Presentation on Tax Policies and Practice for Digital Services

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Outline

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  - ❖ OECD
  - ❖ GSMA
  - ❖ CGAP

Mobile Economy-Positive Economic Contributions

- Unique Mobile Subs. 5.1b Penetration Rate- 67%
- Mobile industry contribution to GDP-4.6% ($3.9tn)
- Operators Rev & Investment-$1.03tn
- Mobile Ecosystem Contribution to Public Funding(Exclusive of Regulatory and Spectrum Fees -$510bn

Taxation of the Digital Sector

Governments in many countries are increasingly imposing – in addition to general taxes ,sector-specific taxes on consumers of mobile services and devices and on mobile operators.

Always not align with best practice

- Double taxation
- High number of Sector Specific taxes

Impacting the development of global digital economies

- High risk to growth of digital service

Tax Policy

Mobile consumers and operators are subject to a substantial tax burden, increasingly driven by sector-specific taxes

Sub-Saharan Africa Sector – Specific taxes in 2017 average 10% of Market Revenue

- Guinea-31%

Global average is 7.3%

- Sector-specific taxes reduces affordability and Investment

Policy Impact

Digital services enables more efficient payments for goods and services, reduces the informal economy, creates employment and protects vulnerable segments of society from financial shocks.

Consumers-Low Usage

- high tax burden on consumers affect Govt Public Fund.

Low Investment drive on Infrastructure

- No incentive to drive digital service business

Best Practices

Digital transformations and technologies should be seen as an aid and not a hindrance to fair and efficient tax systems

- Tax Systems should be simple and Certain
- Taxes should not undermine Investment
- Taxes should be as broad as possible

Excise Tax on Mobile Money (MoMo)

Excise taxes, such as those imposed in Kenya, Tanzania and Uganda, are typically used to address negative externalities.

They are, for example, imposed on tobacco sales to discourage people from smoking and by driving businesses to raise the price of cigarettes.

As the mobile sector is associated with overwhelmingly positive externalities, the same rationale cannot and should not apply.

There are strong incentives for the Governments to support the growth of mobile money, which is the opposite of what an excise duty is typically designed to achieve.

- Mobile Money contributes to Financial Inclusion
- East Africa MoMo -56% of total Users in Sub-Saharan Africa
- Reduces the Informal Economy – Increasing tax buckets
- Drives sectors such as Agric,HealthCare, Education etc

Conclusion

- There are Positive Externalities of the Digital Service Sector

- Digital Services in many markets in Africa is at its emerging stage despite huge volumes and values recorded by Central Banks.

- Taxing any of these markets undermines the investment case at a time when mobile operators are already under significant cost pressure to expand networks, improve service quality, and address new regulatory requirements.

Thank you!! Any Questions for Clarity, Suggestions and Contributions?