

The background of the slide is a photograph of a woman wearing a white sun hat and a striped shirt, sitting in a rickshaw. The rickshaw is blurred, suggesting motion. Behind her is a large wall covered in a dense, colorful mosaic of many discarded mobile phones of various models and colors.

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Taxation of mobile telecoms

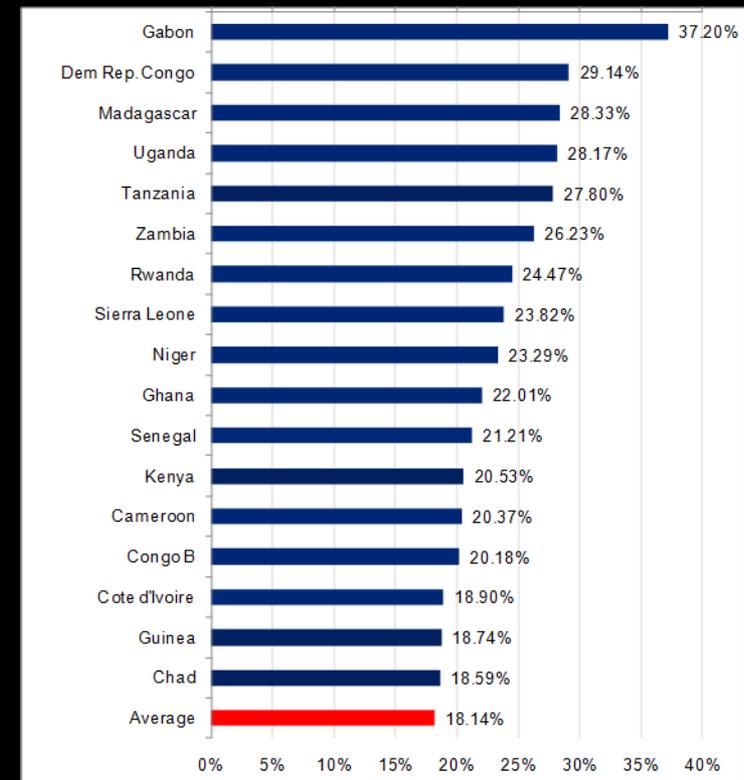
Reducing sector-specific taxes on consumption and international traffic is beneficial to all parties

Sector-specific taxes on mobile telecoms have negative impacts



- Mobile telecoms is a significant contributor to national economies
 - Direct monetary contribution
 - Mobile services stimulate activities in the wider economy further boosting GDP
 - Provides sustainable employment opportunities to millions across the region
 - Improves productivity of employees and businesses
 - Social benefits (e.g. m-money)
- Sector-specific taxes on mobile telecoms are harmful
 - Prevent take-up of mobile services
 - Discourage usage
 - Hinder investment in networks and services

Tax as a proportion of total cost of ownership in some countries in Africa are above global average



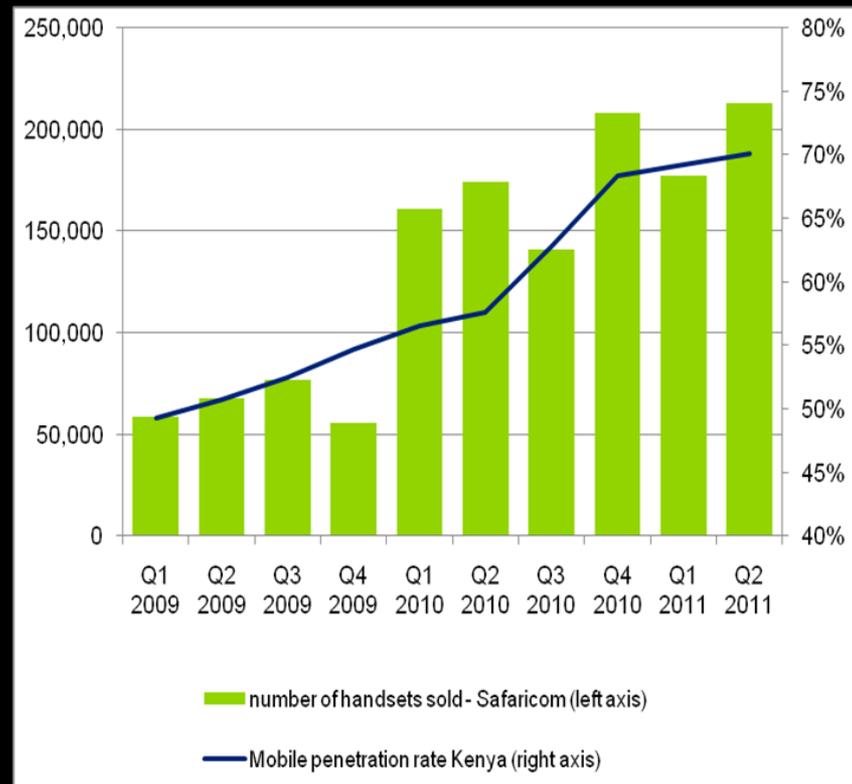
Source: GSMA/Deloitte Global Tax Review (2011)

Reducing sector-specific taxes on mobile telecoms benefits citizens, businesses and governments



- High taxes send the wrong signals on consumption and investment
 - Limits the value creation potential of mobile
- Reducing mobile taxes could be beneficial
 - Increases take-up of mobile services
 - Encourages usage of mobile services
 - Stimulates economic activity (*multiplier effect*)
 - Could generate more revenue in taxes
- Kenya abolished taxes on handsets in 2009
 - Increased take-up of services
 - Created more revenue for government

Mobile take-up and handset sales increased in Kenya after handset taxes were removed



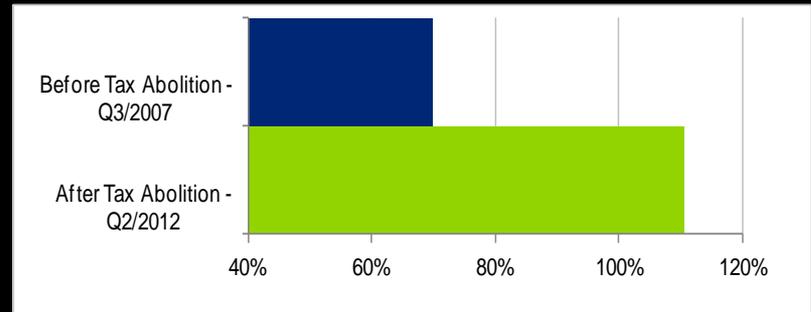
Source: GSMA/Deloitte Case Study on Kenya (2011)

Lowering the tax burden is a win-win



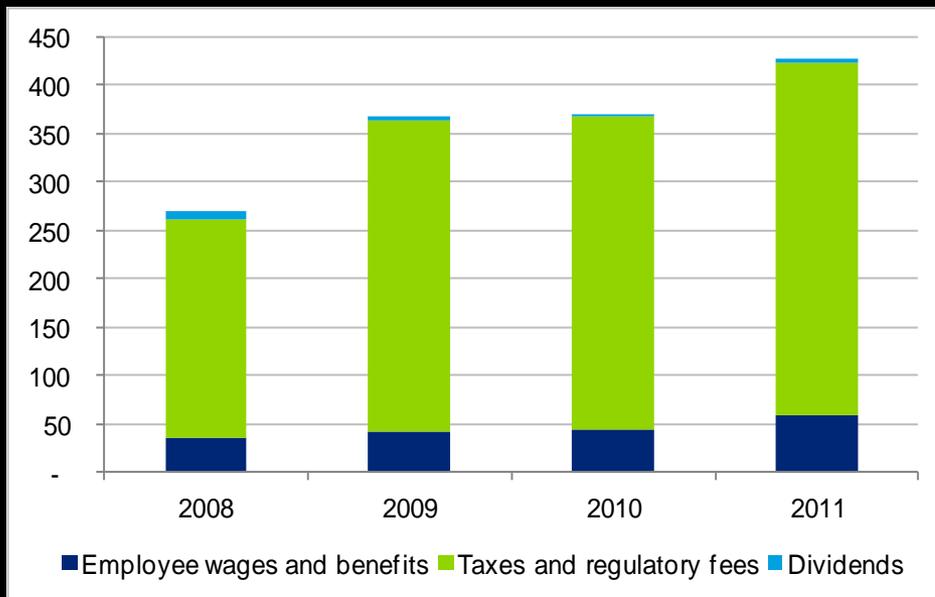
Lowering mobile taxes has benefitted Ecuador

Ecuador abolished a 15% luxury tax on mobile usage



Mobile take-up rates in Ecuador post-tax reduction

- Increased mobile take-up
- Greater economic contribution



Direct supply-side contribution of mobile sector in Ecuador, USD Millions

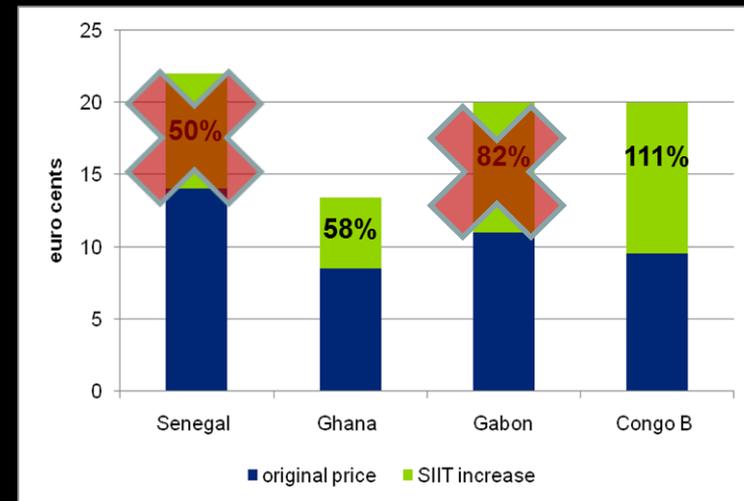
Additional taxes on international traffic could be counter-productive



- Some countries are considering additional charges on international incoming traffic
 - Charges are fixed by government and not set competitively creating market distortions
- Raises call prices
 - Increases the cost of calling the country
 - Other countries may reciprocate increasing the cost of calling other countries
- Negative unintended consequences
 - Reduces level of cross-border economic activity
 - Creates opportunities for arbitrage
 - Damages international reputation and raises questions on compatibility with global obligations
 - Significant implementation costs for no added value

Proposed charges significantly increased international termination charges

Gabon did not go ahead with its proposal. Senegal recently announced it will abolish the surtax.



Governments should carefully consider the negative consequences of taxing international traffic



- Taxing international callers could negatively impact local consumers and businesses and citizens abroad

- Damages international reputation and reduces global competitiveness
 - Might affect a significant proportion of intra-regional traffic and risks a domino effect in the region

- Setting charges for international termination through competitive market mechanisms leads to better outcomes than setting high fixed charges
 - Significant monitoring costs might not result in value-add for the national economies

Governments should move towards an optimal tax regime for mobile telecoms



- An optimal taxation policy balances government revenue, socio-economic development goals and international competitiveness
 - Taxing mobile telecoms as a luxury good is not aligned with the other policy goals
 - Revenues from high taxes might not outweigh the lost GDP and socio-economic benefits

- Countries should consider the abolishment/reduction of sector-specific taxes on mobile services
 - Higher taxes on mobile services send the wrong signals for consumption and investment
 - Increasing the taxation levels are not aligned with the goal of creating a digital economy
 - Reducing the tax burden would benefit the country

- Countries should be aware of the unintended negative impacts of taxes on international traffic
 - Taxing international traffic is not aligned with the direction of travel towards a liberalised telecommunications environment

Taxation of mobile telecoms

Reducing sector-specific taxes on consumption and international traffic is beneficial to all parties



Questions?

Thank you