

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



OF ECUADOR'S GDP

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

THE MOBILE TAX CONTRIBUTION IS



TIMES ITS SIZE IN THE ECONOMY

THE MOBILE SECTOR CONTRIBUTES TO

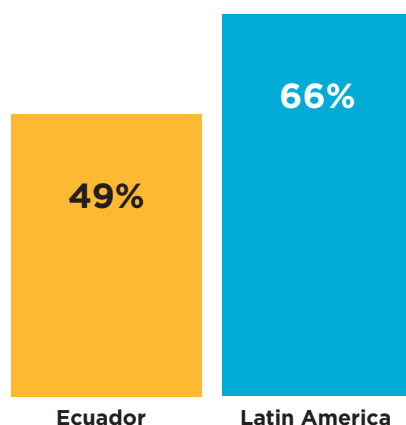


OF ECUADOR'S TAX REVENUE

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

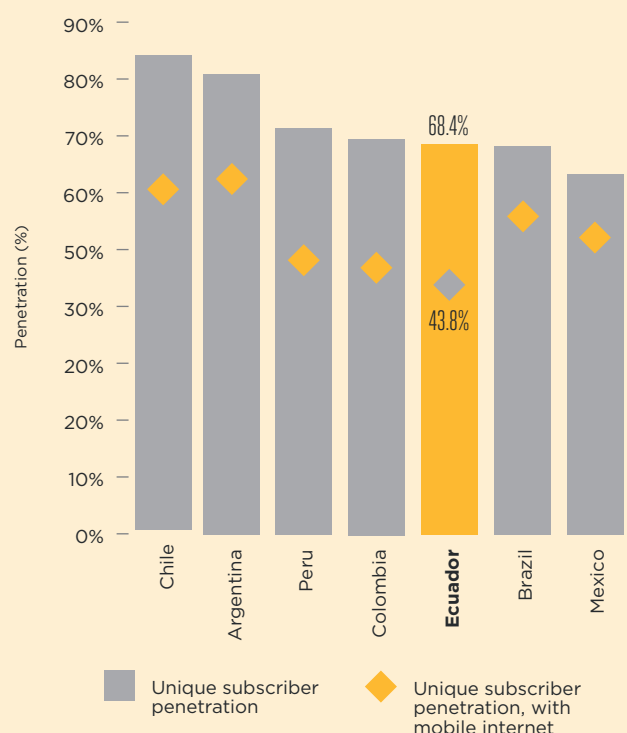
Ecuador lags behind Latin America in terms of smartphone adoption

Smartphone penetration (Q1 2018)

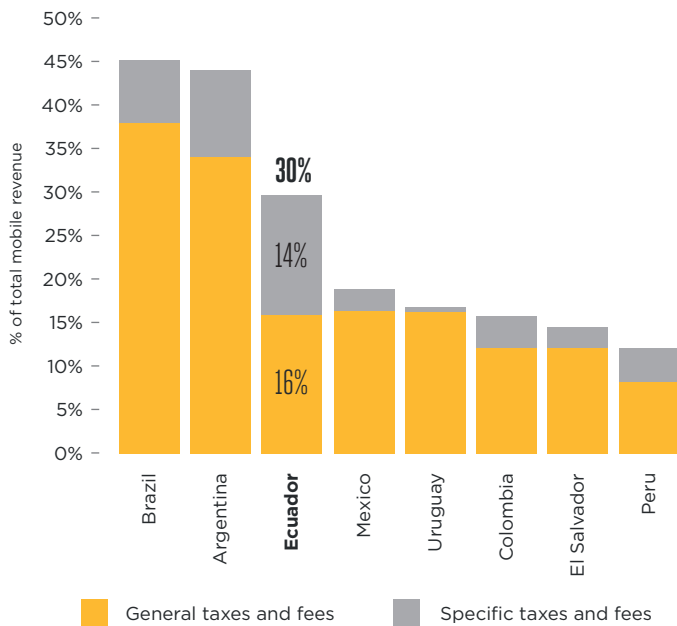


 **51%** OF ECUADORIANS DO NOT HAVE A SMARTPHONE

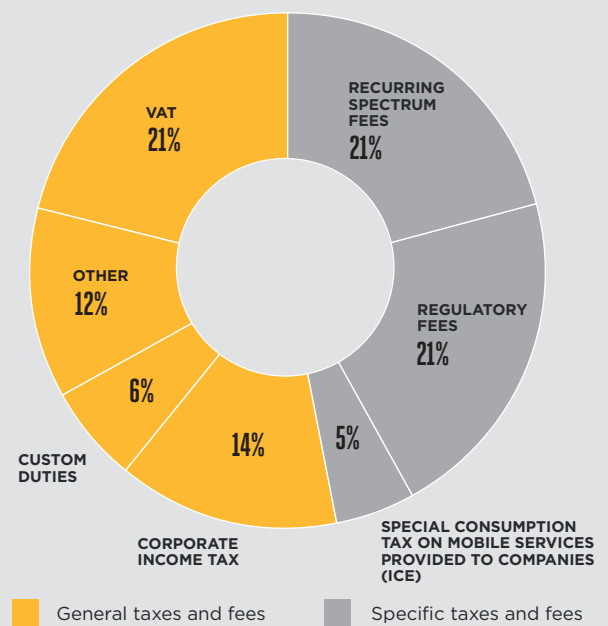
56% of Ecuadorians are still excluded from mobile internet access



The tax contribution of the mobile sector in Ecuador is high compared to other Latam countries



The high tax burden is largely driven by high recurring spectrum fees and regulatory fees



The high tax burden on the mobile sector could discourage further investment, thereby limiting opportunities for further development

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.

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

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.

