to achieve revenue targets. Governments should undertake proper and representative stakeholder consultations, seeking input from varied stakeholder groups before rolling out such fiscal measures. The lack of awareness and confusing communication on the taxes and their rationale eroded trust. They should also pursue evidenced-based principles in the imposition of taxes and must evaluate all revenue measures based on neutrality, efficiency, certainty and simplicity, effectiveness and fairness, flexibility, and equity.