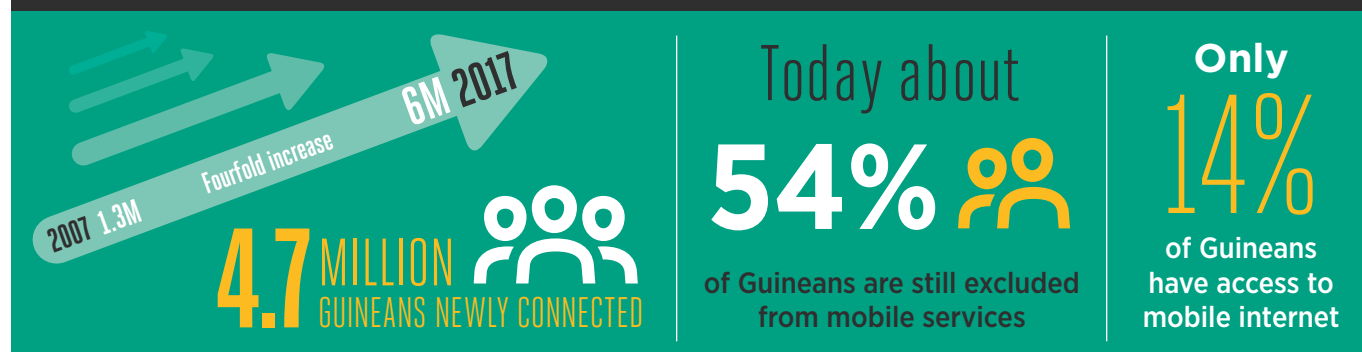


Reforming mobile sector taxation in Guinea: Unlocking socio-economic gains from mobile connectivity

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



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.

The Guinean mobile market presents significant scope for further growth...

unique subscriber penetration

47%

connection penetration

88%

10.9%

...but affordability of mobile services constrains mobile adoption...

The total cost of a **500MB** basket represents **10.9%** of the monthly income of the poorest **20%** of Guineans

5%

This is higher than the affordability threshold of 5% recommended by the UN Broadband Commission for Sustainable Development

and high annual backhaul spectrum fees are a barrier to investment and technology migration



Only

14% of Guineans have access to mobile internet



Only

28% Guineans have a smartphone

Taxes contribute significantly to the affordability barrier and limit investments in 3G/4G

Share of total tax contribution of the mobile sector in its total market revenue:

54%



This is high compared to Senegal (22%), Nigeria (9%) and South Africa (20%)

Mobile operators are subject to high annual fees for backhaul spectrum

(3.9% of market revenue), exceeding levels in other African countries



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

Unless stated otherwise, data is from 2017

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)

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

WHAT IS THE IMPACT ON GOVERNMENT REVENUES?

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.

Over a five-year period, the cumulative fiscal gain would be

- **\$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).



GSMA HEAD OFFICE
Floor 2, The Walbrook Building, 25 Walbrook,
London, EC4N 8AF, United Kingdom
Tel: +44 (0)20 7356 0600
www.gsma.com

©GSMA 2018