

Research ICT Solutions

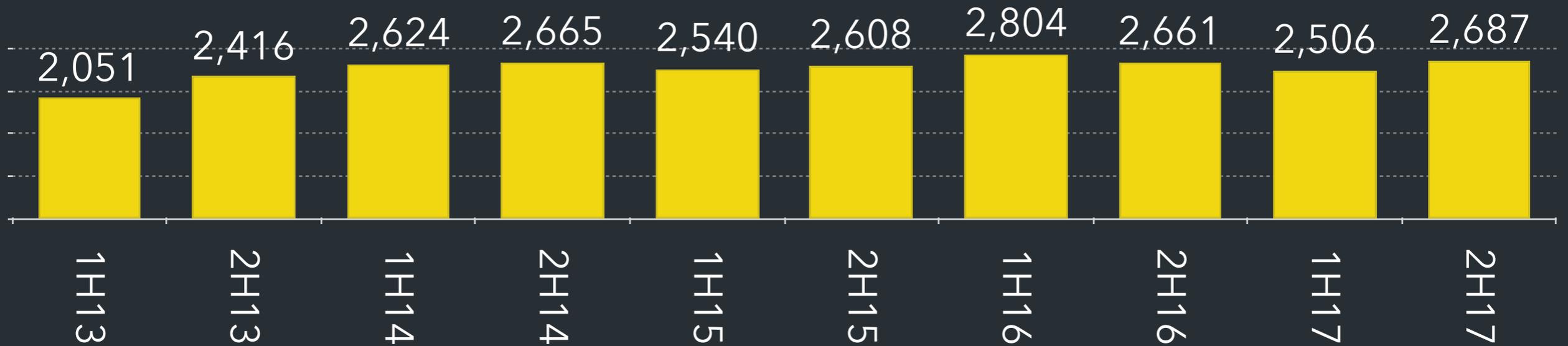
**/ IMPACT OF
UGANDA'S ICT
TAXES**

EXPECTED IMPACT OF THE SOCIAL MEDIA (SM) TAX

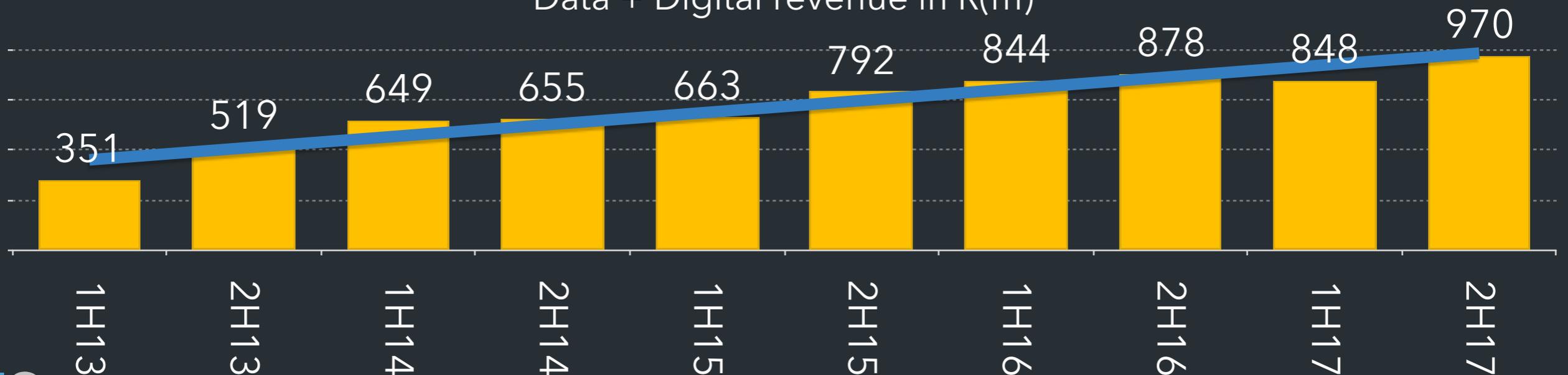
- Social Media Tax:
 - = less data consumption
 - = less MNO revenues
 - = less VAT
 - = less custom excise
 - = less corporate tax
- Study aims:
 - To put a number to the net tax effect
 - Estimate impact on GDP growth and job creation
- Side effects:
 - Wider mobile money use (to pay taxes)
 - Increase in consumer VPN skills

DATA AND MOBILE MONEY REVENUES KEY FOR MTN'S PERFORMANCE

Total Revenue in R(m)

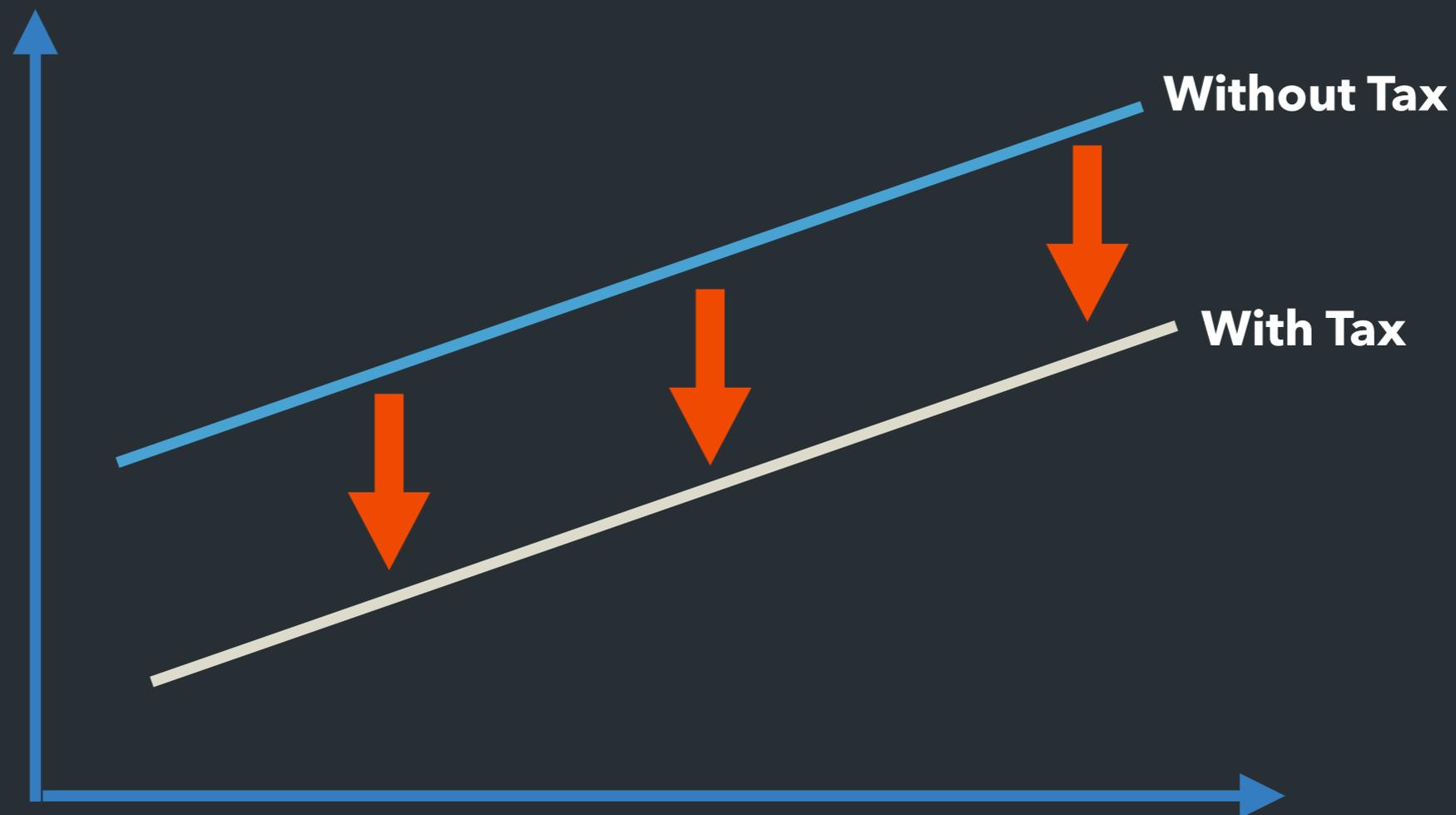


Data + Digital revenue in R(m)



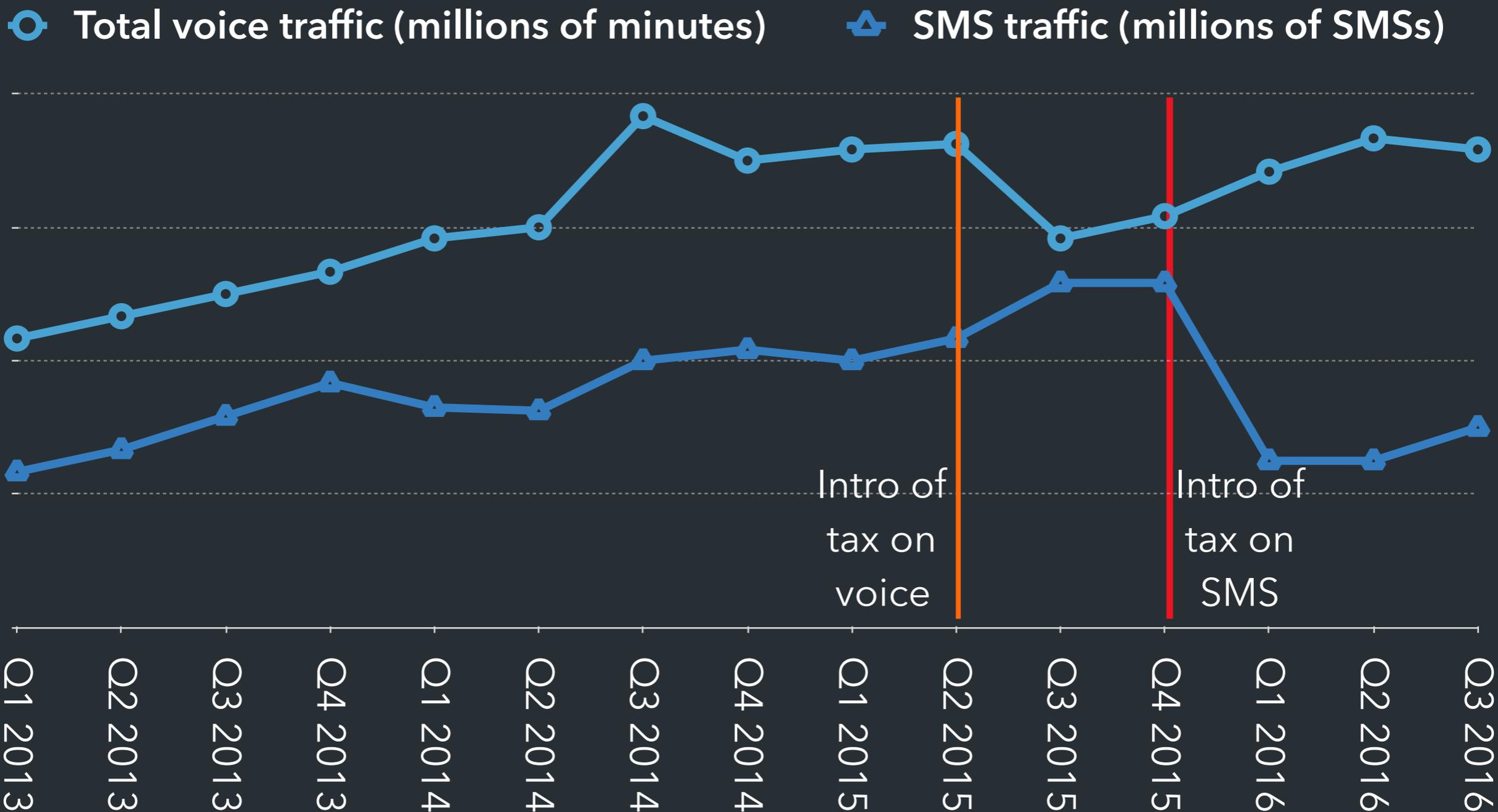
IMPACT OF SOCIAL MEDIA AND MOBILE MONEY TAX

Data use
mobile money transactions



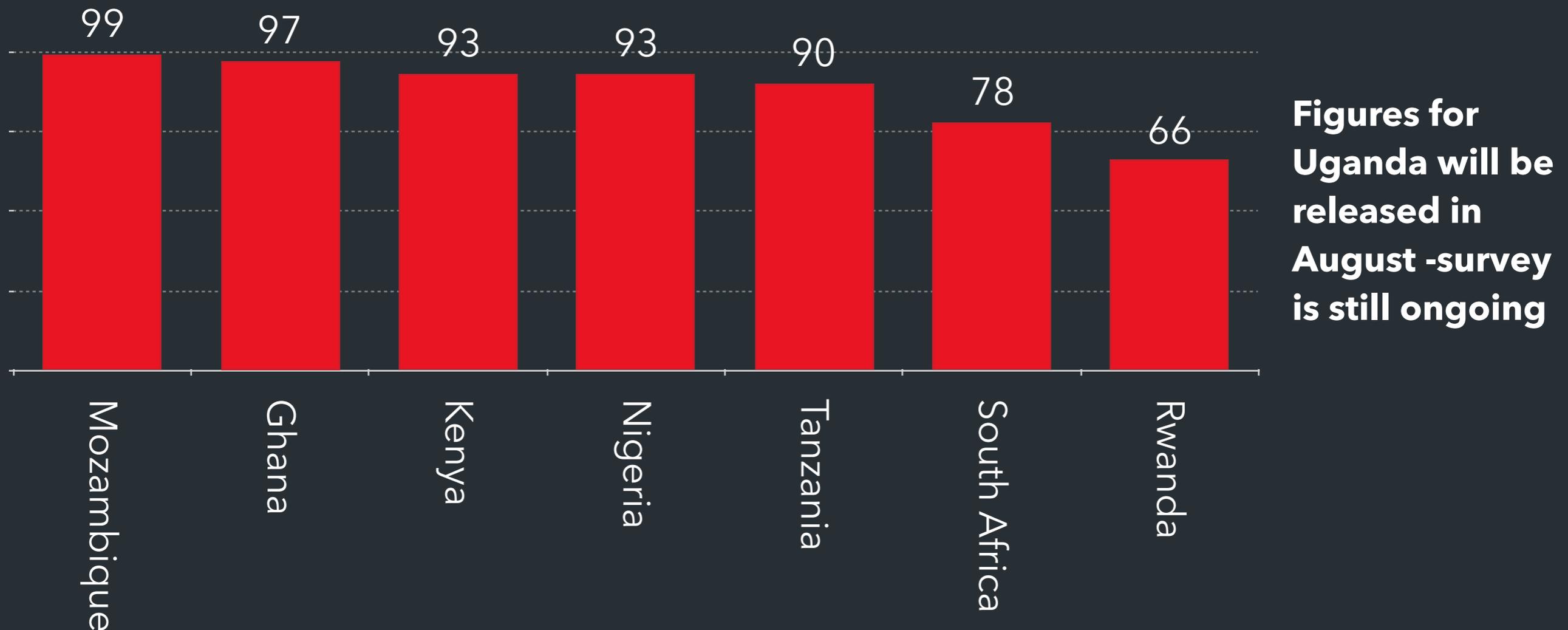
Mobile broadband and mobile money are still going to grow after the initial shock, but from a lower base and potentially also at a lower rate

IMPACT OF EXCISE TAX ON VOICE AND SMS TRAFFIC - EXAMPLE GUINEA



**/INTERNET AND SOCIAL
MEDIA ARE SYNONYMS**

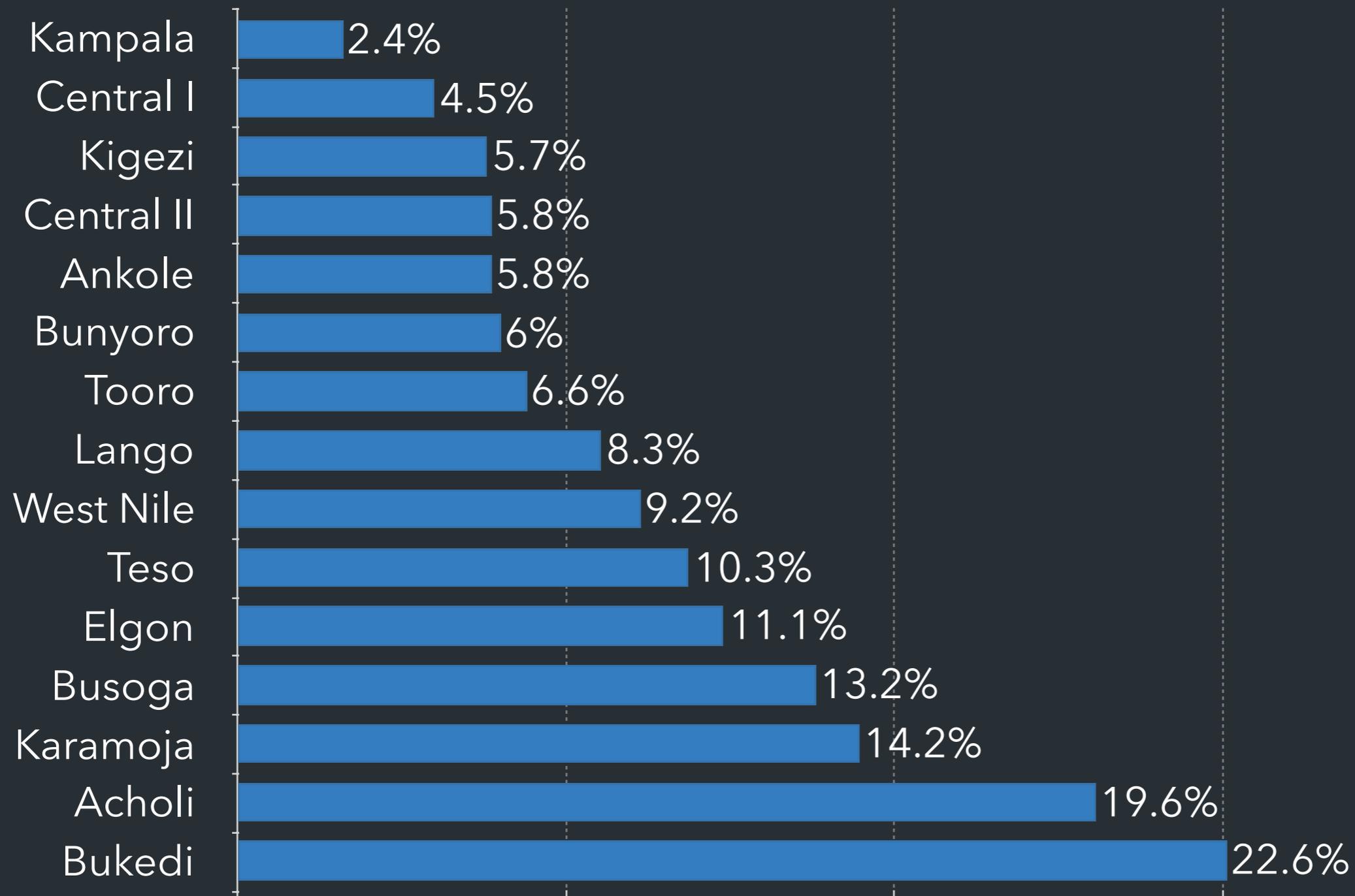
RIA'S NATIONAL SURVEYS: SHARE OF SOCIAL MEDIA USERS AMONG INTERNET USERS SHOW THAT MOST INTERNET USERS USE SOCIAL MEDIA



Source: Research ICT Africa 2017/8 After Access Survey

<https://researchictafrica.net/2018/07/23/impetuous-policies-increasing-digital-divide-in-uganda-social-media-tax/>

SOCIAL MEDIA TAX OF UGX 6000 PER MONTHS AS SHARE OF AVERAGE INCOME BY SUB REGION



MONTHLY SOCIAL MEDIA TAX AS % OF AVERAGE INDIVIDUAL INCOME

	Average HH income in UGX	Average HH size	Average Individual income	SM tax as share of Individual income
Kampala	938,000	3.7	253,514	2.4%
Central I	569,000	4.3	132,326	4.5%
Central II	463,000	4.5	102,889	5.8%
Busoga	222,000	4.9	45,306	13.2%
Bukedi	141,000	5.3	26,604	22.6%
Elgon	260,000	4.8	54,167	11.1%
Teso	357,000	6.1	58,525	10.3%
Karamoja	220,000	5.2	42,308	14.2%
Lango	370,000	5.1	72,549	8.3%
Acholi	168,000	5.5	30,545	19.6%
West Nile	294,000	4.5	65,333	9.2%
Bunyoro	468,000	4.7	99,574	6.0%
Tooro	436,000	4.8	90,833	6.6%
Ankole	489,000	4.7	104,043	5.8%
Kigezi	476,000	4.5	105,778	5.7%

/IMPACT OF SOCIAL MEDIA TAX ON PREPAID DATA PRICES

MTN - PREPAID DATA PRODUCTS

	Bundled Data MB	Validity	Once off Price	SM tax for validity	Cost incl. SM tax	Price increase
Monthly	25	30	1,500	6,000	7,500	400%
	300	30	5,500	6,000	11,500	109%
	600	30	10,000	6,000	16,000	60%
	2,000	30	20,000	6,000	26,000	30%
	10,000	30	50,000	6,000	56,000	12%
	30,000	30	100,000	6,000	106,000	6%
Weekly	500	7	5,000	1,400	6,400	28%
	1,500	7	10,000	1,400	11,400	14%
	5,000	7	20,000	1,400	21,400	7%
Daily	15	1	250	200	450	80%
	40	1	500	200	700	40%
	100	1	1,000	200	1,200	20%
	300	1	2,000	200	2,200	10%
	1,000	1	5,000	200	5,200	4%
Social bundle	WTF	1	250	200	450	80%
	SWIFT	1	500	200	700	40%
	SWIFT	7	2,500	1,400	3,900	56%
	SWIFT	30	5,000	6,000	11,000	120%
RIS Average						62%

AIRTEL - PREPAID DATA PRODUCTS

	Bundled Data MB	Validity	Once off Price	SM tax for validity	Cost incl. SM tax	Price increase
Monthly	25	30	1,500	6,000	7,500	400%
	300	30	5,000	6,000	11,000	120%
	1,250	30	15,000	6,000	21,000	40%
	1,000	30	10,000	6,000	16,000	60%
	1,750	30	20,000	6,000	26,000	30%
	5,000	30	30,000	6,000	36,000	20%
	12,000	30	50,000	6,000	56,000	12%
	7,000	30	60,000	6,000	66,000	10%
	25,000	30	90,000	6,000	96,000	7%
	15,000	30	105,000	6,000	111,000	6%
	20,000	30	75,000	6,000	81,000	8%
	35,000	30	225,000	6,000	231,000	3%
	51,000	30	150,000	6,000	156,000	4%
	100,000	30	550,000	6,000	556,000	1%
Weekly	100	7	2,000	1,400	3,400	70%
	350	7	3,500	1,400	4,900	40%
	850	7	10,000	1,400	11,400	14%
	5000	7	20,000	1,400	21,400	7%
	1000	7	7,000	1,400	8,400	20%
	3000	7	15,000	1,400	16,400	9%
3 days	400	3	3,000	600	3,600	20%
	1000	3	5,000	600	5,600	12%
Daily	10	1	250	200	450	80%
	40	1	500	200	700	40%
	100	1	1,000	200	1,200	20%
	300	1	2,000	200	2,200	10%
Average						41%

AFRICELL - PREPAID DATA PRODUCTS

	Bundled Data MB	Validity	Once off Price	SM tax for validity	Cost incl. SM tax	Price increase
Monthly	25	30	1,450	6,000	7,450	414%
	100	30	4,400	6,000	10,400	136%
	125	30	4,900	6,000	10,900	122%
	250	30	9,750	6,000	15,750	62%
	350	30	13,500	6,000	19,500	44%
	500	30	19,500	6,000	25,500	31%
	1,000	30	34,500	6,000	40,500	17%
	1,500	30	44,500	6,000	50,500	13%
	2,000	30	49,500	6,000	55,500	12%
	3,000	30	59,500	6,000	65,500	10%
	3,500	30	75,000	6,000	81,000	8%
	5,000	30	89,000	6,000	95,000	7%
	7,000	30	104,000	6,000	110,000	6%
	10,000	30	124,850	6,000	130,850	5%
	40,000	30	315,000	6,000	321,000	2%
	100,000	30	480,000	6,000	486,000	1%
80,000	30	430,000	6,000	436,000	1%	
Weekly	50	7	1,750	1,400	3,150	80%
	80	7	2,500	1,400	3,900	56%
	200	7	5,500	1,400	6,900	25%
	800	7	21,900	1,400	23,300	6%
Daily	20	1	250	200	450	80%
	50	1	500	200	700	40%
	120	1	1,000	200	1,200	20%
	320	1	2,000	200	2,200	10%
	600	1	3,200	200	3,400	6%
	900	1	4,500	200	4,700	4%
	1,200	1	5,000	200	5,200	4%
	1,500	1	6,500	200	6,700	3%
	2,000	1	8,500	200	8,700	2%
	3,000	1	12,000	200	12,200	2%

Average

40%

UTL - PREPAID DATA PRODUCTS

	Bundled Data MB	Validity	Once off Price	SM tax for validity	Cost incl. SM tax	Price increase
Monthly	500	30	14,500	6,000	20,500	41%
	1,000	30	28,000	6,000	34,000	21%
	3,000	30	65,000	6,000	71,000	9%
	5,000	30	100,000	6,000	106,000	6%
	10,000	30	115,000	6,000	121,000	5%
Weekly	100	7	2,000	1,400	3,400	70%
Daily	50	1	600	200	800	33%
	100	1	1,000	200	1,200	20%
Average						26%

/ASSUMING DATA IS USED EVERY DAY FOR SOCIAL MEDIA

Prepaid data increase across all prepaid data products due to SM tax

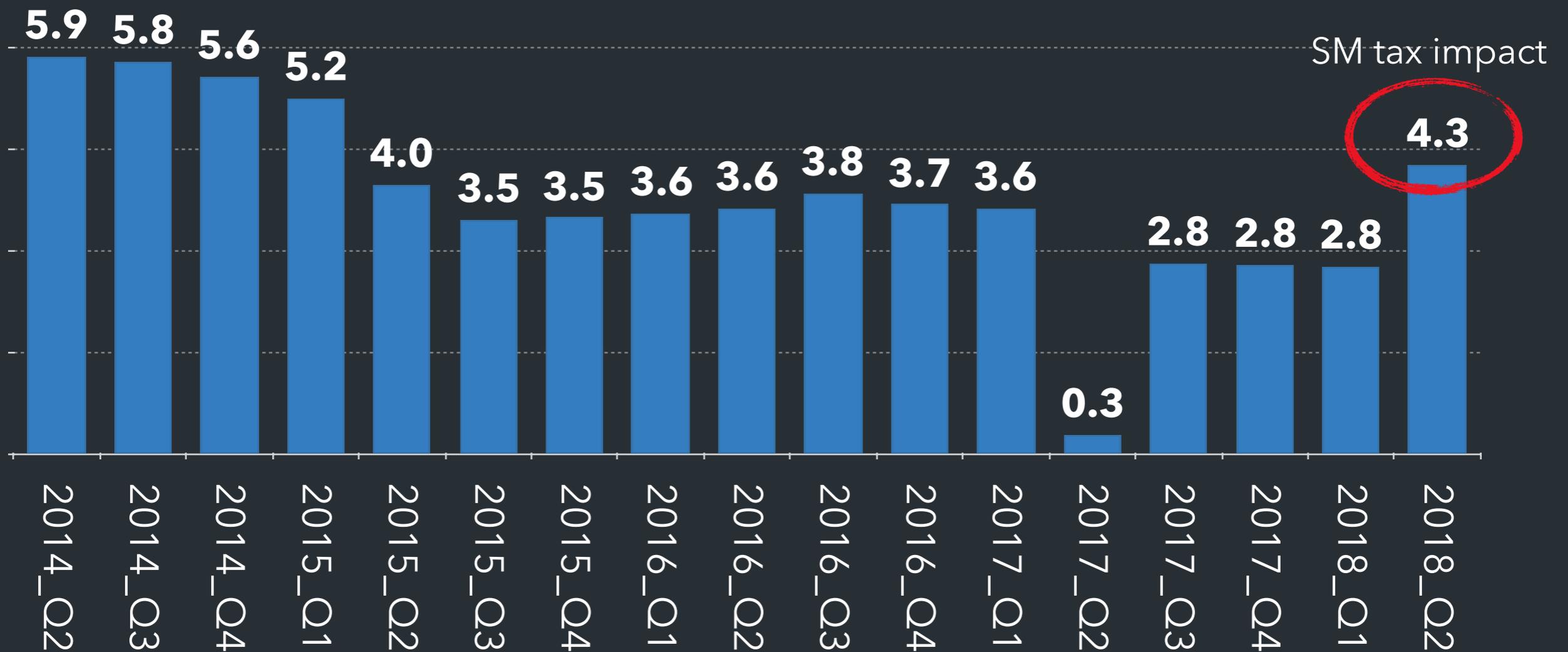


Number of products



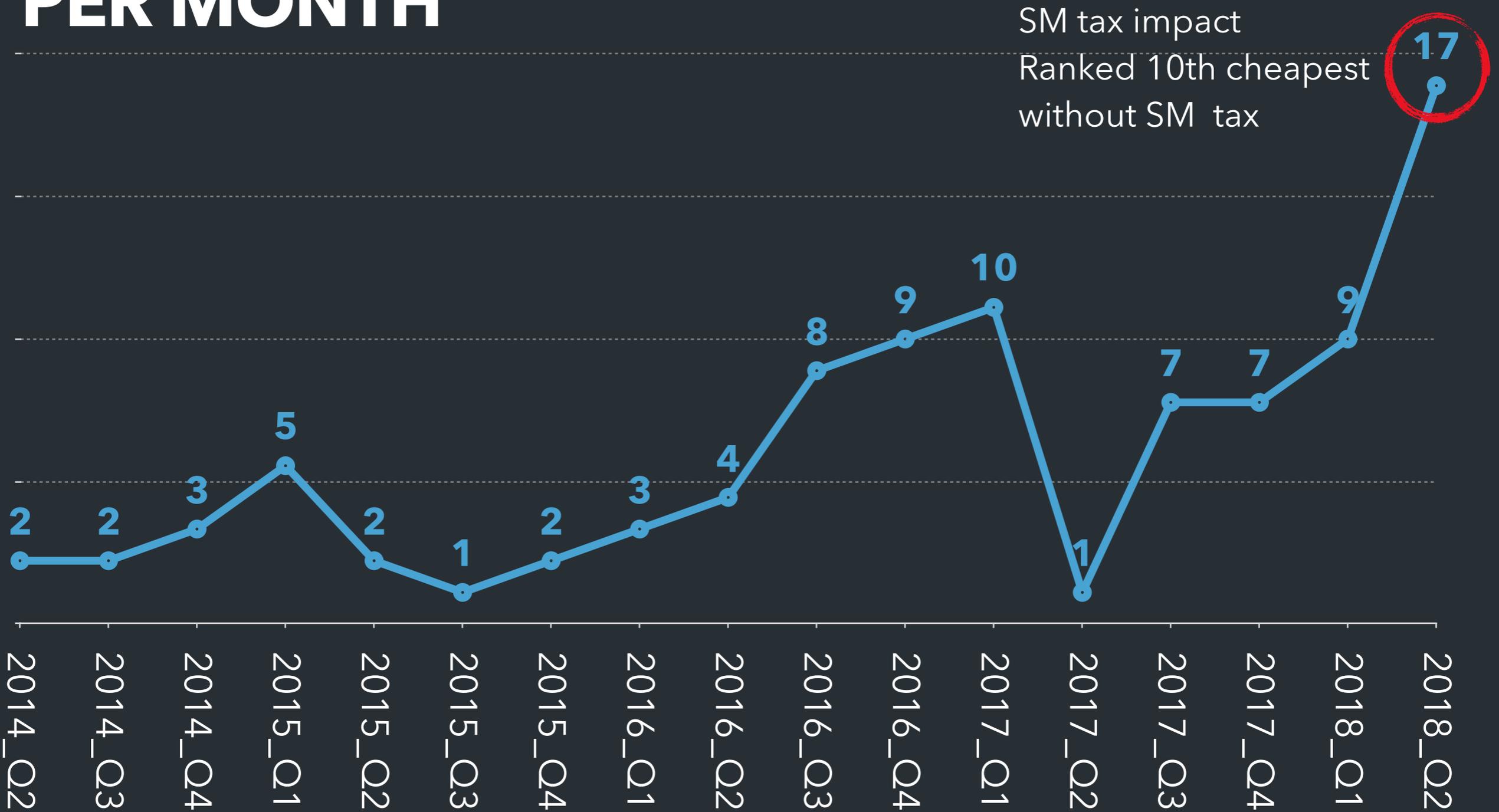
/IMPACT OF SOCIAL MEDIA TAX ON OECD BASKETS

CHEAPEST PRODUCT FOR 1GB PREPAID PER MONTH



Uganda was briefly the cheapest in Africa with offer from Smart with product Twemal'Egogga Offering 100 MB daily for a month for a once off payment of UGX 1,000

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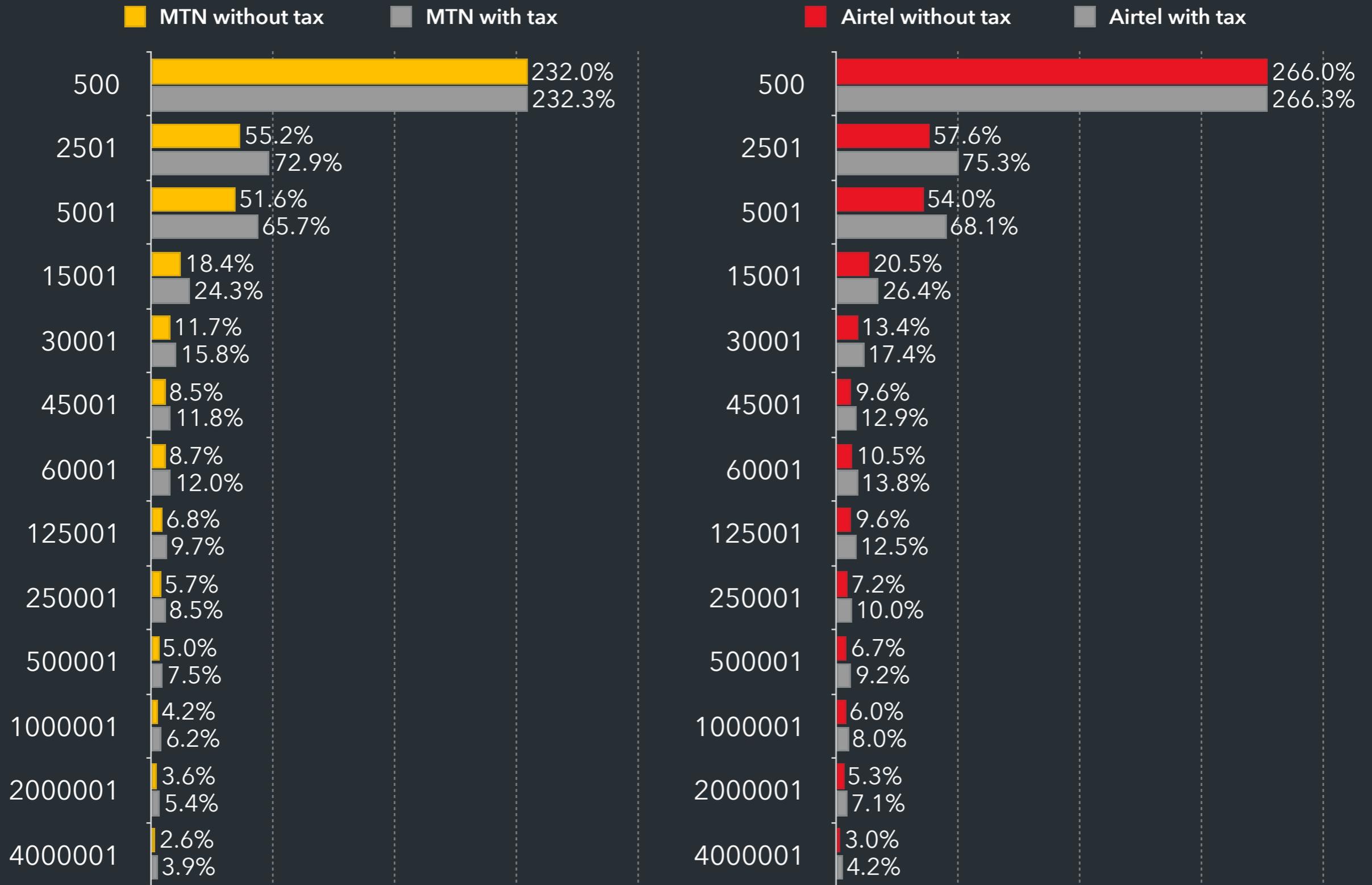
CHEAPEST PRICES FOR PREPAID MOBILE BROADBAND FOR Q2 2018

Monthly prepaid data	Price in USD		Price increase in %	Ranking in Africa	
	without SM tax	with SM tax		without SM tax	with SM tax
100 MB	0.67	2.27	240.1%	10	17
500 MB	1.60	3.20	100.0%	10	17
1 GB	2.67	4.27	60.0%	10	17
2 GB	3.99	5.59	40.1%	10	17
5 GB	6.39	7.99	25.0%	10	17
10 GB	7.99	9.59	20.0%	10	17
20 GB	22.86	24.46	7.0%	10	16
Average			70.3%		

SM tax adds UGX 6,000 per month to the bill, assuming every day SM use.

/IMPACT OF MOBILE MONEY TAX

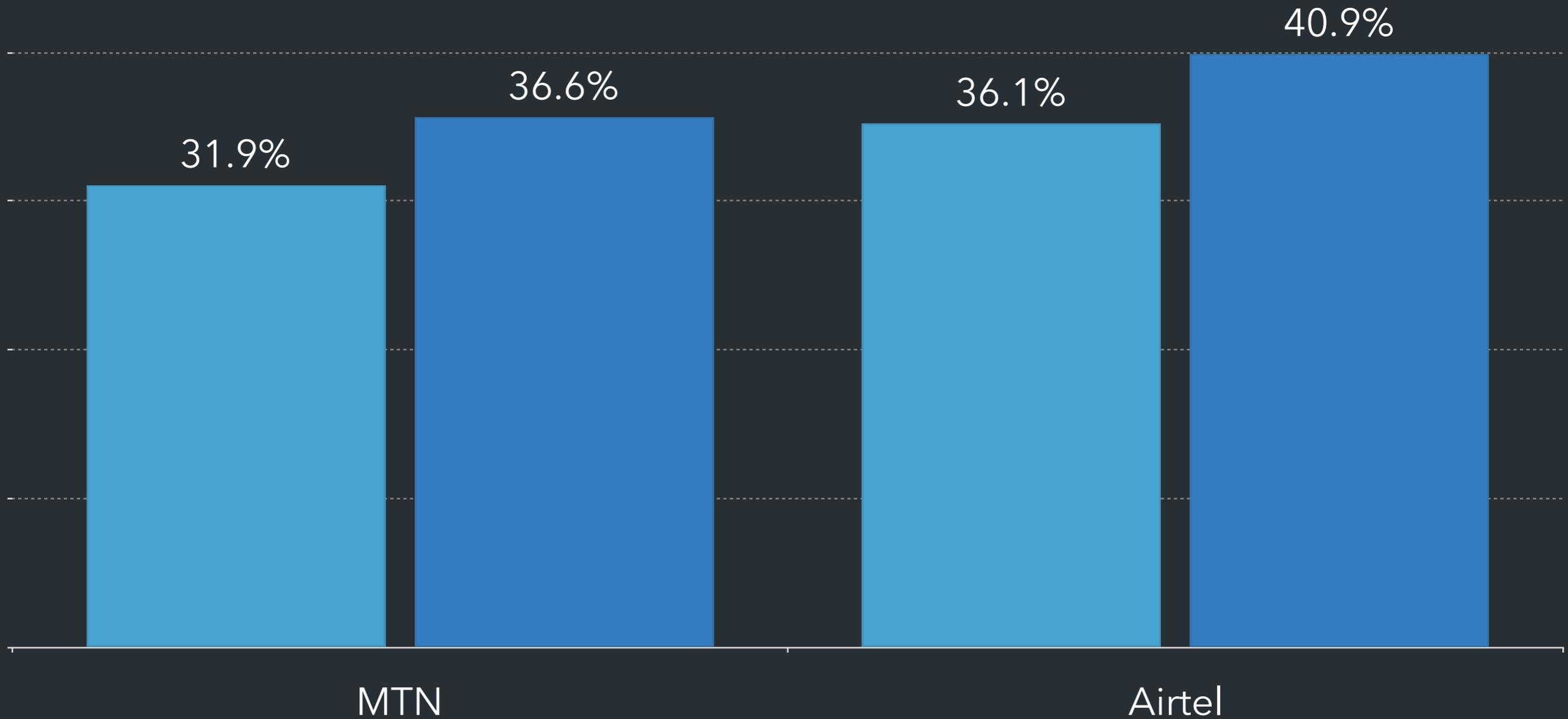
COST RELATIVE TO TRANSACTION AMOUNT



Cash to cash transaction to unregistered user

AVERAGE COST RELATIVE TO TRANSACTION AMOUNT

Without Tax With Tax



Cash to cash transaction to unregistered user

AVERAGE COST RELATIVE TO TRANSACTION AMOUNT

■ MTN

■ Airtel

14.9%

13.2%

Price increase across all transaction amounts due to mobile money tax

/CONCLUSION

- Social Media tax lets Uganda slips from 10th to 17th rank in terms of prepaid data prices
- Across OECD data baskets the SM tax results in a 70% price increase on average
- Across operator products the SM tax results in 23-62% price increase on average
- Mobile money tax results in a 13-15% price increase for cash to cash transactions to unregistered users.

NEXT STEPS

- Expand price analysis
- Estimating price elasticities
- Calculating net tax effect
- Estimate impact on GDP growth and job creation

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