

DIGITAL TAXES ARE SPREADING ACROSS AFRICA — AND IT'S HURTING CONNECTIVITY



Taxes on digital services introduced in:

UGANDA COST TO CONNECT: 8.07%* 200 Shillings (US \$0.054) daily levy for use of over-the-top services	TANZANIA COST TO CONNECT: 5.76%* 1 Million shillings per annum (US \$435) licensing fee for online content creators	KENYA COST TO CONNECT: 4.05%* In 2018, duty tax on voice, SMS and data services increased from 10% to 15%	ZAMBIA COST TO CONNECT: 3.88%* Projected at 30 ngwee (US \$0.03) daily tariff on internet phone calls (VOIP)
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*** Price USD for 1GB of data as a percentage of average monthly income (2018)



These taxes are having a negative impact on access and affordability



- A4AI research shows that, on average, **Africans face the highest costs to connect.**
- As people in some countries face additional charges in the form of taxes, many **are likely to be pushed offline.**
- For those not yet connected, **access drifts further out of reach.**
- Example: In Uganda, internet subscriptions **fell by 2.5 million** after the taxes were introduced.
- Bottom line: These taxes are short-sighted strategies with long-term consequences. Increasing the cost to connect builds up the barriers to connectivity and contributes to a **growing digital divide.**

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.

- While the gender gap has narrowed in the past year, a new Economist report estimates that men are 24.8% more likely to have access to the Internet than women.
- Our research on women's experiences with the taxes in East and Southern Africa found:
 - The ability of people to pay the taxes depended largely on their socio-demographic status. The taxes are therefore likely to **deepen digital inequality** between the rich and the poor.
 - **One of the main barriers keeping many women offline is skills.** The tax is likely to exclude those who could most benefit from the ease of use of select services, 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.**

While some taxes exist simply to raise revenue, others are designed to shape behaviour.

- These types of taxes directly burden the individual user.
- When consumer taxes for OTT services are not designed properly, it can have an adverse effect on the objective of revenue generation, erode trust in government and impact how people use the internet.
- Taxes in the ICT sector or on big tech need to be fair, support the public good, and not discourage individual connectivity or social media use.

Therefore, we recommend that governments consider the following actions:

1. Seek input from varied groups

- Pursue evidenced-based ex-ante assessments of the impacts of these taxes — particularly for groups less likely to use the internet, including women, rural and low-income communities. Include proper and representative stakeholder consultations, seeking input from varied groups.

2. Implement gender responsive policies

- Actively consider gender issues and the gender gap in internet access when developing taxation policies — from conception to implementation and monitoring.

3. Prioritise inclusion

- Pursue ICT policies that promote digital inclusion and increased economic growth, in place of social media taxes that can lead to a decline in government revenues from the sector.

A global coalition working to make broadband affordable for all

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