



Connected Living



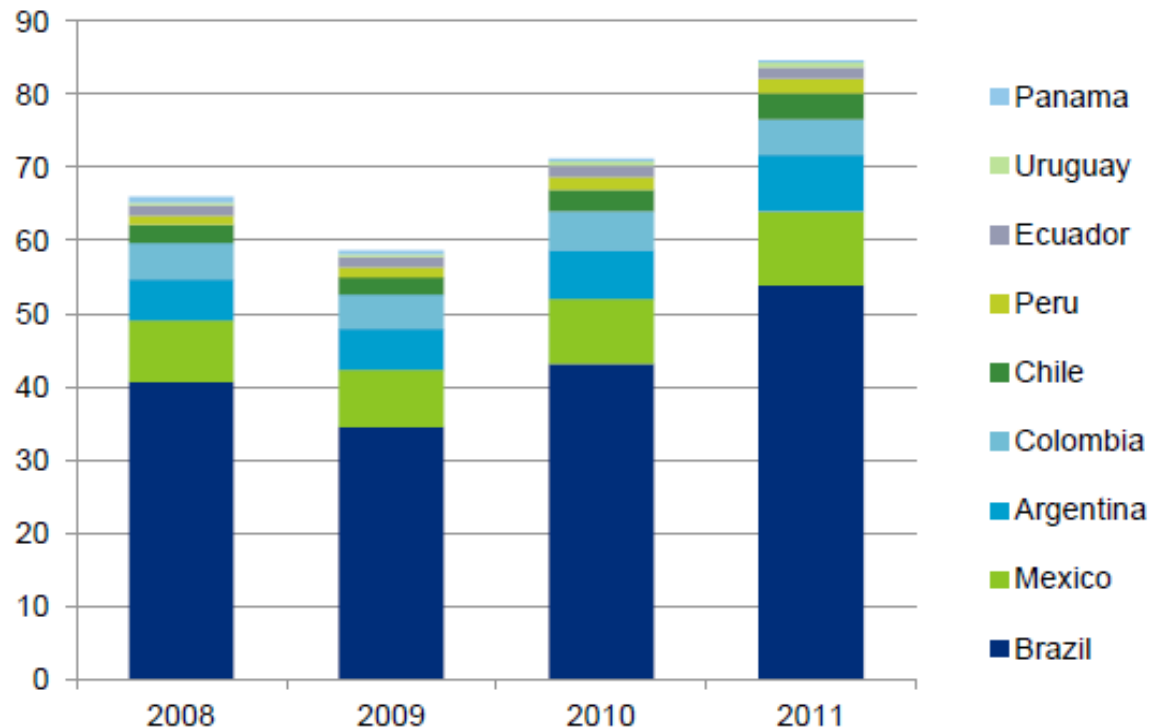
Tax break to enable the growth of M2M services

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Significant contribution of mobile to Latin American economies



Supply side value add of mobile telecommunications, US\$ billions



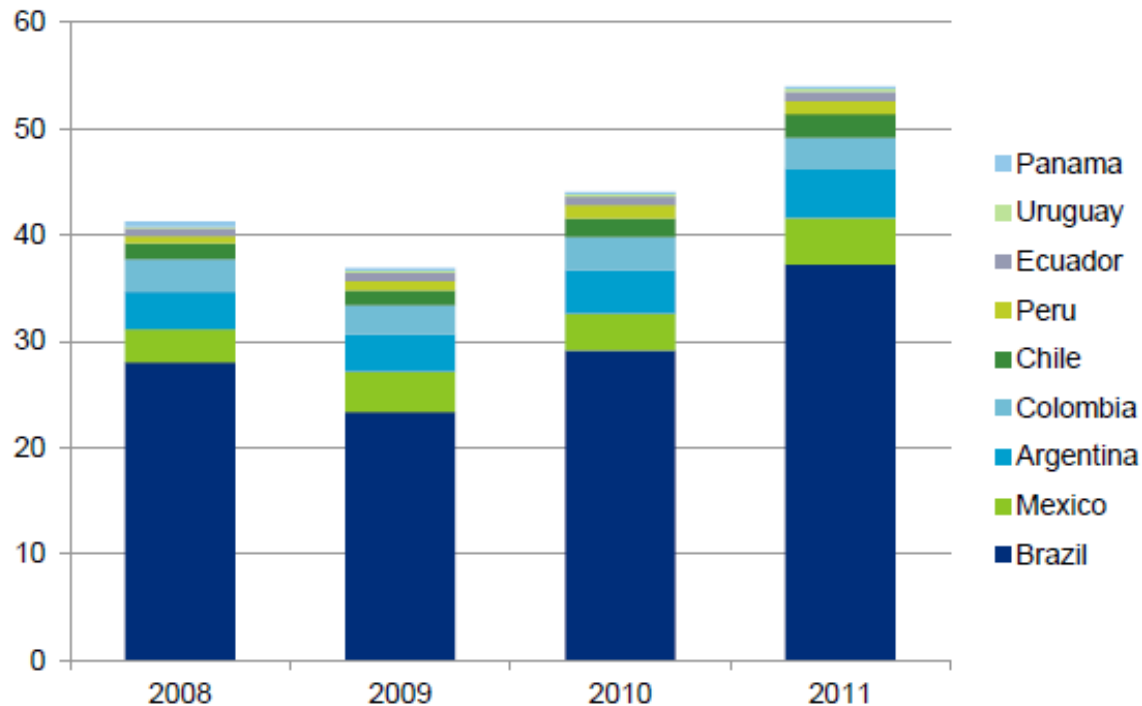
Source: GSMA/ Deloitte, 2012

Brazil represents more than half the value add of mobile services in LatAm

US\$ 54 billion in tax and regulatory contributions in 2011



Tax and regulatory payments from mobile operators and ecosystem, US\$ billions



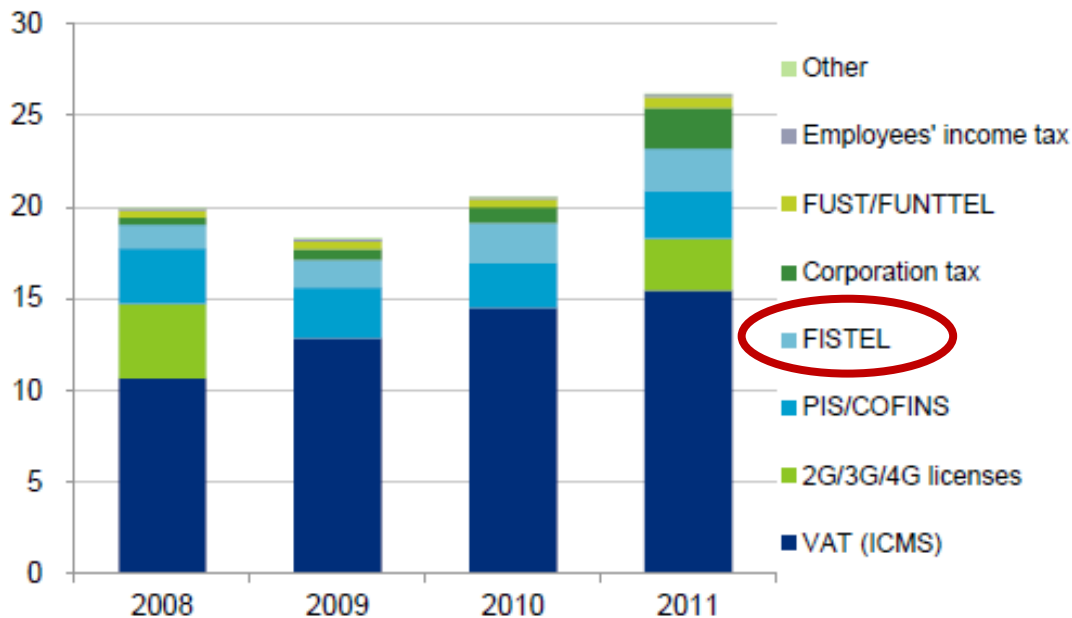
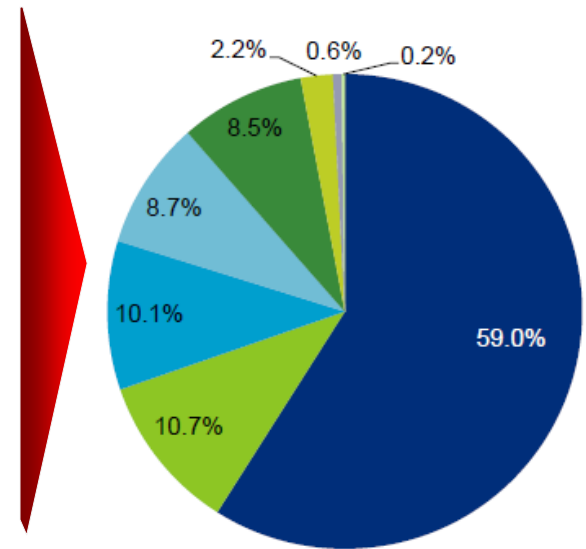
Source: GSMA/ Deloitte, 2012

Brazil also represents more than half the tax revenue on mobile services in LatAm

Case study of Brazil: taxation on mobile services, 2011



Tax and regulatory payments from mobile operators, BRL billions



Source: GSMA/ Deloitte, 2012

FISTEL (federal tax) represents almost 9% of the tax burden. VAT is a state tax.

Brazilian government announces M2M tax break



Telecoms Inspection Fund (FISTEL) in Brazil effectively constitutes a taxation per mobile connection comprised of two fees:

- Installation inspection fee: one-off payment on connection
- Operation inspection fee: yearly payment per connection

In May 2014, the Brazilian government started the implementation of a 2012 law that provides a tax break for machine-to-machine (M2M) devices. However:

- The Brazilian government defines M2M as “communication without human intervention” (e.g. excluding credit card terminals)
- All cuts are specifically aimed at M2M terminals. Smart grid, smart metering, car tracking, remote health monitoring are some of the most common M2M applications being considered by the initiative.

After 2-year delay, narrowly defined tax break to be implemented

Tax break to help boost deployment of M2M services in Brazil



- 8.7 million M2M connections active in Brazil as of the end of Q1-2014
- The changes constitute a **80% reduction in taxation:**

Classification	Before	After
Installation inspection fee (TFI):	26.8 BRL (US\$12.2) per connection	5.68 BRL (US\$2.6) per connection
Operation inspection fee (TFF):	8.94 BRL (US\$4.1) per year	1.89 BRL (US\$0.9) per year

- Government expects the tax break will help the volume of M2M connections to grow to **23.3 million by 2017**

Tax break to enable the growth of M2M services



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