Reforming mobile sector taxation in Ecuador:
Maximising the economic and social benefits of the mobile sector through a more efficient tax system

Mobile services play an increasingly important role in supporting economic growth and social inclusion

THE MOBILE SECTOR ACCOUNTS FOR

2.0% OF ECUADOR’S GDP

In 2017, the mobile sector generated $2.1 billion in revenue

THE MOBILE TAX CONTRIBUTION IS

2.4 TIMES ITS SIZE IN THE ECONOMY

In 2017, the mobile sector paid $622 million in taxes and fees

THE MOBILE SECTOR CONTRIBUTES TO

4.9% OF ECUADOR’S TAX REVENUE

Ecuador lags behind Latin America in terms of smartphone adoption

Smartphone penetration (Q1 2018)

- Ecuador: 49%
- Latin America: 66%

51% OF ECUADORIANS DO NOT HAVE A SMARTPHONE

56% of Ecuadorians are still excluded from mobile internet access
MOBILE CONNECTIVITY IMPROVES PRODUCTIVITY IN THE ECONOMY

Academic studies have shown that “a 10% increase in mobile penetration increases productivity by between 1.0% and 1.3%.”

Through policy reform, Ecuador has the opportunity to facilitate private sector investment, thereby supporting job creation and a better business climate.

ECONOMIC IMPACTS OF TAX REFORM

EY estimated the economic impact of the following tax reforms over a five-year period (2019-2023). The main results, achieved by 2023, are presented below.

<table>
<thead>
<tr>
<th>Description</th>
<th>New unique subscribers</th>
<th>Annual gain in tax revenue</th>
<th>Additional investment in the economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Reduction in recurring spectrum fees</td>
<td>+336,000</td>
<td>+$39m</td>
<td>+$171m</td>
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<tr>
<td>2 Reduction in market concentration fee</td>
<td>+166,000</td>
<td>+$14m</td>
<td>+$78m</td>
</tr>
<tr>
<td>3 Elimination of special consumption tax on mobile services provided to companies (ICE)</td>
<td>+172,000 (new connections)</td>
<td>+$22m</td>
<td>+$85m</td>
</tr>
</tbody>
</table>

THESE TAX REFORMS WOULD BE SELF-FINANCING

These reforms may mean an initial revenue loss in the first year following their implementation. However, in the medium-term, these tax reforms could drive further productivity, thereby leading to a GDP growth. This would raise additional revenue in the medium-term.