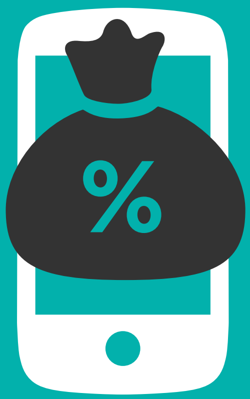
DIGITAL INCLUSION AND MOBILE SECTOR TAXATION 2015



Mobile-specific taxes raise barriers to mobile phone ownership and usage. This is especially the case in developing markets where affordability is critical to increasing digital inclusion and access to the mobile internet.

With 3.4 billion unique mobile subscribers[1], mobile services bring wide-ranging benefits to consumers and businesses around the world. The growth of the mobile sector has enabled broader access to Information and Communications Technology (ICT), enabling information sharing, increased productivity and ultimately economic and social growth.

However, barriers to accessing the mobile internet and services remain, especially in developing countries, where high levels of mobile-specific taxation create an affordability barrier. A new report by GSMA and Deloitte[2] provides a survey of the taxes that apply to mobile consumers and operators.

The report measures the total tax contribution of the mobile industry in 26 countries.

TAXES AND FEES ON MOBILE OPERATORS

- Corporate tax
- Revenue based contributions
- Annual regulatory fees
- Annual spectrum fees

TAXES ON MOBILE CONSUMERS

- VAT
- Customs duty on handsets
- Mobile-specific taxes

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Total taxes and fees paid by mobile operators, including taxes paid by mobile consumers

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Mobile operator revenues

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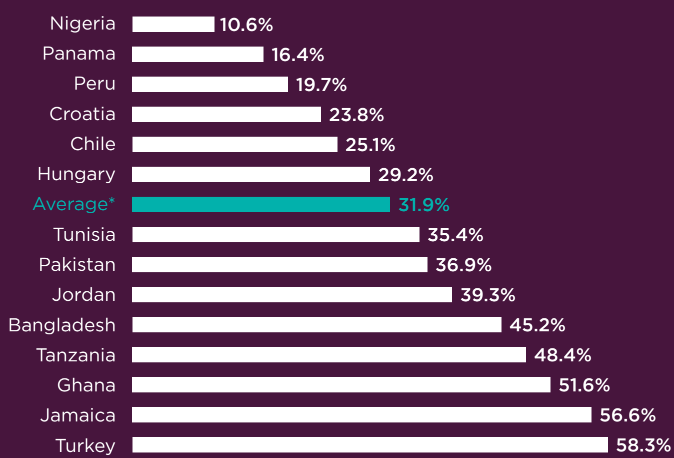
Total recurring mobile tax and fee payments as a proportion of mobile revenues

A significant part of mobile revenues are spent on recurring tax payments and fees, in addition to licence and spectrum fees.

- More than a third of operator revenues are spent on recurring tax and fee payments.
- Taxes and fees on each mobile connection cost US $35.60 on average per year across 26 selected countries.
- Sector-specific taxes make up on average 32% of the recurring payments on mobile services.

Total tax and fee payments as a proportion of mobile revenues in selected countries, 2013



*Across 26 countries *Full results are available in the report*

1 GSMA Intelligence
2 GSMA/Deloitte, Digital inclusion and mobile sector taxation, 2015.

The report covers taxes applied directly to consumers in 110 markets across Europe, Africa, Middle East, Latin America and Asia Pacific.

TAXES ON MOBILE CONSUMERS

- VAT
- Customs duty on handsets
- Mobile-specific taxes: Special taxes on usage / Luxury taxes on handsets / SIM card activation taxes

TOTAL COST OF MOBILE OWNERSHIP (TCMO)

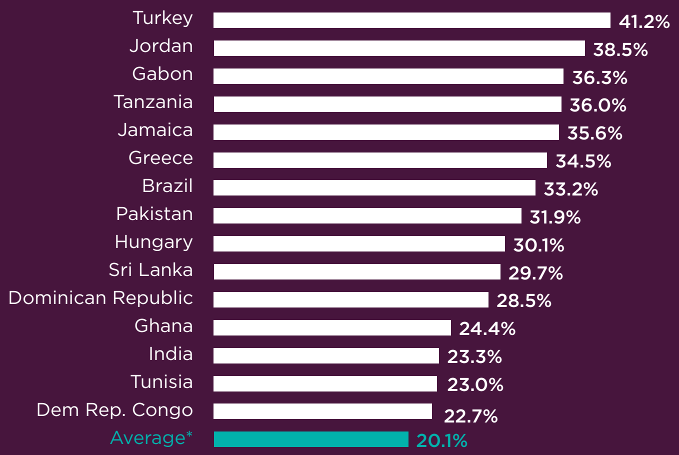
- Handset cost
- Connection cost
- Call, SMS and data usage cost

Taxes on mobile consumers ÷ TCMO = Consumer taxes as a proportion of TCMO

In many developing countries, consumers face higher taxes on mobile than on other goods and services.

- Consumer tax as a proportion of Total Cost of Mobile Ownership (TCMO) was approximately 20% in 2014 in the 110 countries surveyed. This is up from 18% in 2011 and 17% in 2007.
- 44 of the 110 countries levy taxes on consumers that are specific to or are applied at higher rates on mobile services.
- In these 44 countries, mobile-specific taxes contribute, on average, 8% to the TCMO.
- In countries that impose mobile-specific taxes, mobile is taxed about 33% more than the standard VAT rate.

Consumer tax as a proportion of TCMO in selected countries, 2014



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Governments are starting to recognise the benefits of increasing mobile penetration through balanced mobile sector taxation. For example:

- Malaysia abolished a 6% excise tax on mobile use and Sri Lanka a 20% tax on mobile activation.
- Turkey abolished a connection tax on machine-to-machine SIM cards in 2012.
- Croatia removed a 6% tax on operators' gross revenue from mobile use in 2012 and as a result, the sector experienced a 5% increase in capital expenditure from 2012-2013.
- Ghana approved the removal of the 20% import duty on smartphones in 2015.

Key areas for tax reform that could increase the mobile sector's contribution to economic growth and government revenues:

Reduce specific taxation of the mobile sector

Higher than normal taxation on mobile operators and consumers can limit usage of mobile services, reduce the ability of mobile operators to finance their infrastructure, and in the long term, can reduce government tax revenues.

Apply phased reductions of taxes on established services

Phased reductions of mobile-specific taxes enable governments to benefit from additional economic growth from mobile whilst limiting short-term losses in tax revenue.

Reduce taxation on mobile access

Reducing taxation on mobile access lowers affordability barriers to the mobile internet, leading to increased mobile adoption and usage as well as related socio-economic benefits.