ALLIANCE FOR AFFORDABLE INTERNET

WHO WINS? WHO LOSES?

Understanding women's experiences of social media taxation in East and Southern Africa

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Contents

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Executive Summary

Today, Africa lags behind other continents in internet connectivity. While half of the global population is now online, less than a quarter of people in African countries are connected, and a disproportionate amount of those are men. One of the greatest barriers to people getting access is cost, particularly in Africa, where individuals, on average, pay 9 percent of monthly income for 1GB of data, compared with 5 percent globally (A4AI, 2019).

These high costs are being exacerbated in East and Southern African countries where some governments recently introduced consumer-facing internet taxes targeting social media services. These charges further inflate the cost of internet access, making it even less feasible for many individuals to connect (Sarpong, 2018). While we know that women are less likely than men to use the internet in these countries (EIU 2019), to date there is little study of whether, or how, these taxes have affected women's access.

In this paper, we explore how social media taxes in Tanzania, Uganda, and Zambia are affecting the ability of citizens — in particular, women — to connect and access the internet's benefits. To do this we conducted expert interviews and focus groups in all three countries. We were interested in women's experiences because of the lack of research in this area specifically on women and because women are less likely to be online (Sambuli, 2018).

The participants' experiences varied widely and were heavily influenced by social, economic, and political factors as well as the nature of the taxes and license fees. For some women, the taxes were seen to have an overwhelmingly negative impact, whereas a few perceived a positive impact.

The research found that participants had little awareness or understanding of the rationale behind the taxes, due to a lack of communication and little public consultation from the governments ahead of the taxes being introduced.

In addition, the ability of people to pay the taxes depended largely on their socio-demographic status. For women without a consistent source of income, the taxes represented a burden on internet access that they were often unable to pay. The taxes are therefore likely to deepen digital inequality between the rich and the poor.

In addition to cost, one of the main barriers keeping many women offline is skills. Many of the social media applications in scope of the taxes require a low level of digital literacy, giving those with few digital skills an opportunity to use the internet. Again, by limiting the use of these services, the tax is likely to exclude those who could most benefit from their ease of use, widening the digital divide between those with and without digital skills.

With higher costs preventing individuals from participating in online discussions and accessing online government services, the taxes were also believed to have a negative effect on the freedom of expression and civic engagement.

To avoid further worsening the digital divide, governments must pay particular attention to the impact taxes have on women and other groups who are traditionally excluded from digital spaces. Governments must also consider the effect the introduction of taxes may have on the health of civil society, including women's rights groups.

By better consulting stakeholders — including consumers — prior to the introduction of new taxes, governments could help ensure policies do not harm taxpayers. This could also help mitigate the risk of taxes failing to meet revenue targets.

Finally, in order to limit the harmful effects of social media taxes and to promote connectivity, encourage technological innovation, and advance the creation of local content, governments should consider alternative tax options in the technology sector that do not directly burden internet users.

Costs, connectivity & taxation

More than three-quarters of Africa's population is still offline — compared to 50 percent globally — and women make up a disproportionate share of those missing out on the internet's benefits (Sambuli, 2018). The continent also has some of the lowest rates of mobile internet connectivity in the world (Bahia, 2018).

One of the biggest barriers to people getting online today is cost. While the price of internet data has fallen drastically in some parts of the world, across Africa people are still asked to pay a significant portion of their monthly income for basic data packages. On average, in Africa, 1GB of mobile data costs 9 percent of average monthly income — well above A4AI's 2 percent affordability target (A4AI, 2019).

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 on the impact of these taxes on women. As mentioned, 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. In addition, in all three countries internet access costs remain expensive and above the 2 percent threshold (see table 1).

Table 1 - Summary Internet use rates and gender gap for Tanzania, Uganda, and Zambia

Country	Internet Users (% of population)	Gender Gap (% difference in access between men and women)	Affordability (price 1GB mobile data/ average monthly income)
Tanzania	13%	113%	5.7%
Uganda	22%	18%	8.1%
Zambia	25%	32%	3.1%

Source: Economist Intelligence Unit (2019), Alliance for Affordable Internet (A4AI) (2019)

If the digital gender gap is not closed, the Sustainable Development Goal goal of universal internet access will, by definition, never be met. Governments have a responsibility to adopt policies that encourage connectivity for everyone, particularly women. Governments that take policy decisions that make it harder for women to get online derail efforts to achieve universal access and undermine the position of women to improve economic productivity, civic participation, and ultimately, their well-being.

Taxing users of ICTs

Taxes on the information, communications, and technology (ICT) sector have taken various forms. They typically include taxes on company profits, duties on industry inputs like equipment, licensing fees, and fees to access limited resources such as spectrum (Rogers and Pedros, 2017). While companies may pass on these taxes to customers in the price of goods and services, in each of these cases, the subjects of these taxes have been businesses, not consumers.

There are also some common taxes that apply to customers. For example, the one-off sales tax collected when people buy a new mobile phone. Or sales taxes levied directly on mobile data services. However, these taxes are general, rather than applied to the use of specific applications.

But as table 2 shows, a number of countries have recently passed measures to directly tax the use of social media sites. In mid 2018, the government of Benin announced a social media tax which levied a fee of 5 Central African Francs per megabyte to access social media sites (Paradigm Initiative, 2018). Although cancelled in the face of mounting public protests (AFP, 2018a), it has been estimated the tax would have generated a 250 percent spike in the price of 1GB of mobile data and a 20 percent drop in mobile broadband subscribers, resulting in an overall decrease of 40 million USD in tax revenues for the government (Stork and Esselaar, 2019.

Table 2 - Internet taxes introduced in Tanzania, Uganda & Zambia.

Tanzania	Online Content regulations introduced to Tanzania in 2018 mandate that online content creators, including bloggers and those running online radio stations and video (TV) services, are licenced. The initial application costs 100 Tanzanian shillings, with a 1 million Tanzanian shilling annual license free — roughly 435 US dollars (Mumbere, 2018). Those who do not comply face fines of at least 2,200 USD, a minimum 12 month jail term, or both (Ng'wanakilala, 2018).
Uganda	Since June 2018, people in Uganda have faced a daily levy of 200 shillings (0.054 USD) for over-the-top (OTT) services[1] such as Facebook, WhatsApp and Twitter (Dreyfuss, 2018). In addition, a 1 percent excise duty[2] was introduced for all mobile money transactions.
Zambia	In August 2018, the government proposed a 30 ngwee (0.03 USD) daily tariff on internet phone calls (VOIP) (Mwesigwa, 2018). This tax is yet to be implemented.

[1] Over the top services refer to content providers that distribute voice, text, streaming media, and other content services bypassing telecommunications, multi-channel and broadcast television which traditionally offer these services.
[2] This, however, has been recently reduced to 0.5% through an amendment.

In Tanzania and Uganda, tax measures have already been implemented, whereas in Zambia they have been passed but are still waiting to go into effect. The impact may ultimately be greatest in Uganda where both social media access and mobile payments will be taxed. We have previously argued that Ugandans on the margins will lose internet access, while the taxes will push connectivity further out of reach for those who already cannot afford to pay for data (A4AI, 2018). In Tanzania, those most affected will be bloggers and content creators affected by the licensing fee. However, because the regulation defines bloggers broadly to include anyone generating content online through a website, far more people may end up being forced offline if they do not apply and pay for a license.[3] Finally, in Zambia only VOIP services will be taxed and so those who need to use the internet without making phone calls should, in theory, be relatively unaffected.

Although often rationalised as revenue raising mechanisms, the justifications for social media taxes have been inconsistent. For example, Uganda's finance minister first argued for the tax as a necessary measure to raise 32 million USD to help reduce the country's public debt (XNA, 2018). However, Ugandan president Museveni asserted the tax was intended to tackle fake news and online "lying" (Biryabarema, 2018a).

These interventions are seen by some as government attempts to limit online discourse and civic participation. Indeed, in Zambia, civil society organisations fear the tax will harm internet users who use web-based platforms for connecting with others and potentially curtail freedom of expression (AFP, 2018b). In Tanzania the blogger's tax is clearly a mechanism to regulate online content, rather than a way to raise revenues. However, other analysts contend social media taxes are purely a revenue-raising tool for countries that often struggle with high debts (Chutel, 2018). Some government spokespersons have also argued such taxes can help save local jobs (LusakaTimes, 2018).

[3] The Tanzanian tax rules defines a blogger as "a writer or group of writers owning and performing the act of blogging and any other acts similar to blogging" while blog is defined as a " website containing a writer's or group of writer's own; experiences, observations, opinions including current news, events, journals, advertisements and images, video clips and links to other websites".

Our question and methodology

What 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?

This report looks at these central questions about how women in Tanzania, Uganda, and Zambia experience social media taxes.

We approached the questions using a qualitative research approach, conducting four focus group discussions in each country. To match the nature of the taxes in each country, the groups in Zambia and Uganda were composed of social media users, while in Tanzania, the participants were bloggers and civil society representatives. In each country groups included diverse stakeholders, including entrepreneurs, civil society representatives, online activists, students, journalists, researchers, and bloggers. We supplemented these focus groups by interviewing at least three influential ICT experts in each country. All focus groups and interviews took place between December 2018 and January 2019.

Because we wanted to find out about women's experiences of these taxes, the majority of our interviewees were women — 67 of the approximately 80 respondents. Three of the four focus groups in each country were made up exclusively of women and one was mixed. Similarly, most of the key experts we spoke to were women. The results provide us with a view of the effects of social media taxes on society at-large and on women specifically.

We conducted a qualitative analysis of the responses in each data set. This involved capturing the main themes and perspectives of participants by comprehensively coding 149

pages of transcripts from the focus groups and interviews. We used the focus group discussion and interview guides as a basis for constructing a standard code of responses while at the same time allowing new codes to emerge out of the narratives. Responses were coded separately for interviews and focus groups, and separately for each country. We then conducted an integrated analysis of the overall results.

Women's Experiences of Social Media Taxation

> ***"[The] moment you introduce the tax without critically studying the impact it will have beyond just perhaps controlling what people say online then you could create a little bit of crisis for the ordinary person."***
>
> -Tanzanian woman media executive

The imposition of taxes and license fees affect women in the three countries differently, depending on social, economic, and political factors — in addition to the nature of the fiscal measures applied. For some, these fees have tremendous negative consequences, whereas others voiced perceived positive effects. Some of the reactions to the policies, based on the actual experience of women, are discussed below.

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.

> ***"..the OTT tax has no explanation for their introduction whatsoever. I do not understand why to access certain sites I need to pay a tax because it makes no sense. But the OTT tax has no beginning, has no end, has no logic. That is why they are meeting so much resistance."***
>
> - Focus group participant, Uganda

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.

In Zambia, for example, the government argued that telecommunications company revenues were negatively impacted by the use of VOIP services on their networks. However, there is no evidence to show that these companies were actually hurt by the excessive use of VOIP[4]. The respondents in our research questioned this rationale. In Tanzania, the high license fees bloggers are asked to pay are so onerous compared to any revenues they might get from creating content, causing participants to question the motives of the levy.

In Uganda, it was clear that the government failed to involve users in the policy making process. Most of the respondents complained about how the taxes were imposed as none of them were consulted. This resonates with the findings of Pollicy.org (2019) where respondents commented that the taxes were imposed very suddenly. When people protested about the taxes, excessive force was used by the government to quell the protest, with tear gas used to disperse a 200-strong crowd (Biryabarema, 2018b).

The ability to cope with increasing prices depends largely on socio-demographic status, including age, gender, occupation, literacy, and income.

> ***"At first, when they introduced the tax, I was offline for over a week because I didn't have money on mobile money to pay for the tax."***
>
> - Woman working in the informal sector, Uganda

[4] Based on AirTel's most recent audited financial statements, earnings per share for AirTel Zambia is 3.50 kwacha in 2017, a 60% increase from the previous year's operations. See http://www.sbz.com.zm/sites/default/files/Airtel-annual-report_2017.pdf for details.

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).

Respondents identified the following as the groups who they thought would be unable to meet the rising costs, given the regressive nature of the fees:

- Young people who are dependent on somebody else's income to access the web.
- Women without permanent sources of income.
- Users who are not literate and unable to follow the process for paying the required fees.
- Poor people, especially those living in rural areas, whose main and perhaps only access to the internet is through their mobile phone.

For some women without a regular source of income, the taxes pose an additional burden which has affected their ability to get online and benefit from access to the internet. As one participant from Uganda noted, women are already struggling to buy data at Shs500 (0.13 USD); adding a further 200 shillings per day is, in many cases, too great a financial burden. Among those who do have the financial resources to pay for the tax, it is typically viewed as an additional burden designed to limit the use of social media and the internet.

Perhaps surprisingly, a few respondents saw the taxes as a positive way to restrain their use of social media, not because they were unable to pay, but because they were unwilling to pay more.

> ***"It has helped me. I was addicted to social media. Now I make sure by midnight I'm sleeping since my OTT expires at midnight. Before that I would chat up to 3am."***
>
> \- Young female student, Uganda[5]

Similarly, some who were cut off from services because they could not afford to pay the tax saw a perceived positive impact on students. One respondent remarked that her children had more time to do household chores since they could no longer afford to be online. However, raising the cost of internet access to control over-consumption is clearly not an appropriate policy option and would have a negative impact on access, productivity and human rights, among other things.

Taxes can prevent people with a low-level of digital literacy from using the internet.

> ***"[The] impact of taxes to such kind of women who already have limited skills … will eventually make it even harder for them to be able to … access information; there will be limited market reach, [and] limited communication because of these taxes…"***
>
> \- Woman Civil Society Leader from Tanzania

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 internet for users with a low level of digital literacy. For instance, one interviewee highlighted the voice-note feature in WhatsApp, a

[5] More recently, however, the validity of OTT is adjusted to expire 24 hours after time of purchase and not anymore at midnight of purchase date.

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.

Increased costs restrict civic engagement for civil society and women's rights groups.

> ***"It was a move to rob us of our freedom to communicate and free speech."***
>
> - Woman member of a women's rights group, Uganda

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.

Others saw the taxes as contrary to the goal of governments moving towards e-government, with fiscal barriers preventing citizens from participating. Indeed, additional taxes may make it more difficult for the public to access services being migrated to online platforms.

On the other hand, some respondents believed the tax would increase the quality of online dialogue by encouraging users to be more prudent in expressing their views online. The high cost of participation, they argued, will lead users to engage with social media in a more responsible way. However, it's unclear how these taxes would achieve this because in practice the taxes simply place a financial barrier on which applications can be used and how often, and not what you say on those platforms.

> ***"There will be responsible postings because now one knows they are paying extra to access the internet."***
>
> – Female communications student, Zambia

In fact, while some may opt out of sharing views online for personal, social, or political reasons, the introduction of new taxes will likely further limit online expression. If intentional, this can be equated with government censorship of the internet. Some of the countries in this study have previously imposed serious restrictions on internet access to curb dissent. In 2016, the government of Uganda blocked access to social media during elections "in order to stop the organisation of protests, silence or erase support for opposition, and discourage voting" (Dreyfuss, 2018). There is good reason to be concerned about the introduction of social media taxes contributing to a shrinking civic space and limiting the ability of citizens to fully exercise their rights and participate in democratic processes.

The taxes had economic consequences and harmed businesses.

> ***"I have fewer customers these days. People come and say they want to send money and when you tell them how much it will cost, they just walk away."***
>
> - Female mobile money shop operator, Uganda

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 has 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 the decline partially to the imposition of the tax (UCC, 2019).

This was confirmed by a mobile money operator reporting a 50 percent reduction in transactions (Oketch, 2018). A study from Policy.org found that while only few of the 976 respondents surveyed stopped using the service, 70 percent reported a decrease in the amount of money they sent (Pollicy.org, 2019). The tax was reduced from 1 to 0.5 percent in December 2018, with projections that people will return to the service. However, some still believe these services will still be too expensive for customers, especially for large transactions (Kasemiire, 2018).

Similarly, businesses accepting mobile money payments and buying supplies using the service have been affected, as have those who market their products using social media. Before the taxes were introduced, some women running online businesses advertised their products on Facebook, communicated with customers using WhatsApp, and received money through mobile payments. The tax greatly impacts businesses like this.

One group of women in Uganda that used WhatsApp for selling fashion and hairstyling services, and for sharing advice, suggested that one way to manage the levy is for one person to pay the tax and take photos of goods and services that others have for sale. That woman could then promote the services of the entire group to potential consumers. However, this was not viewed as sustainable.

Again, some respondents saw positive value in limiting the use of OTTs. They perceived the taxes as a way to make use of social media more selectively and productively, choosing what to post and with who to communicate. Although, again it is not clear that the taxes would have this effect.

Digital inequality between the rich and poor is likely to increase.

> ***"The internet would become a platform for the rich."***
>
> - Female, activist, Zambia

The introduction of the taxes is perceived to worsen the digital divide between the rich and the poor, and impact women particularly severely. In many countries data bundles are already unaffordable for many. A tax on social media use will substantially reduce the number of people who can afford to be online. In a context where men are typically household decision makers, in control of the household's only mobile phone, and in most cases the primary earner, women are most likely to miss out on the web's benefits.

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 a increased burden on the family income.

In Tanzania, women bloggers and content creators said they were forced to shut down their sites as a result of the high license fees. Those who were able to pay for the license and keep their online presence running, saw that audience size and engagement was negatively affected because as less local language content is available, people become less engaged in reading online blogs altogether. This has a reinforcing mechanism, further discouraging producers from creating more online content.

> ***"It has not affected me because as someone who uses the internet for business and people make millions of it, to pay something like 10 shillings is not much."***
> – Female, entrepreneur, Tanzania

The effect of these taxes could be that technology, instead of levelling out the playing field, is likely to most benefit the already empowered (Gurstein, 2011). Indeed, those who are marginally connected will find it impossible to connect (Mothobi and Chair, 2018). Wealthier segments of the population, meanwhile, are unlikely to feel the impact of the taxation, as many of our well-educated and wealthy respondents in this study expressed.

Lessons Learned and Policy Recommendations

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.

We have seen the way in which tax measures can specifically impact women's social media use, regardless of intent. For example, respondents reported that women, particularly those with low-income and/or low-skills, would be disproportionately affected in terms of internet access and that women who supported their children's online access would also be made worse off. It should be acknowledged that these tax measures are being implemented in societies where men are likely to have more financial resources and digital skills to cope with these taxes — as is the case almost everywhere. Unless policies account for this patriarchal structure, they will simply replicate the status quo which will ultimately exacerbate the gender gap.

Recommendation:

- Governments should pay particular attention to how taxes impact women and other groups who use the internet at lower rates than others. Most countries have goals to achieve universal access, or expand broadband connectivity. Such ambitions will always fall short if they do not consider the fact that fiscal policies are not neutral and impact women in specific ways, sometimes detrimental to their connectivity. 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.
- Governments should consider alternative taxation options in the technology sector that do not burden internet users, in order to promote connectivity, encourage technological innovation, and advance the creation of local content. Taxation policies should not stand in the way of connecting users.

Second, fiscal policies that tax use of social media and other related internet-based services distort people's use of the internet.

When taxes are imposed on the use of social media platforms, users' consumption patterns change. Young people, women, the unemployed, uneducated, and the poor are likely to be most affected.

Recommendation:

- 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.

This is particularly significant for women's rights groups whose views are often not represented in public policy. Ignoring women's voices contributes to flawed policy outcomes. One example is in national broadband and ICT policies, which often are not gender-responsive, as is the case for the countries covered in this study (Web Foundation 2018). Women's views are critical for all policy development, including fiscal and ICT policy. Indeed, women's participation is important for other areas of civic engagement, including political participation.

Recommendation:

- 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. Any fiscal policy measures should consider the potential impacts, positive and negative, on civil society organisations, including women's rights groups.

> Fourth, tax policies, when poorly designed, can have an adverse effect on the objective of revenue generation; harming taxpayers and failing to achieve revenue targets.

This typically happens when the demand side of taxation is elastic, meaning it is easier for consumers to reduce consumption than pay higher prices. The result is that even though tax rates are higher, because fewer people are paying the tax, the net tax haul is reduced — meaning governments may fail to meet optimistic revenue projections. This happened in Uganda, where the government reportedly collected only 20% of the 100 billion shillings (26.6 million USD) it projected in the last three months of 2018 (The East African, 2018).

Governments can mitigate such risks with greater consultation with consumers before making dramatic changes to tax policy. It was clear that among this study's respondents there was a low-level of understanding of the rationale for these taxes in the first place and lack of participation and consultation in their development.

Recommendation:

- 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.
- Governments should 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 (OECD, nd).

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