Reforming mobile sector taxation in Guinea: Unlocking socio-economic gains from mobile connectivity

Mobile telephone services play an increasingly important role in supporting and delivering development, economic growth and social inclusion.

In Guinea, the mobile market has expanded rapidly over the past decade, and there is significant scope to further increase penetration. Despite this strong growth, Guinea still ranks below a number of regional peers when it comes to connectivity.

Today about 54% of Guineans are still excluded from mobile services. Only 14% of Guineans have access to mobile internet.

The lack of affordability of mobile services is constraining the potential for further growth due to high levels of taxation in comparison to other sectors and regional benchmarks. Furthermore, the high level of annual backhaul spectrum fees acts as a barrier to investment and ultimately to usage and migration to new technologies.
Economic impacts of tax reform

The GSMA has commissioned EY to estimate the impacts of three potential tax reforms on the mobile sector and the wider Guinean economy, using a model of the Guinean mobile sector and a Computable General Equilibrium (CGE) model of the economy. The summary table below provides an overview of the main results.

Estimated impacts of tax reductions over a five-year period (2019-2023)

<table>
<thead>
<tr>
<th>Tax Reform</th>
<th>Price of services</th>
<th>Additional investment in the economy</th>
<th>Total new unique subscribers</th>
<th>GDP growth</th>
<th>Total new jobs</th>
<th>Annual gain in tax revenue by 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elimination of the excise duty on bonus calls (taxe sur la consommation téléphonique) – TCT</td>
<td>-4.4%</td>
<td>+$14m</td>
<td>+663,000</td>
<td>+$57m</td>
<td>+4,156</td>
<td>+$13m</td>
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<tr>
<td>Elimination of the surtax on international incoming traffic (SIIT) of $0.12 per minute (price of international incoming traffic)</td>
<td>-42.3%</td>
<td>+$24m</td>
<td>+927,000</td>
<td>+$89m</td>
<td>+13,193</td>
<td>+$8m</td>
</tr>
<tr>
<td>Reduction by 80% of the annual backhaul spectrum fees (redevance faisceaux hertziens)</td>
<td>-2.6%</td>
<td>+$9m</td>
<td>+220,000</td>
<td>+$22m</td>
<td>+3,798</td>
<td>+$2m</td>
</tr>
</tbody>
</table>

These tax reforms are self-financing

The Government may face an initial cost in the first year following the reform, but tax reforms would boost productivity, leading to higher GDP and taxation revenue in the medium-term.

- **$41m** from the elimination of the excise duty on bonus calls (taxe sur la consommation téléphonique – TCT);
- **$15m** from the elimination of the surtax on international incoming traffic (SIIT) of $0.12 per minute; and
- **$5m** from the reduction by 80% of the annual backhaul spectrum fees (redevance faisceaux hertziens).

Unless stated otherwise, data is from 2017

Through policy reform, the government of Guinea has the opportunity to simplify and rebalance mobile sector taxation, leading to increased productivity across the economy, as well as increased digital and financial inclusion.