

Dialogue on Impact of Social Media and Mobile Money Taxation in Uganda Thursday July 26, 2018

The evolution of the digital economy in Uganda over the last 20 years has broken barriers associated to geography and time and thus enabled information flows critical for business processes, innovation, entrepreneurship, civic participation, learning and research, and government service delivery.

According to the Uganda Communications Commission (UCC), Uganda had 18.8 million internet subscriptions representing a 48% penetration rate as at December 2017.¹ The bulk of internet access (77%) is via mobile whose penetration rate stands at 65 connections per 100 inhabitants. Meanwhile, there were 23 million mobile money subscribers in the country of 37.7 million people, and there were more than 340 million transactions during the third quarter of 2017 alone, totaling Uganda Shillings (UGX) 18.1 trillion (USD 4.7 billion).² Like in other parts of Africa, mobile data traffic is growing, accounting for 20-40% of the top line of a typical Mobile Network Operator (MNO). For instance, the MTN Group which has operations in 19 African countries, reported 34% data revenue share of total revenue in 2017, up from 27% in 2016 and 23% in 2015.³ In Uganda alone, data revenue for the South Africa based company was up to 41% of gross earnings in 2017.

Following concerns on the growing public debt bill, and a constrained tax base, the Uganda government introduced a raft of taxes in the Excise Duty Act (Amended), notably on Over the Top (OTT) services and mobile money transactions. Beginning July 1, 2018, users must pay a tax of UGX 200 (USD 0.05) per day to access various social media platforms including Facebook, WhatsApp, Twitter and LinkedIn.⁴ For mobile money, a 1% levy applies to deposits and withdrawals, on top of a revised excise duty of 15% up from 10% on transfers. These taxes pose a huge threat on internet access and affordability, and financial inclusion for low income and marginalized groups such as women, youth and rural communities. In fact, the Alliance for Affordable Internet (A4AI) estimates that the social media tax will cost Uganda's poorest up to 40% of their average monthly income to buy a basket of 1GB of data.⁵

Uganda's president has previously accused social media users of peddling gossip and lies, and that the tax was a means of dealing with the consequences of users' "opinions, prejudices [and] insults". However, this is not the first instance of government interference with social media. Access to social media and mobile money services was blocked twice in 2016 before and during the presidential elections period.⁶ Coupled with recent moves to register online content providers, the new tax adds to seemingly deliberate and well-choreographed moves to curtail fundamental freedoms of expression, right to information, freedom of the media and wider inclusion in the digital society.⁷

¹ Communication Sector Performance for the Quarter ending December 2017, UCC, <http://www.ucc.co.ug/wp-content/uploads/2017/09/Quarterly-Market-Report-4Q17-V002.pdf>

² Statistical Abstract 2017, UBOS, http://www.ubos.org/onlinefiles/uploads/ubos/statistical_abstracts/2017_Statistical_Abstract.pdf; Ibid

³ Annual results 2017, MTN Group, <https://www.mtn.com/en/investors/financial-reporting/annual-results/Pages/default.aspx>

⁴ Uganda Blocks Access to Social Media, VPNs and Dating Sites as New Tax Takes Effect, CIPESA, <https://cipesa.org/2018/07/uganda-blocks-access-to-social-media-vpns-and-dating-sites-as-new-tax-takes-effect/>

⁵ Uganda: New social media tax will push basic connectivity further out of reach for millions, CIPESA, <https://cipesa.org/2018/06/uganda-new-social-media-tax-will-push-basic-connectivity-further-out-of-reach-for-millions/>

⁶ Ugandans Turn to Proxies, VPN in Face of Social Media Shutdown, CIPESA, <https://cipesa.org/2016/02/ugandans-turn-to-proxies-vpn-in-face-of-social-media-shutdown/>

⁷ Registration of online data communication and broadcast service providers, UCC, http://www.ucc.co.ug/wp-content/uploads/2018/03/UCC_ONLINE-DATA-COMMUNICATIONS-SERVICES.pdf

The directive to impose tax on OTT services proposed that up to UGX 400 billion (USD 108 million) per annum could be collected through the taxes.⁸ Projections from the June 14 national budget speech for the fiscal year 2018/19 indicated that up to UGX 486 billion (USD 131 million) could be collected annually by 2022.⁹ However, this runs contrary to the economic impact of restricting access to the internet and related services. According to the framework for calculating the economic impact of internet disruptions in Sub-Saharan Africa, the five days' social media shutdown in Uganda during 2016 set back the economy an estimated USD 2.2 million.¹⁰

It is against this background that the Collaboration on International ICT Policy for East and Southern Africa (CIPESA) and Internet Society Uganda Chapter seek to convene stakeholders to deliberate on the economic, social and human rights issues arising from the new taxes. The dialogue will deliberate on how policy making processes can advance inclusive and equitable access to the internet, promote innovation and consumer rights protection. The dialogue builds on previous ones convened by CIPESA, for multiple stakeholders in the ICT ecosystem.¹¹ Attendees shall include legislators, consumer rights groups, private sector players and associations, journalists, academics, and innovators. Outputs from the meeting shall include a *Stakeholders Dialogue Statement* that tacitly explains the effects of the new taxes and offers alternative ways the government can regulate and increase earnings from the ICT ecosystem without injuring innovation, affordable access and citizens' rights.

Venue: Protea by Marriott Hotel, Kampala

Agenda

Time	Activity
13.30-14.00	Arrival and registration of participants MC: Josephine Karungi
14.00-14.15	Welcome remarks and overview of the digital economy in Uganda and its contribution to GDP Dr. Wairagala Wakabi, CIPESA
14.15-14.30	Study on Impact of ICT Taxes Dr. Christopher Stork and Steve Esselaar, Research ICT Solutions
14.30-15.00	The impact of taxation on end users <i>Brief verbal anecdotes from select stakeholders about the impact of taxes thus far on business, governance, disability, access to information, civic participation, research, etc.</i> Voices from the field (5 mins each): <ul style="list-style-type: none"> ● Dr. Abdul Busuulwa, Executive Director, CBR Africa Network ● Edna Ninsiima, Independent Digital Communicator ● Daniel Bill Opio, Executive Director, Cyber Law Initiative (CyberLine) ● Ron Kawamara, Managing Director, Jumia Uganda

⁸ Museveni slaps taxes on social media users, Daily Monitor,

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

⁹ Budget speech for fiscal year 2018/2019, MoFPED, <https://bit.ly/2Ofy98l>

¹⁰ A framework for calculating the impact of internet disruptions in sub-Saharan Africa, CIPESA, https://cipesa.org/?wpfb_dl=252

¹¹ Private Sector Roundtable Dialogue on Internet Policy and Regulation in Uganda, CIPESA, https://cipesa.org/?wpfb_dl=268; Access to Public Information in Uganda: Rhetoric or Reality? <https://cipesa.org/2017/10/access-to-public-information-in-uganda-rhetoric-or-reality/>

	<ul style="list-style-type: none"> ● Samuel Mumbere, ICT Officer, Kasese District Local Government
15.00-15.15	Health break
15.15-16.15	<p>The impact of taxation on the national ecosystem</p> <p><i>Intermediaries, governments and private sector actors discuss if the taxation will achieve the desired economic outcomes as well as the relationship between connectivity, the knowledge society and economic, social and political rights.</i></p> <p>Panelists:</p> <ul style="list-style-type: none"> ● Anne Whitehead, Board Member, ICT Association of Uganda (ICTAU) ● Badru Ntege, CEO, NFT Consult ● John Jet Tusabe, Manager, KPMG ● Kojo Boakye, Public Policy Manager, Access and Connectivity, Facebook ● Raymond Mujuni, Investigative Journalist, NBS Television <p>Moderator: Kenneth Muhangi, Partner, KTA Advocates</p>
16.15-16.45	<p>Open discussion and generating stakeholders dialogue statement</p> <p>Moderator: Josephine Karungi</p>
16.45-17.00	<p>Closing remarks</p> <p>Juliet Nanfuka, CIPESA</p>
17.00 - 19.00	Cocktail, Networking and Departure