



Realizing the potential of connectivity in Brazil: supporting affordability, economic growth and fiscal stability

Mobile services in Brazil connect 70% of the population and deliver widespread socio-economic benefits. By facilitating the exchange of information, mobile connectivity boosts innovation, entrepreneurial activity and productivity, which in turn fosters long-run economic growth and employment in the mobile sector as well as in the wider Brazilian society.

Increased digital inclusion has the potential to support the government's development goals, promoting Brazil's economic recovery. A number of barriers remain to connect the 65 million people in Brazil that still lack access to mobile services:



Mobile broadband costs on average 12% of income for the poorest 20% of Brazilians, well above the affordability threshold of 5% set by the UN Broadband Commission.



The cost of mobile voice and SMS services, according to the ITU, is 2.3% of average income per capita, higher than the average for Latin America and more than twice the BRICS average.



According to a recent GSMA report,¹ affordability is a barrier to internet adoption for 37% of non-internet users in Brazil, the highest in the region behind Mexico and Colombia.



Affordability and network rollout in Brazil are constrained by some of the highest sector-specific taxation regionally and globally, which limits the ability of mobile operators to invest and to pass on savings to consumers.

1. GSMA (2016), Connected Society: Digital inclusion in Latin America and the Caribbean



A recent study of mobile taxation in Brazil, conducted for the GSMA by Deloitte,² identifies priorities for policy change and estimates the socio-economic and fiscal benefits of rebalancing mobile taxation and fees in Brazil.



Recurring regulatory fees, which include contributions to a universal service fund FUST and to a technological development fund FUNTTEL, as well as an inspection fee FISTEL, amounted to more than **6%** of market revenues in 2014, much higher than the average for Latin America of **4%**.

Key findings

The mobile sector's contribution to the government budget is

1.8 times 

more than its share in GDP

The rate of ICMS, a state based sales tax, for mobile services ranges from **25%** to **35%**, higher than for standard goods and services for which the range is **7%** to **25%**.

Mobile operators paid an estimated **BRL 27.2 billion** in taxes and regulatory fees to the Brazilian government in 2014. This represented **48%** of market revenues, one of the highest globally.

Mobile taxes and regulatory fees amounted to **BRL 240 per subscriber** in 2014, which represents **5.9%** of the average GNI per capita of the poorest and **20%** of the average GNI per capita of the poorest.

In Brazil, the number of tax payments made by mobile operators in Brazil is **67%** higher than an average firm. It also takes an average firm in Brazil **2,600** hours to comply with tax legislation, the highest in Latin America and **4** times the South American average.



IMPACTS OF REFORMS TO SECTOR-SPECIFIC TAXATION BY 2020:

| | TOTAL MOBILE CONNECTIONS* | MOBILE BROADBAND CONNECTION* | GDP | ECONOMY WIDE INVESTMENT | TOTAL TAX REVENUES |
|--|---------------------------|------------------------------|-------------|-------------------------|--------------------|
| ABOLITION OF THE FUST AND FUNTTEL FEE | +2.8 M | +1.4 M | + BRL 14 BN | +BRL 2.5 BN | +BRL 4.6 BN |
| ABOLITION OF THE FISTEL INSTALLATION FEE | +12.5 M | +6 M | +BRL 29 BN | +BRL 5.2 BN | +BRL 10.2 BN |

* Additional cumulative effect over 2016-2020, otherwise figures show additional effect in 2020

2. GSMA (2016), Digital inclusion and mobile sector taxation in Brazil



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