



Taxation

GOVERNMENTS NEED TAX revenues in order to provide public services and infrastructure — but who and what should be taxed, and how much? Telecommunications has often been seen as a healthy sector that can be tapped; however, its central role in supporting economic growth means that taking too much in tax could have negative effects on the wider environment. The evidence suggests that the more a society has access to information and communication technologies (ICTs), the more it flourishes.¹

Many administrations are beginning to share this view and are reducing or eliminating taxes on equipment (such as handsets) or prices for services, influencing how many people can connect and make full use of what is offered. In other countries, however, taxes are being imposed anew.

Tax authorities, regulators and operators need to work together and decide what levels of tax would be most productive. They could also look at whether, in addition, targeted incentives could be used to stimulate the provision of more advanced services, such as broadband.

Regarding international services, administrations will come together at the World Conference on International Telecommunications 2012 (WCIT-12), to review the International Telecommunication Regulations (ITRs). Article 6 of the regulations mentions tax, and the conference will debate whether the provisions should be altered.

DOUBLE TAXATION

A related topic on the table at WCIT-12 is the issue of double taxation: the liability of telecommunication operators to pay tax in more than one country on the same asset or service because they are involved in cross-border business and investment. These operators might also find themselves trying to obey conflicting rules and definitions of different tax authorities.

The proposals on this topic for the ITRs include revising the current text to clarify that it is intended to prevent double taxation, or to revise it in order to limit certain types of tax, especially on incoming international traffic. Other views range from leaving the current text unchanged to deleting it entirely.

¹ See, for instance:

Chapter 3 of "Broadband: a Platform for Progress," Broadband Commission for Digital Development, 2011

www.broadbandcommission.org/Reports/Report_2.pdf

Christine Zhen-Wei Qiang "Contribution of ICTs to growth," World Bank, 2003.

http://publications.worldbank.org/index.php?main_page=product_info&cPath=0&products_id=21926