

Reforming mobile sector taxation in Madagascar:

Unlocking economic and social benefits through tax reform in the mobile sector

Mobile services play an increasingly important role in supporting economic growth and social inclusion

THE MOBILE SECTOR ACCOUNTS FOR



OF MADAGASCAR'S GDP

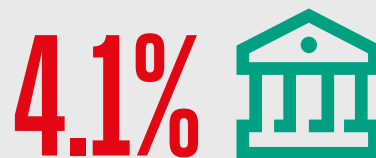
In 2017, the mobile sector generated **\$238 million** in revenue

THE MOBILE TAX CONTRIBUTION IS



TIMES ITS SIZE IN THE ECONOMY

THE MOBILE SECTOR CONTRIBUTES TO



OF MADAGASCAR'S TAX REVENUE

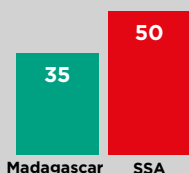
In 2017, the mobile sector paid **\$57 million** in taxes and fees

Mobile Connectivity Index
Madagascar: 33/100

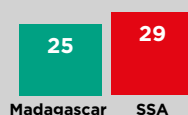
Barriers to connectivity



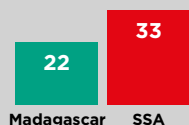
Affordability



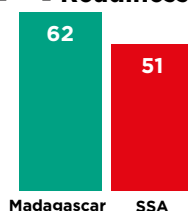
Infrastructure



Content and Services



Consumer Readiness



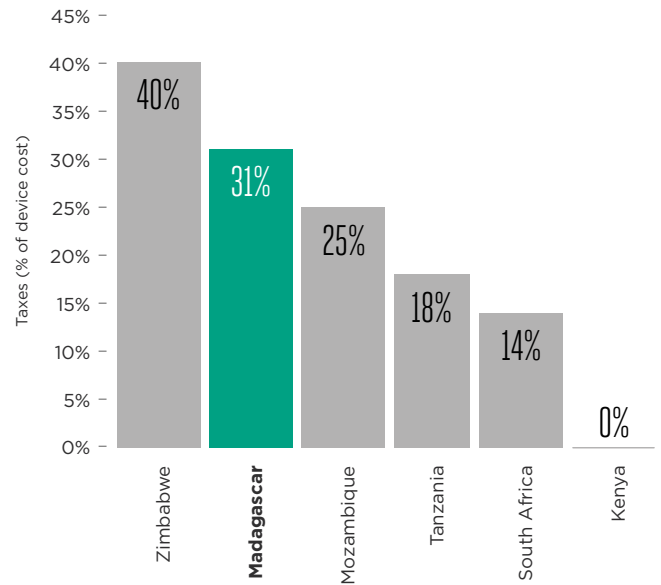
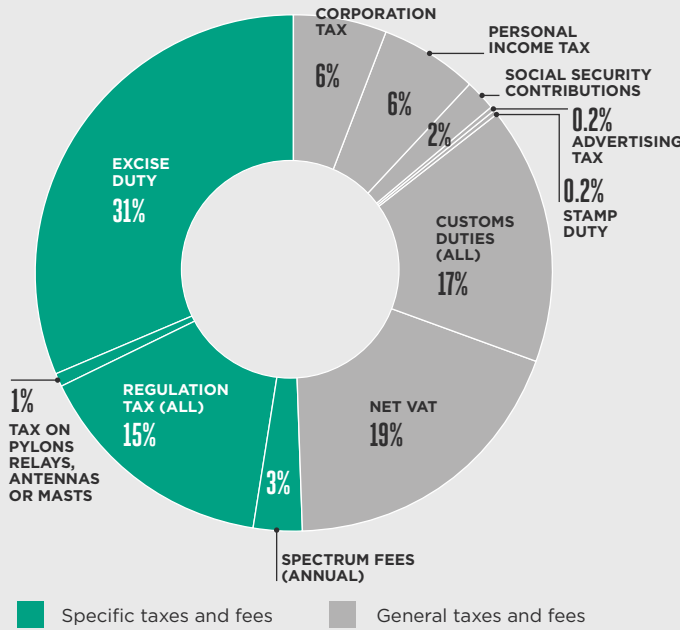
Source: <https://www.mobileconnectivityindex.com/> SSA: Sub-Saharan Africa

87% of the Malagasy population is still excluded from mobile internet access



The total tax contribution represents 24% of revenues. High excise duty is the main driver of the tax burden

Taxes on handsets represent a significant share of the total cost of devices per month



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, Madagascar 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	Elimination of excise duty on mobile services (10%)	+1,284,000	+\$11m	+\$128m
2	Elimination of customs duties on handsets (10%)	+441,000	+\$9m	+\$45m
3	Reduction in the regulation tax on the telecommunications and ICT sector from 2% to 1%	+151,000	+\$1.6m	+\$13m

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.



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