

Mobile Sector Taxation in Eurasia:

Balancing fiscal policy
to accelerate digital
transformation

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GSMA

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Contents

Executive summary	2
1. Overview of the mobile sector: Economic impact and growth potential	5
1.1 Overview of the mobile sector development in Eurasia	5
1.2 Contribution of the mobile industry to the economy, fiscal revenues and employment	6
1.3 The potential of the mobile sector to drive further economic growth	8
2. Mobile industry evolution in Eurasia: A comparative regional analysis	9
2.1 Expansion of mobile internet connectivity	9
2.2 Mobile technology evolution	11
2.3 Usage and coverage gap	12
2.4 Adoption of smartphones	13
3. Review of the mobile sector taxation: A regional comparison	14
3.1 Mobile consumer taxes	15
3.2 Taxes and fees on mobile operators	17
3.3 Tax contribution of the mobile sector	20
4. Assessment of mobile sector taxation in Eurasia and recommendations for reform	22
4.1 Evaluation of mobile tax regimes in Eurasia against best practice principles of taxation	22
4.2 Optimising taxation for economic growth and fiscal stability: Key recommendations to consider	26

Executive summary

Over the past decade, mobile connectivity in Eurasia has expanded significantly, driven by substantial investments to bridge the digital divide. Unique subscriber penetration grew from 68% in 2015 to 79% in 2024, while mobile internet penetration rose from 53% to 67%. Additionally, smartphones' share of total mobile connections increased dramatically from 37% in 2015 to 86% in 2024, reflecting a shift toward advanced mobile technologies.

The mobile sector plays a crucial role in driving economic growth and social inclusion across Eurasia. In 2024, mobile services contributed 7.7% of GDP, generating \$220 billion in economic value, with productivity effects accounting for \$190 billion. The sector also raised \$12 billion for the public sector through taxes, primarily from VAT, sales taxes, and excise duties. Additionally, the mobile ecosystem supported around 620,000 jobs, with 420,000 direct jobs and 200,000 jobs in other sectors.

Despite the mobile sector's strong contribution to economic growth, fiscal revenues, and job creation, there remains untapped potential. In 2024, 28% of the population in Eurasia had mobile broadband coverage, but did not use mobile internet, with countries like Turkmenistan, Tajikistan, and Uzbekistan exceeding this average. Closing this gap could boost socio-economic growth, increase fiscal revenues, and create jobs, further enhancing the impact of mobile internet services.

A conducive taxation environment can play a vital role in addressing the usage gap by fostering investment and reducing barriers to mobile connectivity. In some countries in the region, taxation levels are relatively high, primarily driven by sector-specific taxes and fees imposed on mobile operators and consumers. Additionally, in certain countries, the mobile sector faces discriminatory tax treatment, such as higher-than-standard corporate income tax rates, increasing financial pressures on operators. These taxation policies can hinder both investment in network expansion and the affordability of mobile services, limiting consumer adoption and slowing the deployment of advanced technologies like 4G and 5G.

The GSMA conducted a review of the tax regimes applied to mobile consumers and operators in nine Eurasian countries as per the data collected from the operators in 2024. The review of consumer taxes found that:

- Mobile services in all nine countries are subject to value-added tax (VAT), with rates ranging from 12% to 25%. Tajikistan is the only country that imposes a sector-specific excise duty on services, at 7% in addition to VAT. The average combined tax rate for mobile services in the region is 19%, with Belarus and Tajikistan having the highest rates at 25% and 21%, respectively.
- Mobile handsets are subject to VAT in all nine countries, with Tajikistan and Turkmenistan also applying customs duties on imports. The average combined tax on handsets is 19%, with Tajikistan having the highest rate in the region at 28%, including a 14% customs duty and 14% VAT. Belarus follows with a high VAT rate of 25%.

Additionally, a review of operator taxes and fees in the region revealed that:

- Mobile operators in the region are subject to both general taxes and sector-specific fees. In all nine countries operators pay at least one sector-specific fee which are either calculated as a percentage of operators' revenue or charged as a fixed annual amount. Uzbekistan imposes the highest number of sector-specific fees (4) on mobile operators across the region.

Country	Annual license fee	Annual spectrum fee	USF	SIM card tax	Numbering tax
Armenia		✓			
Azerbaijan		✓			✓
Belarus		✓	✓		✓
Kazakhstan	✓	✓			
Kyrgyzstan	✓	✓			✓
Russia		✓	✓		✓
Tajikistan	✓	✓			✓
Turkmenistan		✓			✓
Uzbekistan	✓	✓		✓	✓

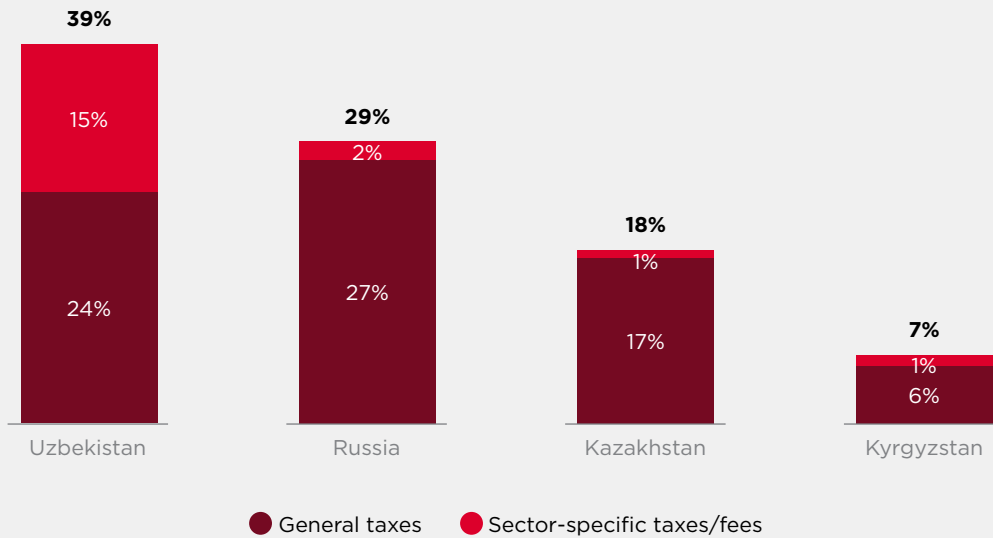
- Corporate income tax rates in the Eurasia region range from 8% to 25%. In some countries, the mobile sector is subject to a higher sector-specific tax rate compared to the base rate. For example, in Belarus, Uzbekistan, and Tajikistan, the mobile sector is taxed at higher rates—30%, 20%, and 20% respectively—compared to their standard corporate tax rates of 20%, 15%, and 18%. Across the region, the average corporate tax rate for the mobile sector is 18%, slightly above the regional base average of 17%. Only Kyrgyzstan and Turkmenistan apply lower, more competitive rates, with Turkmenistan having the lowest at 8% and Belarus the highest at 30%.
- Some countries in the region also impose import duties on network equipment which underpin mobile coverage extension. Import duty rates vary across the countries, with Armenia, Belarus and Russia imposing the highest duty on network equipment at 20%.

The GSMA also gathered and analysed data on tax and fee payments from mobile operators across several markets. In the four markets with available data, the mobile sector contributed an average of 23% of its revenues to taxes and fees. Sector-specific taxes accounted for roughly 5% of total market revenues on average.

In 2024, Uzbekistan’s mobile market faced the highest tax burden among the analysed markets, with taxes and fees amounting to 39% of the sector’s total revenues.¹ This significant burden was primarily driven by sector-specific taxes and fees, which constituted 15% of the total tax and fee contribution in the country.

¹ Effective 1st January 2025, Uzbekistan removed the excise duty on mobile services and relaxed the import duty on network equipment for five years. This will significantly reduce the total tax burden on the mobile sector from its current level.

Mobile sector tax and fee payments as % of the total sector revenues (2024)



Source: GSMA analysis and operators' data

In addition to taxes and fees in many countries mobile operators are mandated to support various government social or technical initiatives, diverting substantial financial resources from network investment. Such initiatives are outside the scope of this report, but in combination with taxes and fees the financial burden on mobile operators in many cases is approaching critical levels, which makes balanced tax policies even more vital for the long-term sustainability of the industry.

A balanced approach to taxation is crucial, ensuring that immediate tax revenues from the mobile sector are weighed against the broader economic and social benefits of digitalisation. Such a framework supports sustainable development and long-term fiscal stability. In recognition of this, Uzbekistan recently removed the 10% excise duty on mobile services and the 12% import duty on network equipment to enhance connectivity and drive mobile internet adoption. According to GSMA analysis, removing the excise duty alone is projected to add 3.3 million connections, increase mobile broadband penetration by 8.4%, and boost GDP by 1.3% by 2029, ultimately generating an additional \$74 million in annual tax revenues for the government.

This report offers the following recommendations to balance mobile sector taxation to encourage investment in the mobile sector and support the adoption of mobile services to drive digitalisation and unlock associated socio-economic benefits across Eurasian countries:

1

Remove sector-specific levies on consumers

2

Adopt broad-based taxation and minimise or remove sector-specific revenue-based fees on operators

3

Leverage mobile technology to improve government revenue collection by formalising the economy and modernising the tax system.



1. Overview of the mobile sector: Economic impact and growth potential

1.1 Overview of the mobile sector development in Eurasia

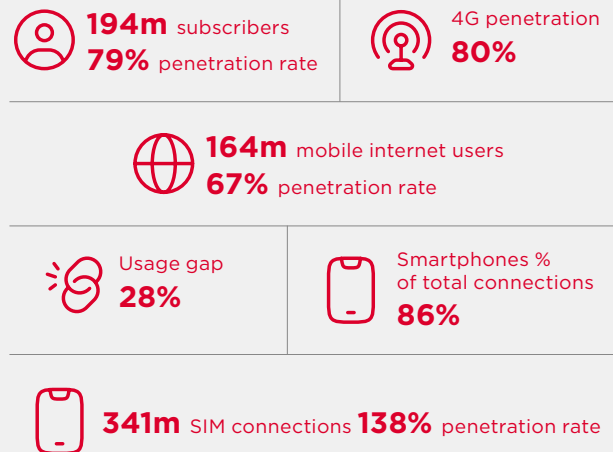
Over the past decade, mobile connectivity in Eurasia has significantly expanded, thanks to the mobile industry's efforts to bridge the digital divide through substantial investments. The mobile market has seen noticeable expansion, with the average unique subscriber penetration increasing from 68% in 2015 to 79% in 2024, while mobile internet subscribers' penetration grew from 53% to 67% during the same period.

Furthermore, the adoption of 4G services has grown rapidly in the region, with the average 4G penetration increasing from 4% to 80% over the past 10 years. Over the years, 3G connections also grew, but they are now beginning to decline as 4G connections gradually replace them. Conversely, 2G penetration has significantly declined, in line with global trends, from 78% in 2015 to 8% in 2024, though it still maintains a notable share of connections.

Last but not least, smartphone connections as a percentage of total mobile connections in the region have increased considerably over the past decade. In 2015, smartphones constituted only 37% of the total mobile connections, but as of 2024, this figure has risen significantly to 86%. This notable growth highlights the increasing adoption of smartphones among the population, indicating a shift toward more advanced mobile technologies. Figure 1 provides an overview of the mobile market in Eurasia.

Figure 1

Eurasian mobile market in figures (2024)



1.2 Contribution of the mobile industry to the economy, fiscal revenues and employment

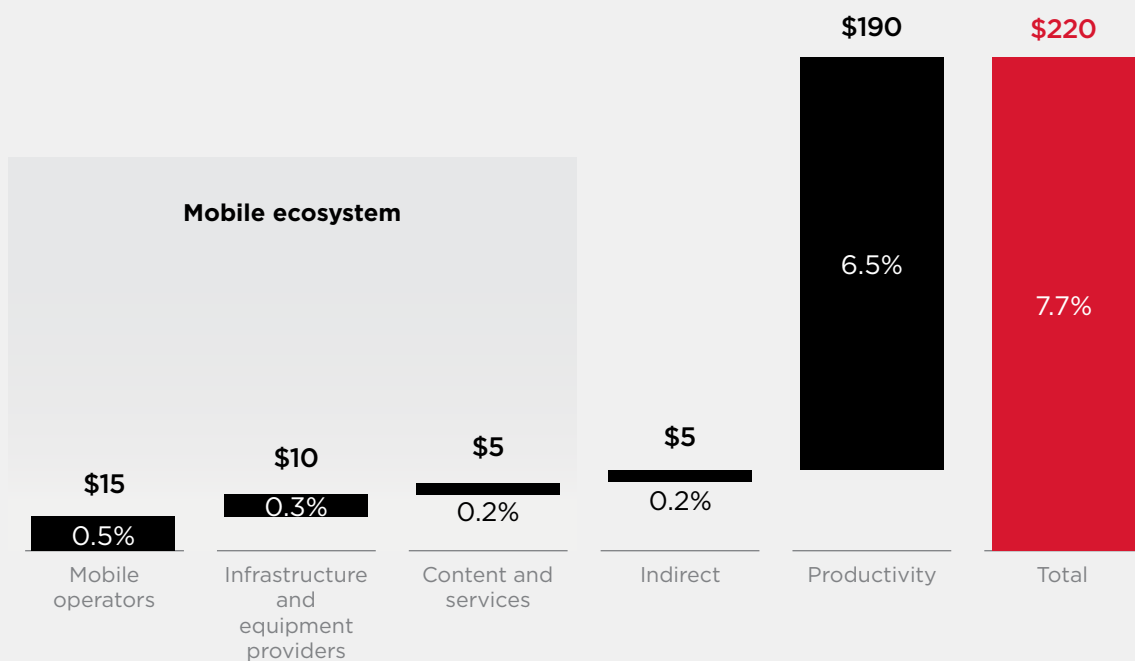
Mobile telephone services are increasingly vital for supporting economic growth and social inclusion in Eurasia. In 2024, mobile technologies and services generated 7.7% of GDP across Eurasia, a contribution

that amounted to \$220 billion of economic value added. The greatest benefits came from the productivity effects reaching \$190 billion, followed by mobile operators, which generated \$15 billion.

Figure 2

Total economic contribution of the mobile sector in Eurasia (2024)

Billion



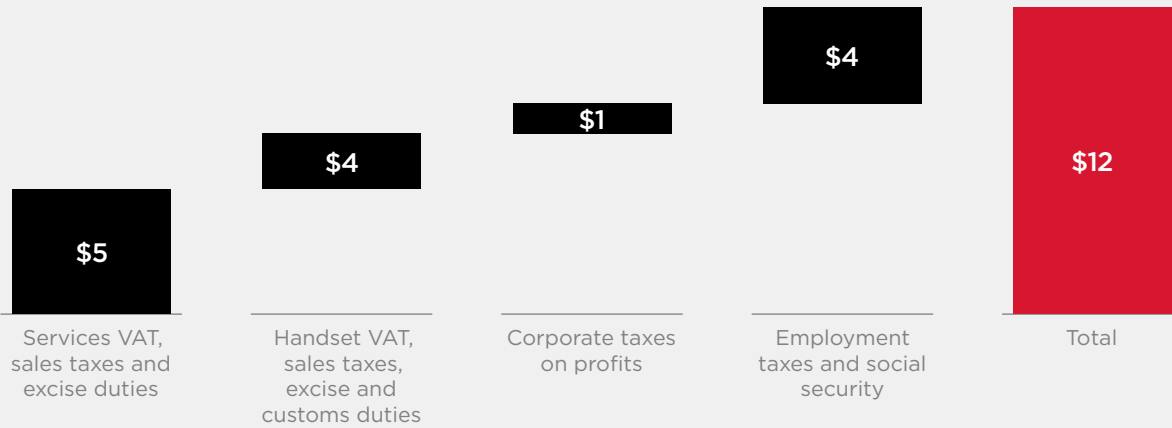
Source: GSMA Intelligence (Total may not add up due to rounding)

Moreover, the mobile sector in Eurasia made a substantial contribution to the funding of the public sector, with around \$12 billion raised through taxes. A large contribution was driven by services VAT, sales taxes and excise duties (\$5 billion), followed by employment taxes and social security (\$4 billion).

Figure 3

Fiscal contribution of the mobile ecosystem in Eurasia, 2024

Billion



Source: GSMA Intelligence (Total may not add up due to rounding)

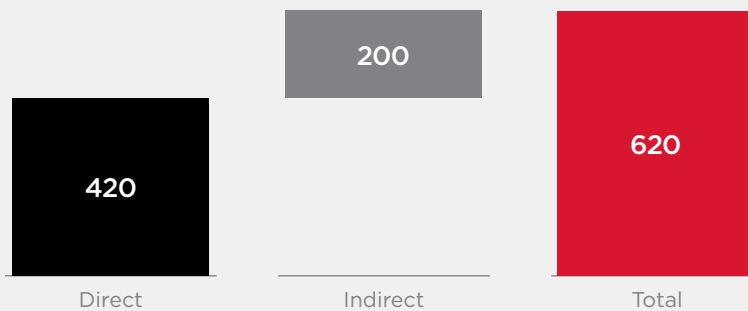
Mobile operators and the wider mobile ecosystem provided direct employment to approximately 420,000 people in Eurasia in 2024.

In addition, economic activity in the ecosystem generated around 200,000 jobs in other sectors, meaning that around 620,000 jobs were directly or indirectly supported.

Figure 4

Employment impact of the mobile ecosystem in Eurasia, 2024

Jobs (thousand)



Source: GSMA Intelligence (Total may not add up due to rounding)

1.3 The potential of the mobile sector to drive further economic growth

While the mobile sector has significantly contributed to economic growth, fiscal revenues, and job creation in the Eurasia region, substantial untapped potential

remains. Unlocking this potential could yield even greater social and economic benefits. Below are two critical areas that require attention:

Addressing the usage gap

As of 2024, the usage gap—defined as the percentage of the population covered by mobile broadband networks but not using mobile internet—stands at 28% in Eurasia. Some countries exceed this regional average, including Turkmenistan, Tajikistan, and Uzbekistan.

This gap represents a missed opportunity to drive socio-economic growth, enhance fiscal revenues, and create regional employment through leveraging mobile internet connectivity. Closing this gap could unlock significant benefits, amplifying the transformative impact of mobile internet services.

Accelerating 4G adoption

Although mobile operators have extended 4G coverage to most of the population in their respective markets, adoption lags behind in some countries. In Uzbekistan, Tajikistan, and Turkmenistan, less than half of the population with 4G coverage actively uses the service. Increased adoption of mobile broadband technologies, such as 4G and 5G, will be essential for increasing digital service usage. This, in turn, will drive social and economic growth by enhancing productivity across sectors, improving government services, creating jobs, and reducing poverty.

A favourable taxation environment is essential for fostering investment and improving mobile connectivity. In some Eurasian markets, high taxation levels, driven by sector-specific taxes and fees on mobile operators and consumers, create significant barriers. These taxes can make services less affordable, particularly for low-income individuals already struggling with rising inflation from global and regional economic turbulence. Moreover, mobile operators in certain countries face discriminatory tax treatment, such as higher-than-standard corporate income tax rates and sector-specific fees, which increase financial pressures and can distort investments in network expansion and could slow down the deployment of advanced technologies like 4G and 5G.

Reforming these taxes and fees to reduce the burden on both operators and consumers would create a more supportive fiscal environment, driving infrastructure development, boosting mobile service adoption, and unlocking the full potential of the mobile sector to contribute to economic growth, fiscal revenues, and job creation.

This report critically evaluates the taxation regimes applied to the mobile sector in nine Eurasia countries and offers essential reform recommendations to balance mobile sector taxation to encourage investment in the mobile sector and support the adoption of mobile services to drive digitalisation and unlock associated socio-economic benefits across Eurasian countries.



2. Mobile industry evolution in Eurasia: A comparative regional analysis

This chapter provides an overview of the mobile market's evolution in the region over the past decade, comparing progress across selected countries and

highlighting the needs for further growth both regionally and within individual markets.

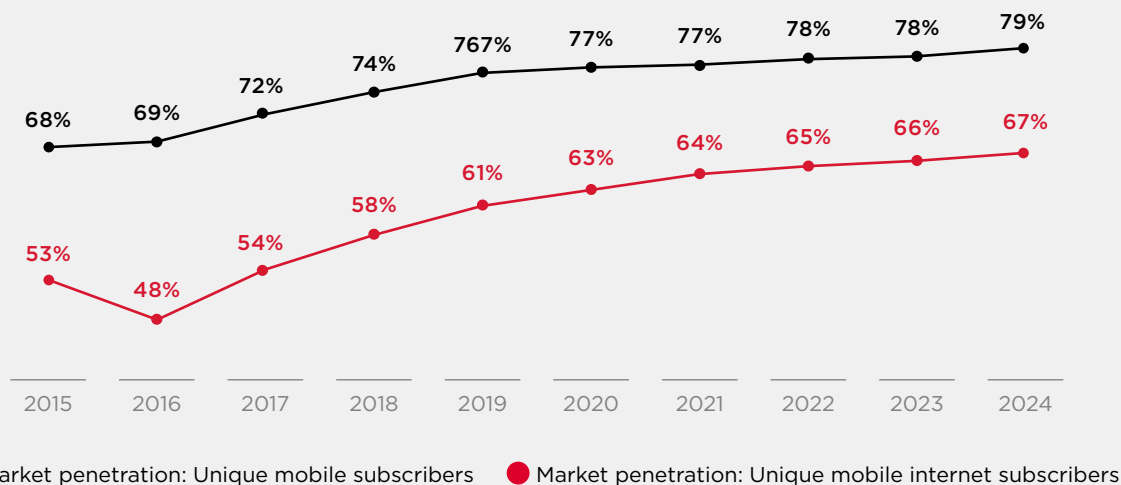
2.1 Expansion of mobile internet connectivity

The average unique subscriber penetration in the region increased from 68% in 2015 to 79% in 2024,

while mobile internet subscriber penetration grew from 53% to 67% during the same period.

Figure 5

Average unique subscribers penetration (2015-2024)



Source: GSMAi data and GSMA analysis

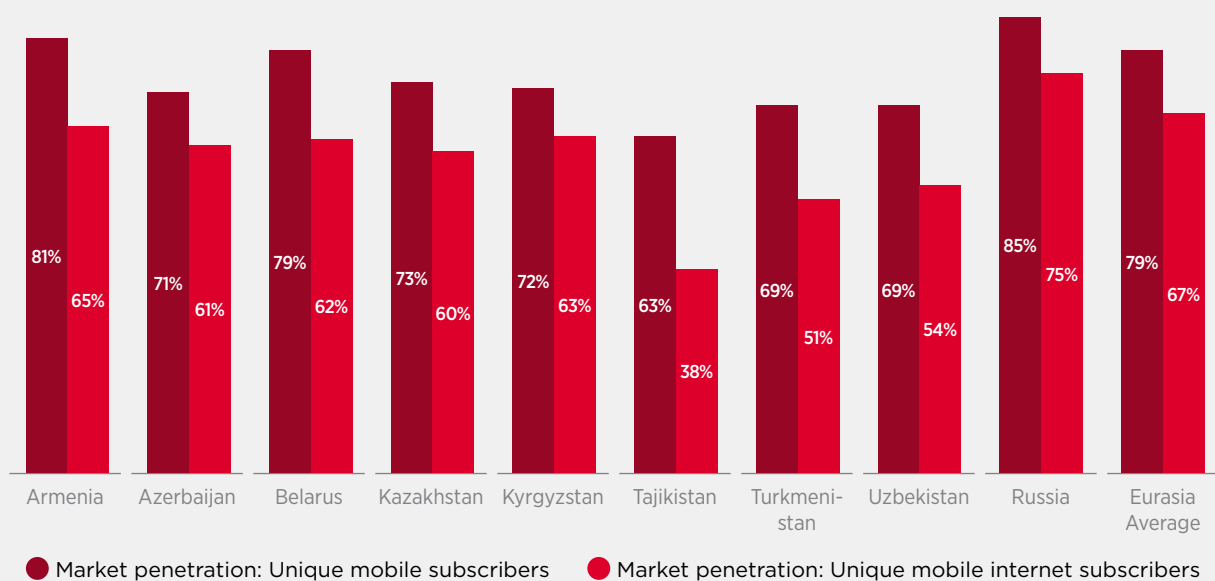


While on average, the region has experienced a 11% increase in mobile subscriber penetration and a 14% rise in mobile internet penetration over the past decade, this growth has not been uniform across all countries. As of 2024, unique subscriber penetration

rates—both overall and for internet access—remain relatively low in Tajikistan, Turkmenistan, and Uzbekistan compared to their regional peers and the overall regional average (see figure 6).

Figure 6

Mobile penetration (unique subscribers - all and with mobile internet) in selected countries in Eurasia (2024)



Source: GSMAi data and GSMA analysis

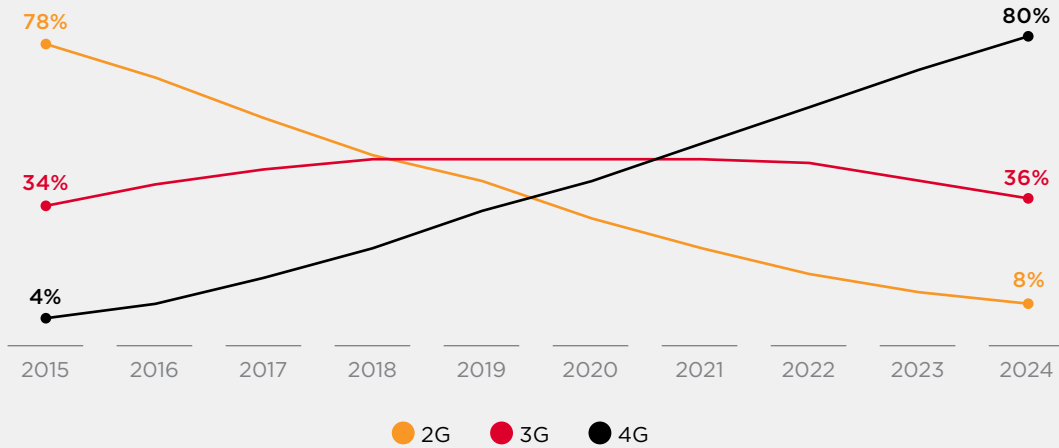
2.2 Mobile technology evolution

As shown in Figure 7, 4G services have grown significantly in the region, with penetration rising from 4% in 2015 to 80% in 2024. Over the years, 3G connections also grew, but they are now beginning

to decline as 4G connections gradually replace them. Conversely, 2G only terminals penetration has significantly declined, in line with global trends, from 78% in 2015 to only 8% in 2024.

Figure 7

Eurasia: Market penetration rate (total connections) by technology (2015-2024)



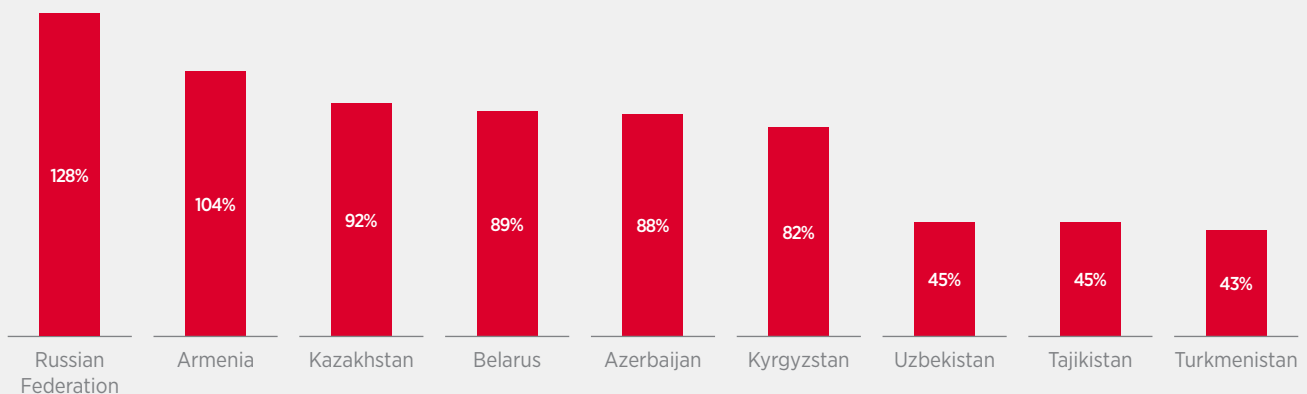
Source: GSMAi data and GSMA analysis

Expanding and adopting mobile broadband technologies (4G and 5G) will be key to increasing digital service usage, driving social and economic growth by enhancing productivity across sectors,

improving government services, creating jobs, and reducing poverty. Figure 8 shows that 4G penetration remains below 50% in several markets, including Uzbekistan, Tajikistan, and Turkmenistan.

Figure 8

4G market penetration² in Eurasia countries (2024)



Source: GSMAi data and GSMA analysis

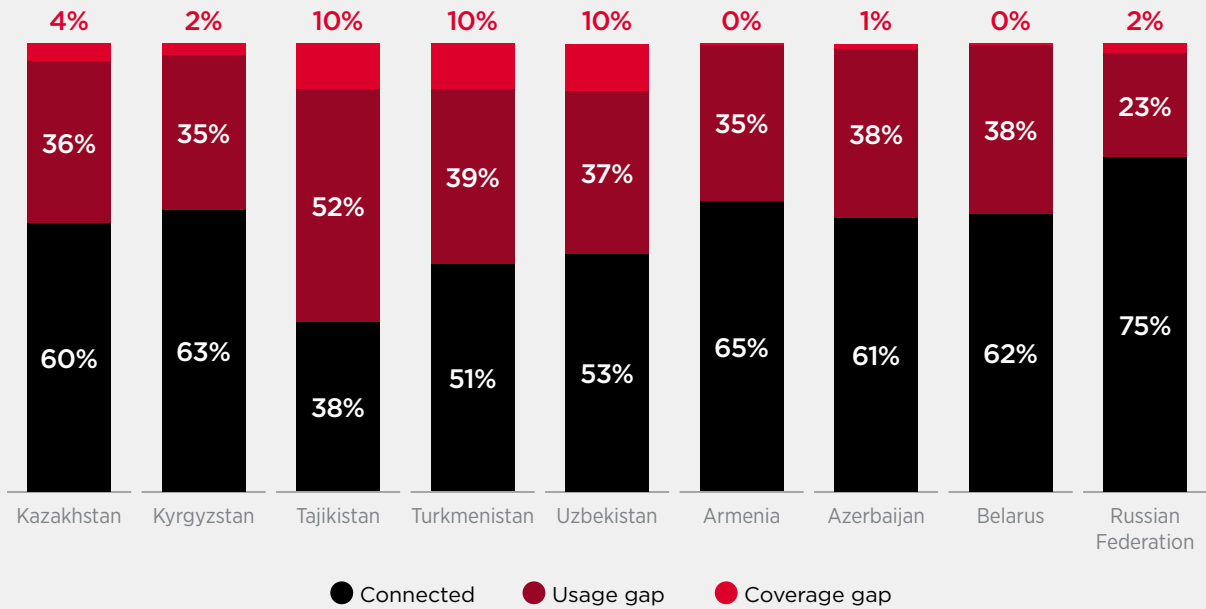
² 4G market penetration refers to total 4G connections as % of the country's total population

2.3 Usage and coverage gap

Overall, the adoption of the mobile internet services has not kept pace with the expansion of the network coverage resulting in a significant usage gap (defined as the percentage of the population covered by mobile broadband networks but not using mobile internet) in the region. As of the end of 2024, the mobile internet usage gap in the Eurasia region

stood at 28%. However, this varied significantly across countries, with countries like Tajikistan and Turkmenistan showing even higher gaps, meaning that a large portion of the population in these countries remains unconnected despite being covered by mobile broadband networks.

Figure 9
Usage and coverage gap in Eurasia (2024)



Source: GSMAi data and GSMA analysis

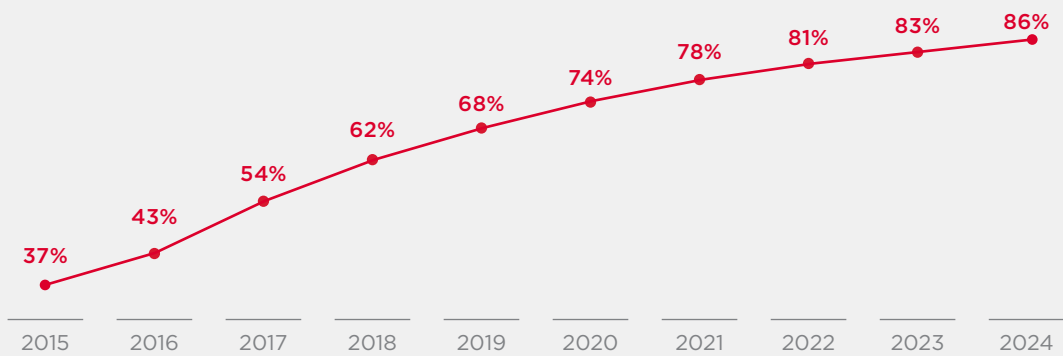
2.4 Adoption of smartphones

Smartphone connections as percentage of total connections have increased considerably over the past 10 years. As shown in Figure 10, in 2015, smartphones constituted only 37% of the total mobile connections, but as of 2024, this figure has risen significantly to 86%. This notable growth highlights

the increasing adoption of smartphones among the population, indicating a shift toward more advanced mobile technologies.

Figure 10

Smartphone connections as % of total connections in Eurasia (2015-2024)



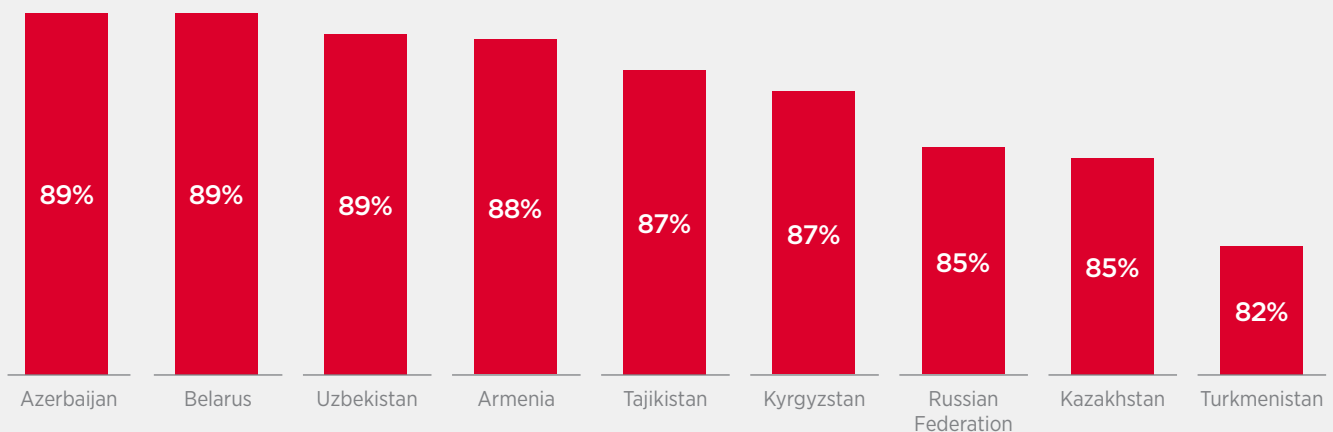
Source: GSMAi Intelligence and GSMA analysis

As illustrated in Figure 11 below, smartphone connections account for a significant share of total connections in all markets in the region. Azerbaijan,

Belarus, and Uzbekistan have the highest smartphone adoption, with smartphones making up 89% of connections.

Figure 11

Smartphone connections as % of total connections in Eurasia countries (2024)



Source: GSMAi Intelligence and GSMA analysis



3. A review of the mobile sector taxation in Eurasia: Regional comparison

As highlighted in Chapter One, mobile services play an increasingly vital role in driving economic growth and social inclusion in the Eurasia region. Supportive regulatory conditions are essential for the mobile industry to thrive and unlock opportunities for consumers, businesses, and governments through mobile technology. A key consideration in this is mobile sector taxation, which is often higher than in other sectors to boost short-term government revenues. Governments find it convenient to impose sector-specific taxes due to the formal nature of the mobile industry. However, there is a need to balance short-term revenue generation with encouraging investment in the sector, which will ultimately

foster long-term economic growth and increase fiscal revenues through expanded mobile internet connectivity.

This chapter provides a review of the tax regimes affecting the mobile sector in selected countries in the Eurasia region, along with a cross-country comparison of the sector's tax burden. The aim is to identify countries where the mobile sector faces comparatively higher taxation and to assess the potential negative impact this may have on the sector's development and the socio-economic benefits linked to mobile technology.

3.1 Consumer taxes

Mobile subscribers in Eurasia region are subject to general taxes such as VAT and also incur sector-specific taxes and charges. Collectively, these taxes directly impact the prices paid by consumers and can be particularly regressive in that the tax

burden disproportionately falls on those with lower incomes. Table 1 summarise the taxes and fees mobile consumers are subject to in the region. Sector-specific taxes are highlighted in red.

Table 1
Overview of mobile consumer taxes

General and sector-specific taxes on consumers

Tax base	Activation	Usage	Handset
Tax type	Sim tax, handset registration tax	Value added tax (VAT) Excise duty	Value added tax (VAT) Custom duty

Consumer taxes on the use of mobile services

The GSMA conducted a review of mobile taxes applied to mobile services in nine countries within the region. All countries impose VAT on mobile services, with rates ranging from 12% to 25%.

Additionally, only Tajikistan levies a sector-specific excise duty at a rate of 7%. As illustrated in Figure 12, Belarus and Tajikistan have the highest combined tax rate on mobile services in the region, at 25% and 21% respectively.

Figure 12
Combined tax rates on the use of mobile services in Eurasia countries (2024)



Source: GSMA analysis and operators' data

Activation taxes

Taxation on the activation of mobile services consists of levies that consumers bear when purchasing a SIM, registering a phone or registering or maintaining their

number or connection. The table below lists countries where a type of activation tax is applied.

Table 2

List of countries that apply activation taxes

Country	Type of activation tax
Uzbekistan	Subscriber fee charged based on the tariff plan
Tajikistan	Fixed fee for registering a handset
Azerbaijan	Fixed fee for registering a handset

Taxes on handsets

In the Eurasia region, imported handsets are subject to VAT and customs duties. For countries where data is available, consumers face an average combined tax on handsets of 19%. Tajikistan has the region's highest

combined tax rate, with a 14% customs duty and 14% VAT on handsets. Belarus follows with a high VAT rate of 25%.

Figure 13

Combined tax rates on mobile handsets for the selected countries in the region (2024)³



Source: GSMA analysis and operators' data

³ The 17% VAT on handsets in Kyrgyzstan includes a 12% base rate and a 5% sales tax

3.2 Taxes and fees on mobile operators

Mobile operators in the Eurasia region are typically subject to general taxes. However, in certain markets, operators also pay sector-specific fees such as annual license and spectrum fees. This section compares

the general tax rates across the region and lists the countries where operators are subject to sector-specific fees.

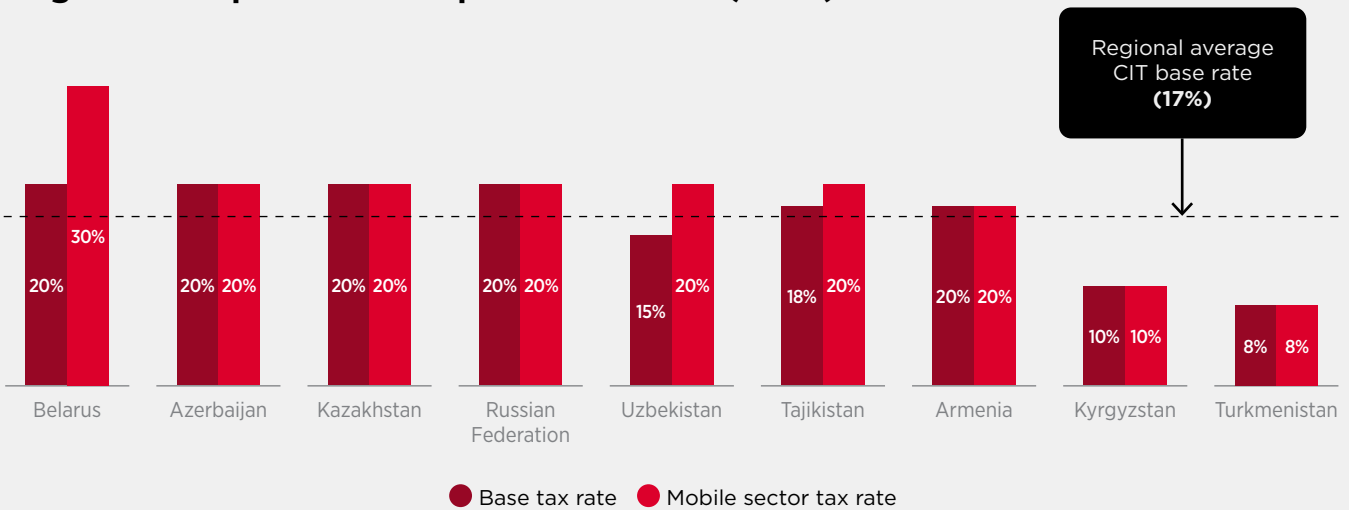
Corporate income tax (CIT)

Corporate income tax rates in the Eurasia region range from 8% to 30%. In some countries, the mobile sector is subject to a higher sector-specific tax rate compared to the base rate. For example, Belarus, Uzbekistan, and Tajikistan impose higher rates of 30%, 20%, and 20% on the mobile sector,

respectively, instead of the base rates of 20%, 15%, and 18%. As illustrated in Figure 14, the average corporate tax rate in the region is 17%. Only Kyrgyzstan and Turkmenistan offer competitive rates below this regional average. Belarus has the highest rate at 30%, while Turkmenistan has the lowest at 8%.

Figure 14

Regional comparison of corporate tax rates (2024)



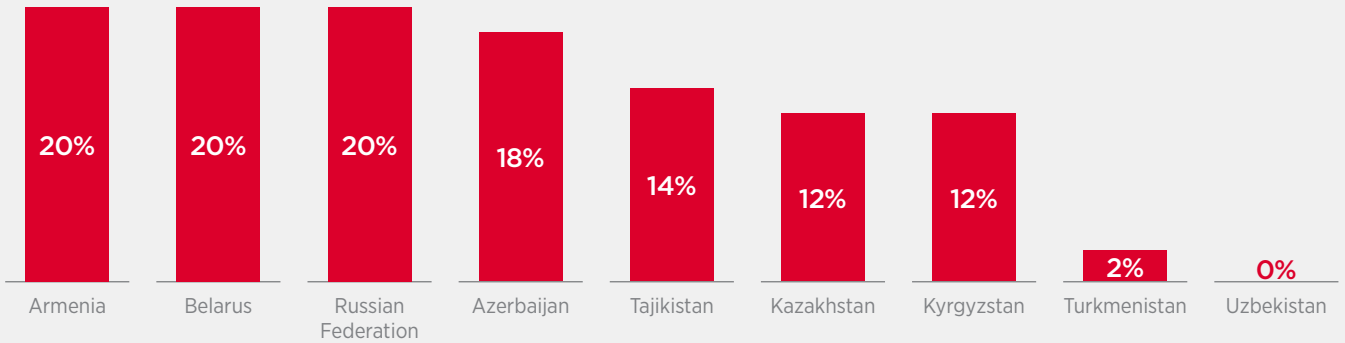
Source: GSMA analysis and operators' data

Some countries impose duties on network equipment which underpin mobile coverage extension. Operators are often required to pay import duties at higher rates than those charged for importing other goods. Import duty rates vary across the

countries, with Armenia, Belarus and Russia imposing the highest duty on network equipment at 20%. Uzbekistan recently relaxed its 12% import duty on network equipment for five years, making it the only country in the region without such a duty.

Figure 15

Import duty on network equipment in Eurasia countries (2024)



Source: GSMA analysis and operators' data

Sector-specific fees

In addition to general taxes, mobile operators in Eurasia face sector-specific fees, which are either determined as a percentage of operators' revenue or charged as a fixed annual amount. Table 3 below outlines the types of sector-specific fees imposed

on mobile operators across nine Eurasian markets reviewed in the region. As shown in the table, Uzbekistan imposes the highest number of sector-specific fees (4) on mobile operators across the region.



Table 3

Sector-specific fees on operators, where applicable (2024)

Country	Annual license fee	Annual spectrum fee	USF	SIM card tax	Numbering tax
Armenia		✓			
Azerbaijan		✓			✓
Belarus		✓	✓		✓
Kazakhstan	✓	✓			
Kyrgyzstan	✓	✓			✓
Russia		✓	✓		✓
Tajikistan	✓	✓			✓
Turkmenistan		✓			✓
Uzbekistan	✓	✓		✓	✓

Source: GSMA analysis and operators' data

Table 3 above is summarised as follows:

- **Spectrum fee:** Spectrum fees are the most common type of fee in the region, with operators in all countries paying them. These fees are charged as an annual fixed amount across all the reviewed countries.
- **Numbering tax:** The second most prevalent fee is numbering tax, which is applied in seven out of the nine countries, excluding Kazakhstan and Armenia. This tax is levied as a fixed amount per subscriber.
- **Annual license Fees:** These fees are the third most common, paid by operators in four markets: Kyrgyzstan, Tajikistan, Kazakhstan, and Uzbekistan. In Kyrgyzstan, Tajikistan, and Kazakhstan, the fees are charged as a percentage of operators' revenue, at rates of 0.9%, 2.5%, and 1.4%, respectively. In Uzbekistan, the fee is determined as a fixed amount set by the regulator.
- **Universal service fund (USF):** Only Russia and Belarus apply USF charges on operators' revenue, with rates of 2% and 1.5%, respectively.
- **SIM card tax:** Uzbekistan is the only country in the region that imposes a SIM card tax, charging a fixed amount of UZS 3.75 per subscriber.

In addition to taxes and fees, many countries require mobile operators to fund various government social or technical initiatives, further diverting financial resources away from network investment. While these initiatives fall outside the scope of this report, their combined impact with existing tax burdens places significant financial strain on operators, making balanced tax policies even more critical for the industry's long-term sustainability.

At the same time, many governments in the region are regulating mobile service prices, either directly through competition laws or indirectly through negotiations aimed at protecting low-income consumers. However, when coupled with high inflation and unbalanced taxation, these price regulations can further constrain operators' ability to achieve a return on investment, potentially blocking future 5G network investments and limiting the expansion of 4G networks. This highlights the need for a holistic approach to taxation and regulation that ensures both affordability for consumers and financial viability for operators.

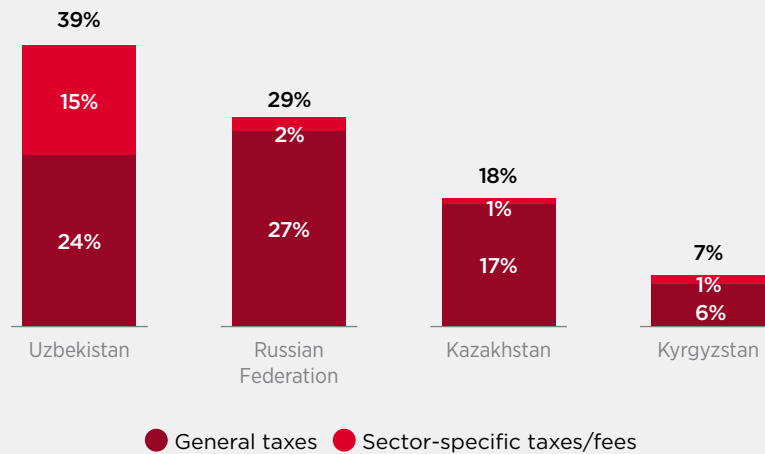
3.3 Tax contribution of the mobile sector

The GSMA gathered and analysed data on tax and fee payments from mobile operators across several markets. In the four markets with available data, the mobile sector contributed an average of 23% of its revenues to taxes and fees. Sector-specific taxes accounted for roughly 5% of total market revenues on average.

In 2024, Uzbekistan's mobile market faced the highest tax burden among the analysed markets, with taxes and fees amounting to 39% of the sector's total revenues. This significant burden was primarily driven by sector-specific taxes and fees, which constituted 15% of the total tax and fee contributions. Effective 1st January 2025, Uzbekistan removed the 10% excise duty on mobile services and relaxed the import duty on network equipment for five years. This will significantly reduce the total tax burden on the mobile sector from its current level.

Figure 16

Mobile sector tax and fee payments as % of the total sector revenues (2024)



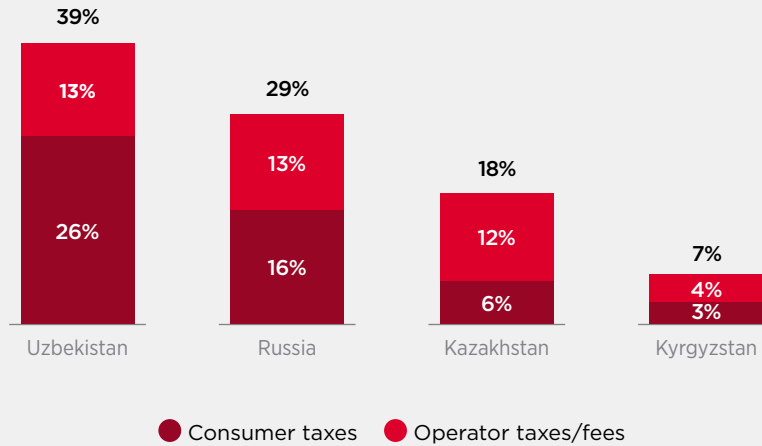
Source: GSMA analysis and operators' data

The total tax burden on the mobile sector consists of contributions from both mobile consumers and operators. In the analysed countries, mobile

consumers accounted for an average of 13% of the total tax burden, while operators bore the remaining 11%, as shown in Figure 17.

Figure 17

Tax burden split between mobile consumers and operators (2024)



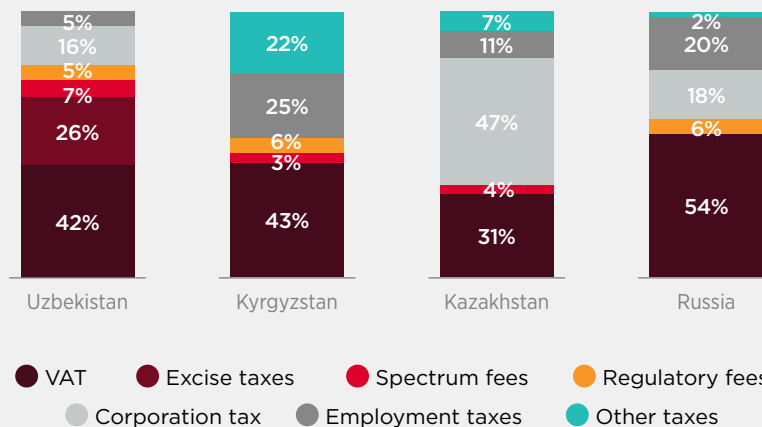
Source: GSMA analysis and operators' data

The tax structures in the four analysed countries in the region exhibit varying approaches to taxation in the mobile sector. As depicted in Figure 18, Kyrgyzstan, Kazakhstan, and Russia primarily rely on generally applicable taxes such as corporate tax, employment taxes, and other taxes like property, land, and transport taxes. This reflects a policy of equal treatment, where the mobile sector is taxed similarly to other industries in these markets.

In contrast, Uzbekistan stands out as the only market where sector-specific taxes, including excise duty on mobile services and sector-specific operator fees, constituted a significant share of the total tax contribution in 2024, demonstrating a discriminatory approach to mobile sector taxation in the country. The removal of the excise duty on mobile services in Uzbekistan at the start of 2025, which accounted for 26% of the sector's total tax contribution in 2024, will create a more balanced tax regime and bring it in line with other countries in the region.

Figure 18

Mobile sector tax payments split by type of tax/fee as % of total taxes and fees across different regions (2024)



Source: GSMA analysis and operators' data



4. Assessment of mobile sector taxation and recommendations for reform

4.1 Evaluation of mobile tax regimes in Eurasia against best practice principles of taxation

As outlined in the report, tax regimes in some Eurasia countries impose high tax burden on mobile consumers and operators. This high taxation can negatively impact the adoption of mobile services and constrain operators' ability to invest in expanding and improving mobile connectivity.

Given the above, it is crucial to strike a balance that considers the positive economic and socio-economic impacts of digital connectivity when imposing taxes or fees on the mobile sector. To achieve this balance, it is advantageous to adhere to established principles of tax policy design consistently developed by international organizations such as the IMF, the OECD, the UN, and the World Bank⁴.

⁴ OECD (2014), "Fundamental principles of taxation", in Addressing the Tax Challenges of the Digital Economy, OECD Publishing, Paris, IMF WEO 2022 and IMF (2011) Revenue Mobilization in Developing Countries and Tanzi, V. and Zee, H. (2001) Tax Policy for Developing Countries. IMF. Course on Practical Issues of Tax Policy in Developing Countries, World Bank, April 28-May 1, 2003

Principles of taxation applying to the mobile sector

- **Taxation should be as broad-based as possible.** Broad-based taxes with single and low rates should be favoured over specific taxes. This should allow the maximisation of revenue with minimal distortions to the consumption and provision of mobile services.
- **Specific taxes should be limited and be based on a clear rationale of externalities.** Specific taxes should be narrowly targeting a few goods mainly on the grounds that their consumption entails negative externalities on society. Given positive externalities, mobile phones and services would not generally be included in a list of goods and services singled out for exceptionally harsh tax treatment.
- **The tax system should be equitable.** Mobile operators and consumers should be treated equally to others in similar circumstances (horizontal equity). Additionally, the tax system should uphold "vertical equity" by avoiding regressive taxes, such as excise duty, which disproportionately affect lower-income mobile service users. For operators, vertical equity means taxation should be based on profitability rather than gross revenues.
- **The tax system should be stable and simple.** Uncertainty over future taxation reduces investment as the risk of future tax rises priced into investment decisions of the mobile operators. Governments should seek to limit unpredictable tax and fee changes and streamline their levies of taxes and fees to reduce the cost of compliance for the investors.

An evaluation of the existing taxes and fees applied to the mobile sector in selected Eurasia countries, based on the principles mentioned above, reveals the following key characteristics:

- Sector-specific consumer taxes do not align with best practice in terms of vertical and horizontal equity, since they represent a higher income share for consumers at the bottom of the income pyramid (vertical inequality) and they discriminate against consumers in the mobile sector with respect to consumers in other markets (horizontal inequality).
- While VAT and customs duties tend to be implemented as standard rates across the economy and have wide bases, they do not particularly encourage the externalities of mobile connectivity (which would require a reduced tax treatment). High VAT and customs duties are also regressive in that these taxes mean a greater income effort for the poorest households.
- Sector-specific operator fees—such as regulatory fees, numbering fees, and handset or SIM card activation fees—along with higher than general corporate tax rates for the mobile sector, deviate from the principle of broad-based taxation. These fees also undermine "horizontal equity", which calls for equal tax treatment across sectors, and "vertical equity", which requires taxation based on profits rather than revenues.

Table 4 below list the taxes and fees applicable to the mobile sector in Eurasian countries which deviate from the key principles of taxation explained above.

Table 4

List of taxes and fees in Eurasian countries that deviate from the taxation principles applying to the mobile sector

Country	Mobile taxes and fees	Efficiency		Equity		
		Broad-based across sectors	Accounts for externalities	Vertical equity (not regressive)	Horizontal equity (equal tax treatment)	
Armenia	Consumer	Import duty on handsets	×	×	×	×
	Operator	Import duty on operators' network equipment	×	×	×	×
Azerbaijan	Consumer	Import duty on handsets	×	×	×	×
		State registration fees on handsets	×	×	×	×
	Operator	Import duty on network equipment	×	×	×	×
		Numbering fees	×	×	×	×
Belarus	Consumer	VAT on services and handsets (higher than standard)	×	×	×	×
		Import duty on handsets	×	×	×	×
	Operator	Corporate tax (higher rate than standard)	×	×	✓	×
		Import duty on network equipment	×	×	×	×
		Numbering fees	×	×	×	×
Kazakhstan	Consumer	Import duty on handsets	×	×	×	×
	Operator	Import duty on network equipment	×	×	×	×
Kyrgyzstan	Consumer	Import duty on handsets	×	×	×	×
	Operator	Import duty on network equipment	×	×	×	×
		Numbering fees	×	×	×	×
Russia	Consumer	Import duty on handsets	×	×	×	×
	Operator	Import duty on network equipment	×	×	×	×
		Numbering fees	×	×	×	×
Tajikistan	Consumer	Excise duty on services	×	×	×	×
		Import duty on handsets	×	×	×	×
	Operator	Corporate tax (higher rate than standard)	×	×	✓	×
		Import duty on network equipment	×	×	×	×
		Numbering fees	×	×	×	×
Turkmenistan	Consumer	Import duty on handsets	×	×	×	×
	Operator	Import duty on network equipment	×	×	×	×
		Numbering fees	×	×	×	×
Uzbekistan	Consumer	Import duty on handsets	×	×	×	×
	Operator	Corporate tax (higher rate than standard)	×	×	×	×
		Numbering fees	×	×	×	×
		Sim card tax	×	×	×	×

Source: OECD, IMF and GSMA analysis

As shown in the table above, Tajikistan and Belarus each have five taxes that deviate from standard taxation principles, the highest among the listed countries.

- **Tajikistan** imposes consumer taxes such as excise duty on mobile services and import duty on handsets, along with operator taxes and fees, including a higher-than-standard corporate tax rate, numbering fees per phone number, and import duties on network equipment.

- **Belarus** has misaligned taxes and fees, including consumer taxes like a higher-than-standard VAT on handsets and mobile services and import duties on handsets, as well as operator taxes and fees, such as a higher-than-standard corporate tax rate, numbering fees per phone number, and import duties on network equipment.

- **Uzbekistan** follows Tajikistan and Belarus in the number of misaligned taxes and fees imposed on the mobile sector. These include import duty on handsets, a higher-than-standard corporate tax rate, numbering tax, and SIM card tax.



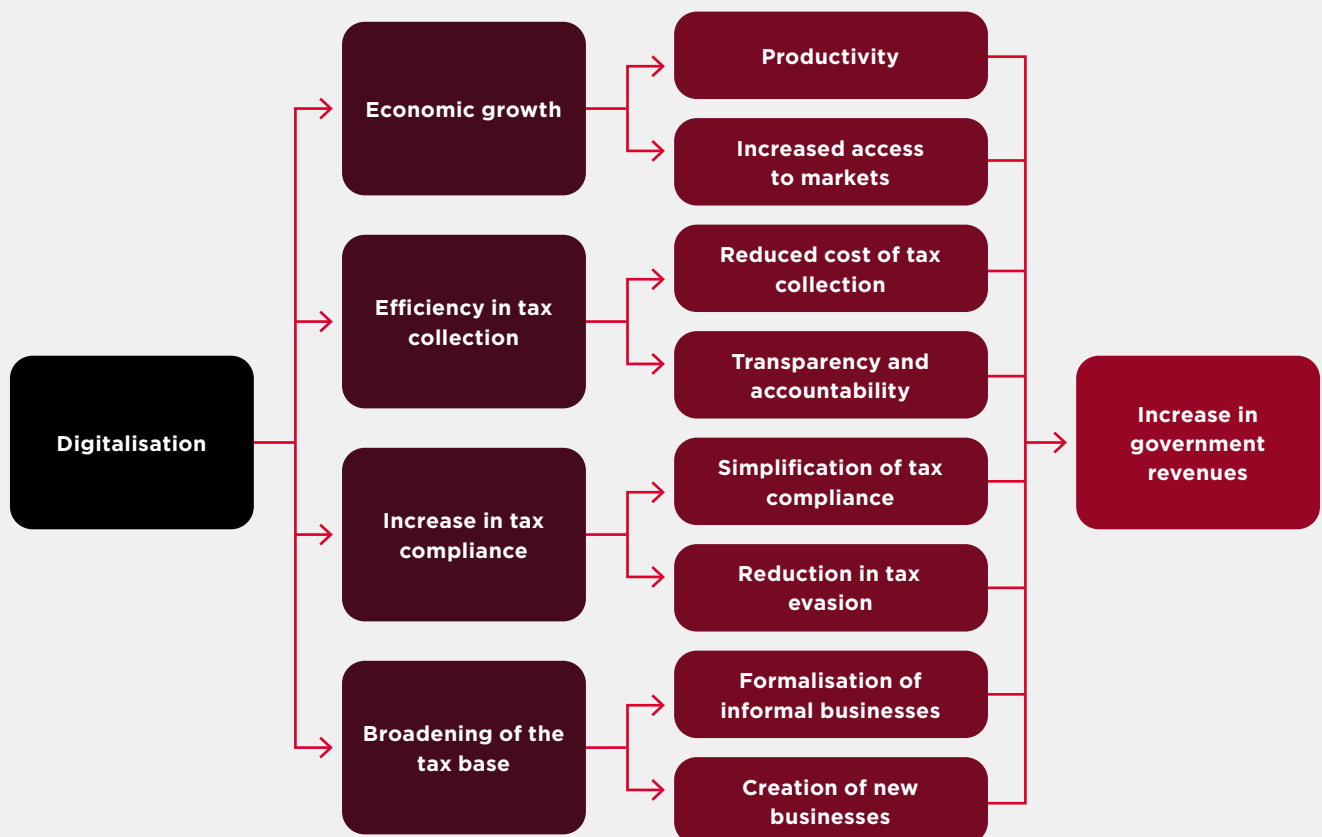
4.2 Optimising taxation for economic growth and fiscal stability: Key recommendations to consider

Digitalisation presents a transformative opportunity for governments to enhance public revenue systems and improve revenue mobilisation. By adopting a tax framework that supports digital growth, governments can expand the tax base, stimulate economic activity, and boost fiscal revenues. Rather than depending on sector-specific taxes and fees on the mobile sector to generate revenue, governments should implement a broad-based tax regime that fosters investment in mobile infrastructure and encourages the adoption of mobile services. This approach will drive digitalisation, ultimately leading to sustainable and higher revenues in the long run.

As illustrated in Figure 19 below, digitalisation can enhance government revenues through four key channels: It drives economic growth, generating higher taxable income; improves tax collection efficiency, reducing costs; increases tax compliance, minimising tax avoidance; and expands the tax base, by formalising the businesses.

Figure 19

Leveraging digital technology to mobilise government revenues



Source: Based on a literature review and the author's own analysis.

- **Economic growth:** As businesses expand their reach through online platforms and increase efficiency with digital tools, their growth leads to higher sales and output, resulting in greater taxable income and higher government revenue from corporate taxes, VAT, and other business-related taxes.
- **Efficiency in tax collection:** Digital tools reduce administrative costs, enhance transparency, and improve accountability, streamlining tax filing and payments.
- **Increase in tax compliance:** Digital systems simplify tax processes, lower compliance costs, and help reduce tax evasion through advanced tracking and surveillance.
- **Broadening the tax base:** Digitalisation fosters new businesses and formalises informal ones expanding the tax base and generating new revenue streams.

Given the potential of digitalisation to drive economic growth and enhance government revenues, as outlined above, it is crucial to adopt a balanced approach to taxation. This approach should consider immediate tax revenues from the mobile sector alongside the broader economic, fiscal, and social benefits of digitalisation.

This section of the report presents key recommendations for optimising mobile sector taxation to encourage investment, promote the adoption of mobile services, and accelerate digitalisation, ultimately unlocking socio-economic benefits across Eurasian countries.

1

Remove sector-specific levies on consumers



To promote digital inclusion, levies such as excise duties on mobile services and sector-specific activation fees on handsets should be eliminated to prevent disproportionately impacting low-income consumers. Removing these levies would ensure broader access to mobile services without placing an undue burden on lower-income individuals.

Lower taxes on the mobile consumers can reduce the cost of services, boost demand, and expand mobile internet penetration. This, in turn, enhances productivity across the economy, leading to GDP growth. The resulting economic expansion positively impacts employment and increases overall tax revenues across various sectors.

CASE STUDY 1

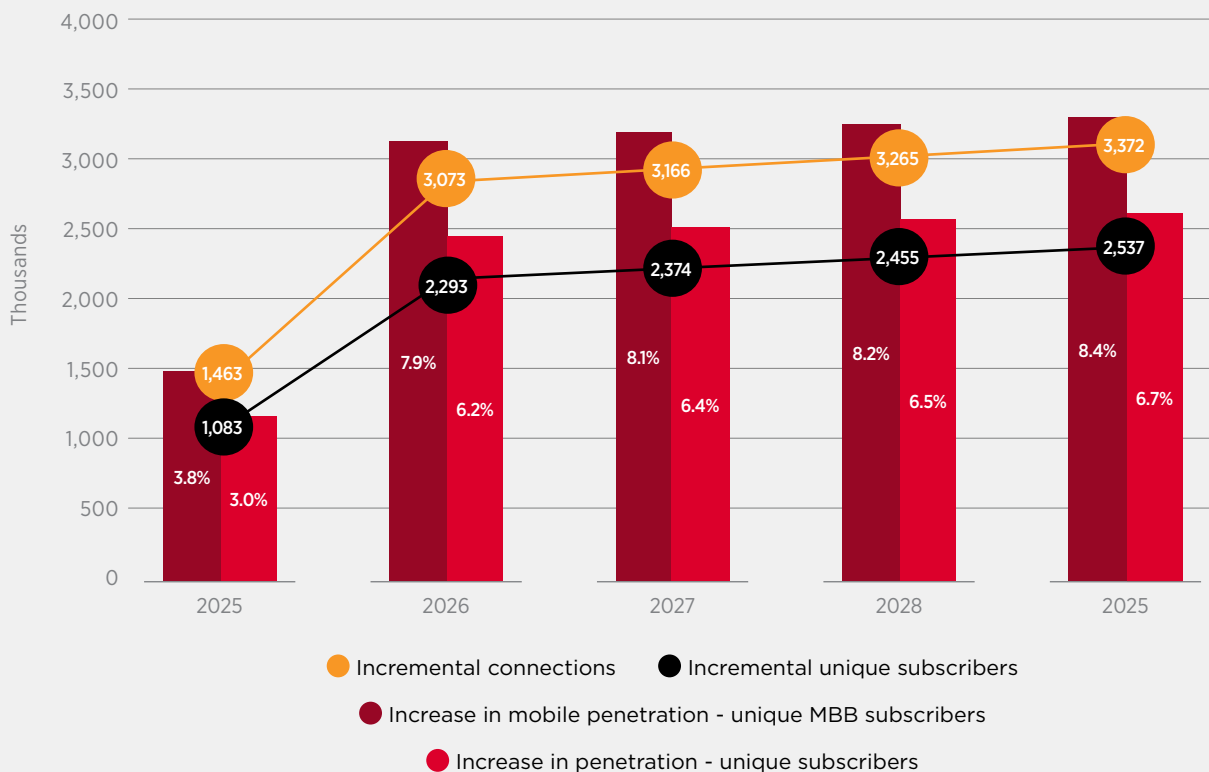
Assessing the impact of removing the 10% excise duty on mobile services in Uzbekistan on the mobile sector and broader economy

A balanced tax regime could benefit not only the mobile sector but also tax revenues and the broader economy in the medium term. Recently, Uzbekistan removed the 10% excise duty on mobile services, effective January 1, 2025. In this section, we analyse the potential quantitative effects of this reform on both the mobile sector and the broader economy. The findings suggest that this policy change would positively impact the mobile sector, the overall economy, and government tax revenues in the mid-term.

A. Impacts on the mobile sector

Compared to the baseline scenario of no change, removing the excise duty will result in 3.3 million more connections (2.5 million unique subscribers) by 2029, boosting unique subscriber penetration by 6.7%. Due to increased network investment and lower prices, unique mobile broadband (MBB) penetration would be 8.4% higher compared to the baseline by 2029.

Potential annual impacts of removing the excise duty on mobile services on connectivity



Source: Operators data and GSMA analysis

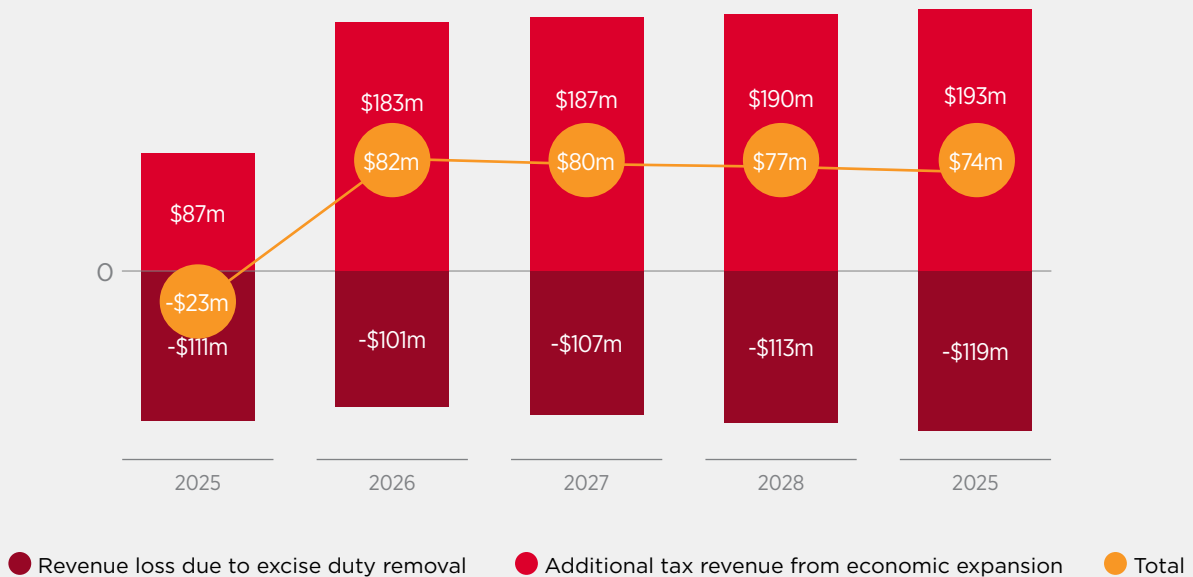
B. Impact on the broader economy

This excise duty removal is forecast to have the following impacts on the GDP and the government revenues:

Impact on the GDP: The total GDP would increase by \$1.4 billion (1.3%) by 2029 compared to the baseline, as the price and productivity effects lead to a chain reaction of expansion across the economy.

Impact on government tax revenue: Elimination of excise duty would have an initial net cost to the government of \$23 million in 2025. However, the subsequent expansion of the mobile sector, and significant growth in the wider economy, mean that, by 2026, the annual impact becomes positive. The gain in government tax revenue from across the economy is potentially about \$74 million per annum by 2029.

Annual impacts of excise duty removal on government tax revenue



Source: Source: Operators data and GSMA analysis

2

Adopt broad-based taxation and minimise or remove sector-specific revenue-based fees on operators



Regulatory fees imposed operators' revenue or as fixed amount payable annually, regardless of profitability, are regressive and restrict the ability of operators to invest in infrastructure. Therefore, these levies should be removed or minimised.

The mobile sector should be taxed under a broad-based tax regime rather than through sector-specific levies. This approach will ensure equal treatment with other sectors, fostering a more competitive environment for investment and sector growth.

3

Leverage mobile technology to improve government revenue collection by formalising the economy and modernising the tax system.



The governments should focus on modernising the tax system to foster investment and development in the mobile sector. By embracing digital solutions like P2G payments the government can improve tax collection efficiency, broaden the tax base, and enhance tax compliance.

This modernisation will support sustainable revenue growth, offset any short-term revenue losses due to reduced mobile taxes, and encourage greater formalisation of economic activities, driving long-term fiscal stability and sectoral development.

Some examples of experiences on how digitalisation and the use of technology could open up further opportunities for the tax administration are identified below:

CASE STUDY 2

Successful experiences in the field of digital tax administration

- In Russia, the Federal Tax Service has implemented a system allowing the monitoring of VAT compliance on a nationwide basis mostly in real time, drastically reducing opportunities for fraud. The approach is based on an automatic cross-matching of all VAT paid against all VAT claimed across all transacting parties. This led to an increase in VAT collection by 8.5% in 2015.⁵
- Over €500 million in risky VAT was identified over a two-year period in the Slovak Republic following the introduction of electronic invoice data matching processes.⁶
- In Hungary, the introduction of electronic cash registers saw an increase of VAT revenue by 15% in the targeted sectors, exceeding the costs of introducing the new system.⁷
- In Rwanda, in the two years since the introduction of electronic cash registers in March 2013, VAT collected on sales increased by 20%.⁸
- In Mexico, an additional 4.2 million micro-businesses were brought into the formal economy after Mexico introduced mandatory electronic invoicing.⁹
- The Australian Tax Office has incorporated a tool in its mobile app allowing to record tax deductions on the go. Using the camera on their device, taxpayers can capture receipts and use location services to record work-related car trips for vehicle deductions, eliminating the need for paper records.¹⁰
- Countries including Brazil, Côte d'Ivoire, Guinea, Kenya, Mauritius, Pakistan, Rwanda, Tanzania, and Uganda have done well in driving digital P2G payments. Of these, Kenya stands out in terms of the number of P2G use cases. The central e-government platform (eCitizen) reports that over 90% of digital payments are made via mobile money, while 85% of Nairobi City County payment wallet reloads (eJijiPay) are made via mobile money.¹¹

5 GSMA 2018, Reforming Mobile Taxation in Uzbekistan

6 *ibid.*

7 *ibid.*

8 *ibid.*

9 *ibid.*

10 *ibid.*

11 GSMA, 2017. Person-to-government (P2G) payment digitisation: Lessons from Kenya.

Annex:

Modelling approach for evaluating the impact of removing 10% excise duty on mobile services in Uzbekistan

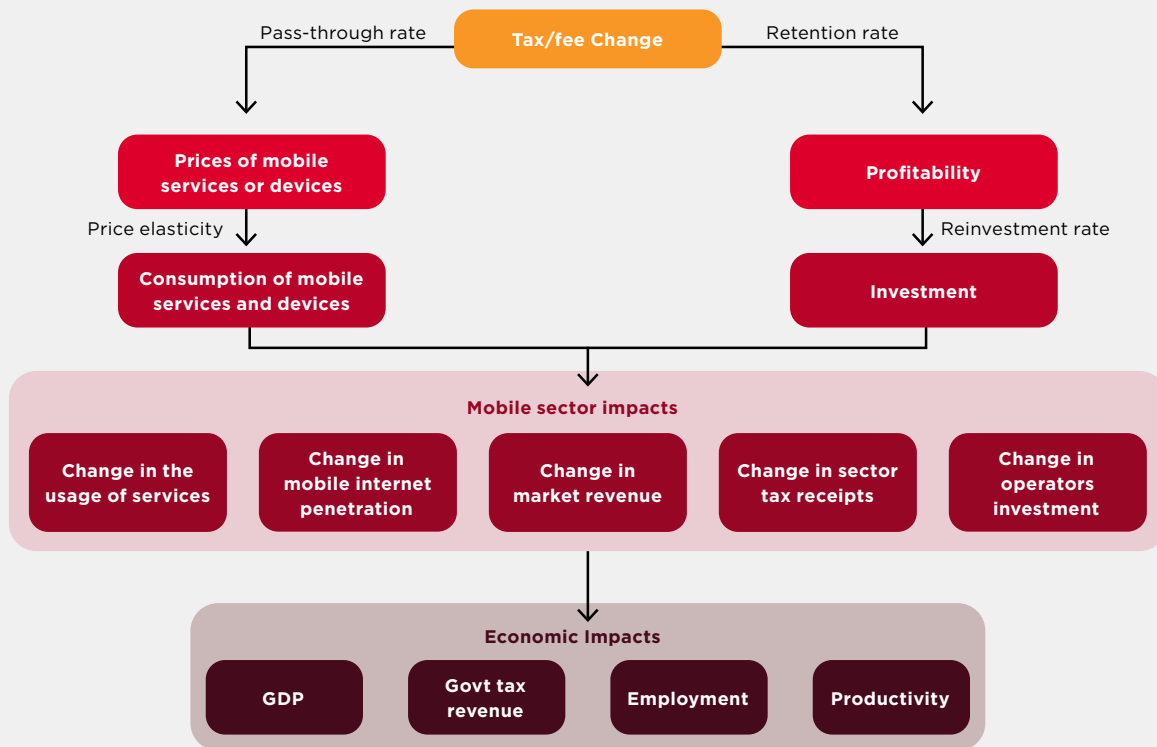
The analysis uses a two-stage modelling process over a five-year period (2025-2029) to assess the impact of removing the excise duty on mobile services in Uzbekistan, focusing on both the mobile sector and the broader economy:

- The first stage evaluates the impact of removing the excise duty on the mobile sector in Uzbekistan, analysing changes such as increased mobile

internet penetration resulting from lower consumer prices.

- The second stage uses the results from the first stage to estimate the broader impacts on the economy, focusing on how increased mobile internet penetration contributes to economic growth.

Overview of the modelling approach



As shown above, changes in tax are expected to positively impact both the mobile sector and the wider economy. In the context of the analysis in this report, the removal of the excise duty will lower consumer prices for mobile services, driving increased consumption and resulting in higher revenues and improved profitability for mobile operators. This boost in profitability would, in turn, encourage greater investment in network upgrades

and expansion. Consequently, mobile Internet penetration will increase in the country.

The increased mobile internet penetration in the country would boost productivity across the economy, resulting in higher output, incomes, and expenditures, ultimately leading to an increase in GDP¹². This economic expansion would positively affect employment and enhance government tax revenues across the entire economy.

¹² ITU modelling shows that a 10% increase in mobile broadband penetration can boost GDP per capita by 1.5%. This is used to estimate the impact on Uzbekistan's GDP from removing the excise duty.

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