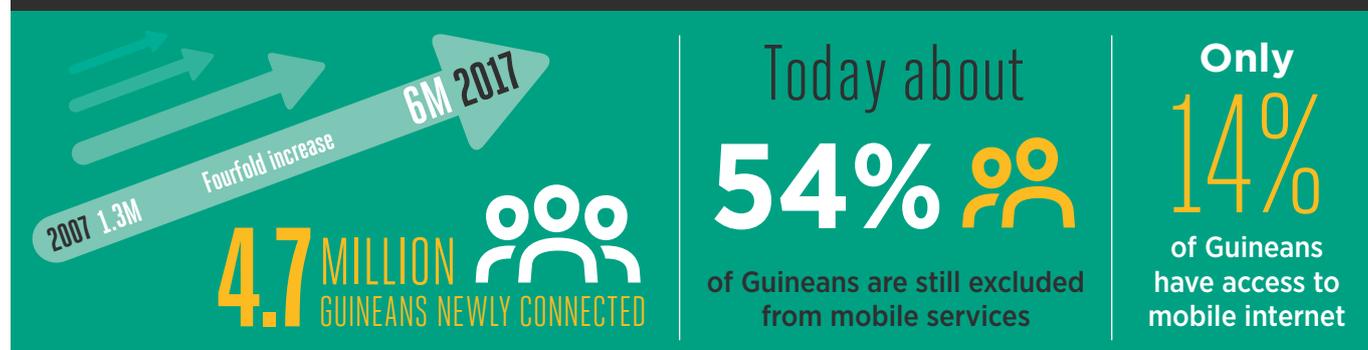


# Reforming mobile sector taxation in Guinea: Unlocking socio-economic gains from mobile connectivity

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...



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

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

5%

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:



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).



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