

Mobile taxation in Africa and the Kenyan case study



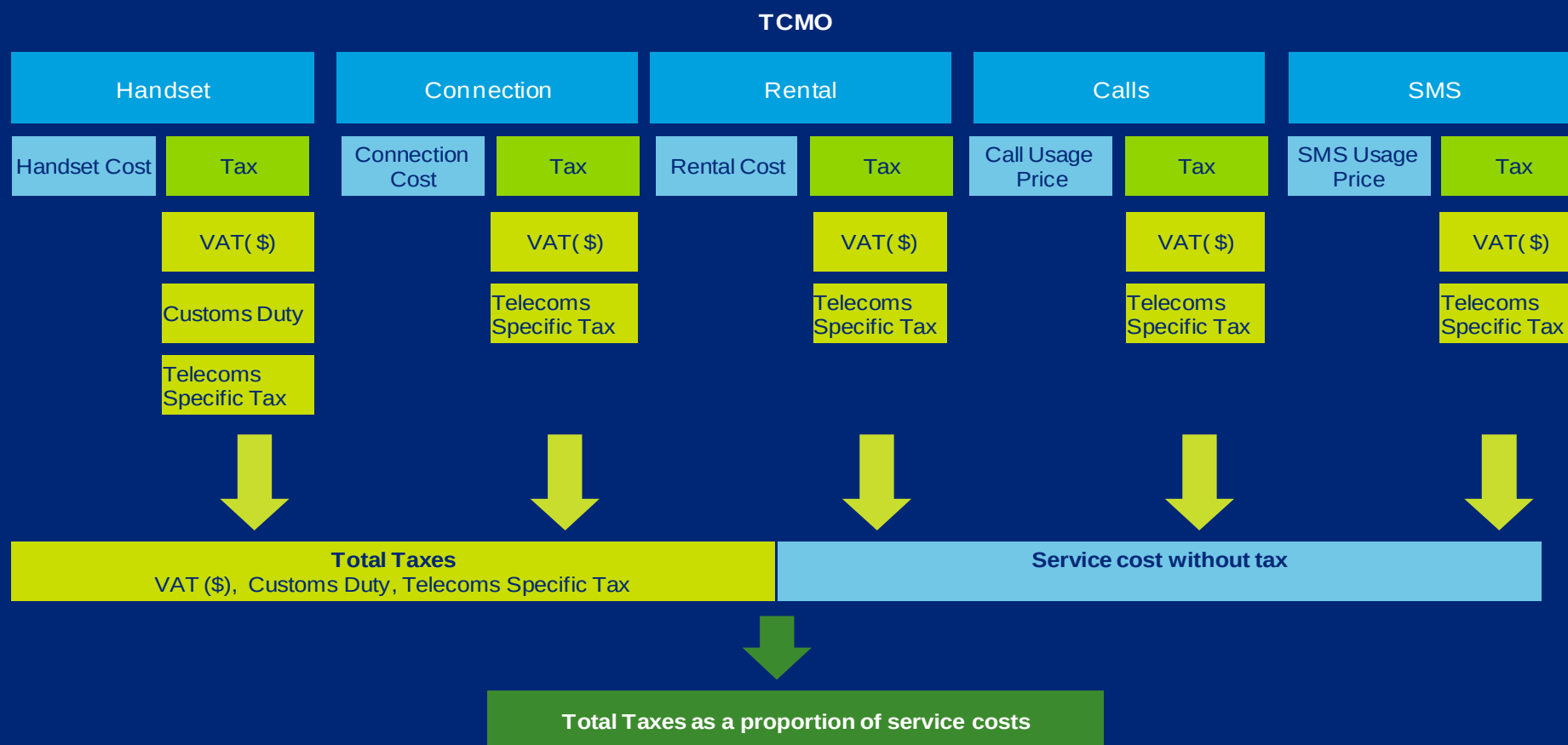
February 2012
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Mobile telephony is often subject to discriminatory taxation in developing countries compared to other services

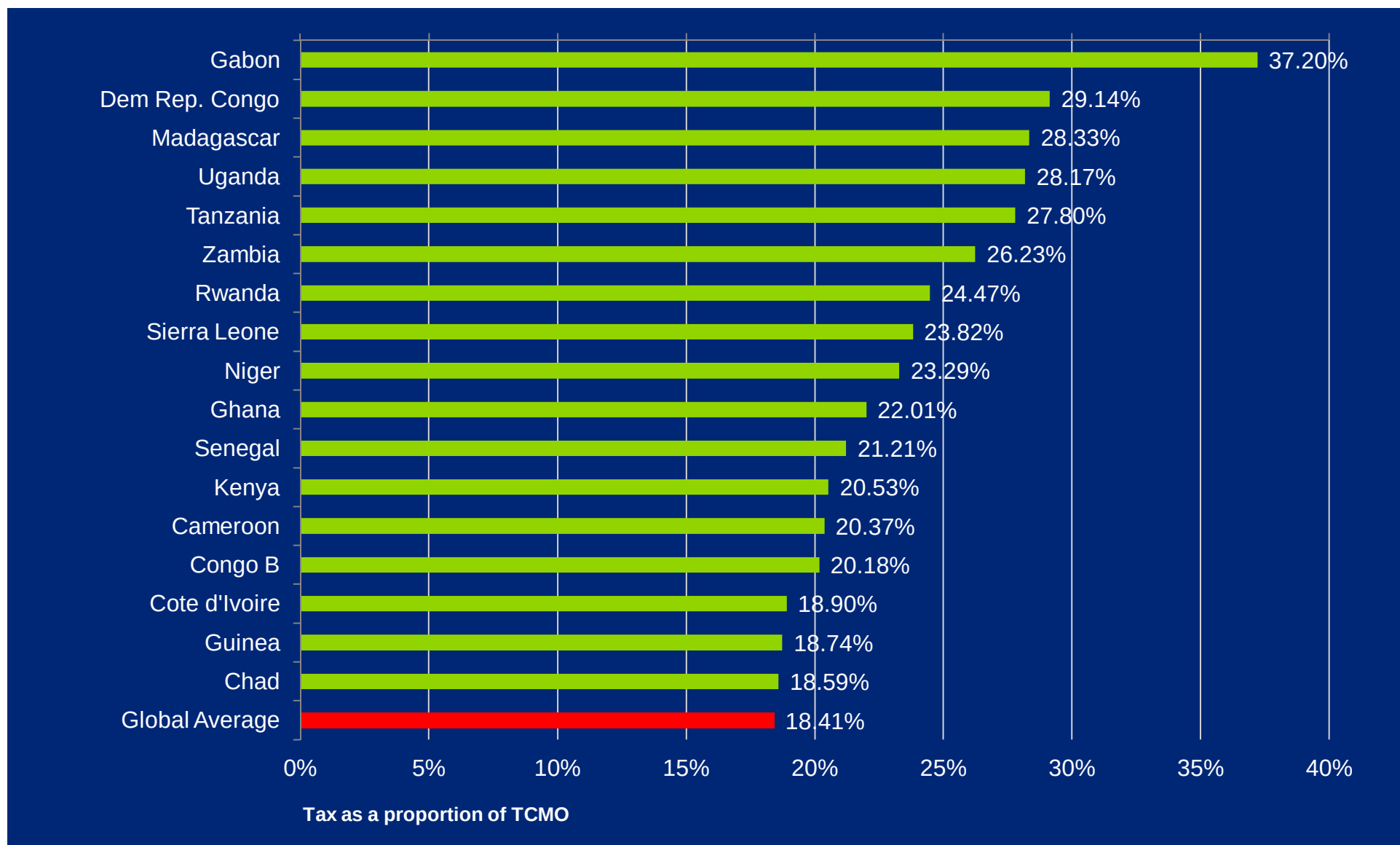
- The GSMA has recently commissioned Deloitte to undertake a global study on consumer taxation on mobile services in 111 countries worldwide
- We present and discuss here the results of the study in relation to Africa
- We also discuss the findings of a study that measures the relationship between mobile telephony and economic growth
- Finally, we show the positive impact of reductions in mobile telephony taxation in Kenya

In our study, tax is measured as a proportion of mobile service costs

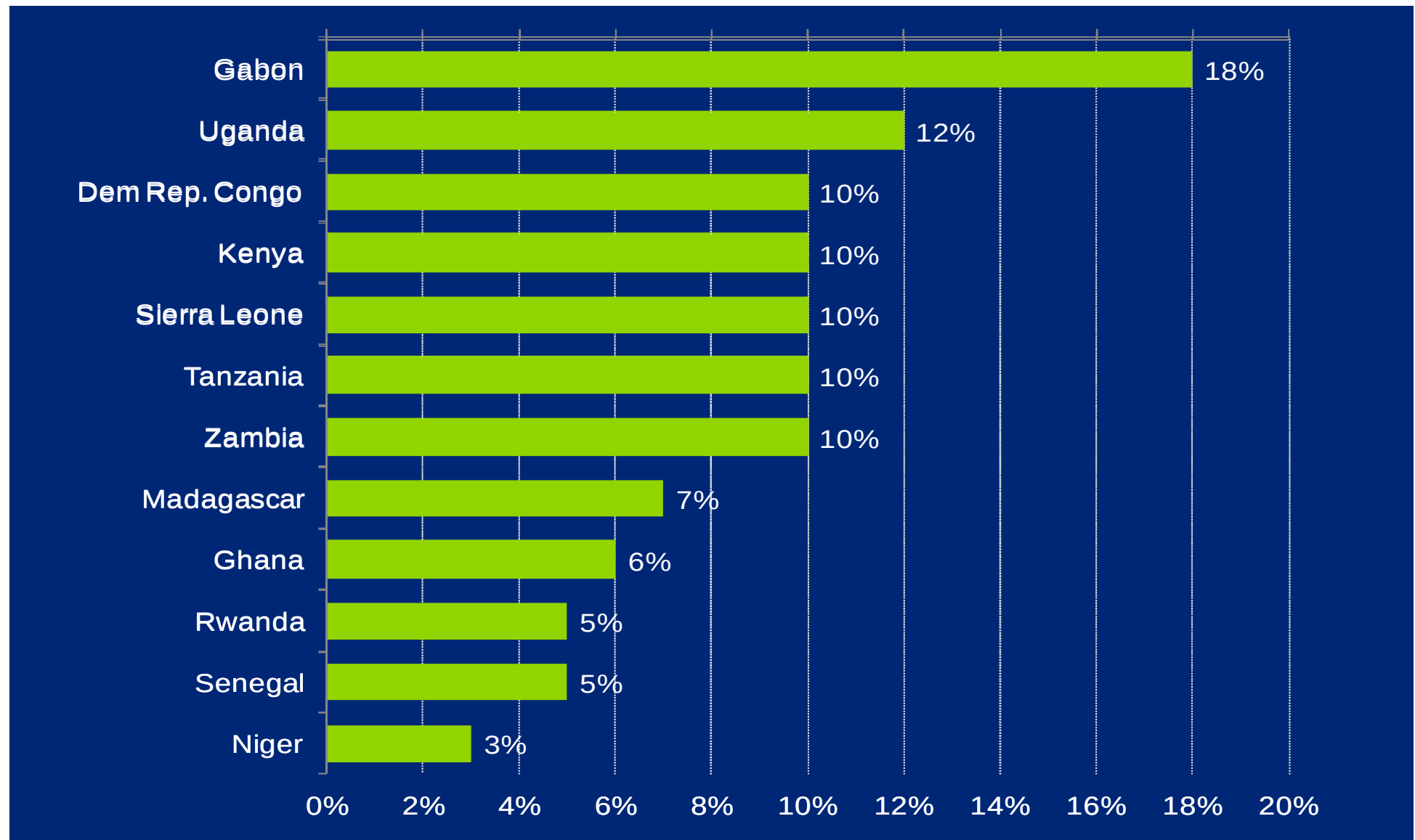
- Mobile service costs are expressed as Total Cost of Mobile Ownership (TCMO) and the Total Cost of Mobile Usage (TCMU)



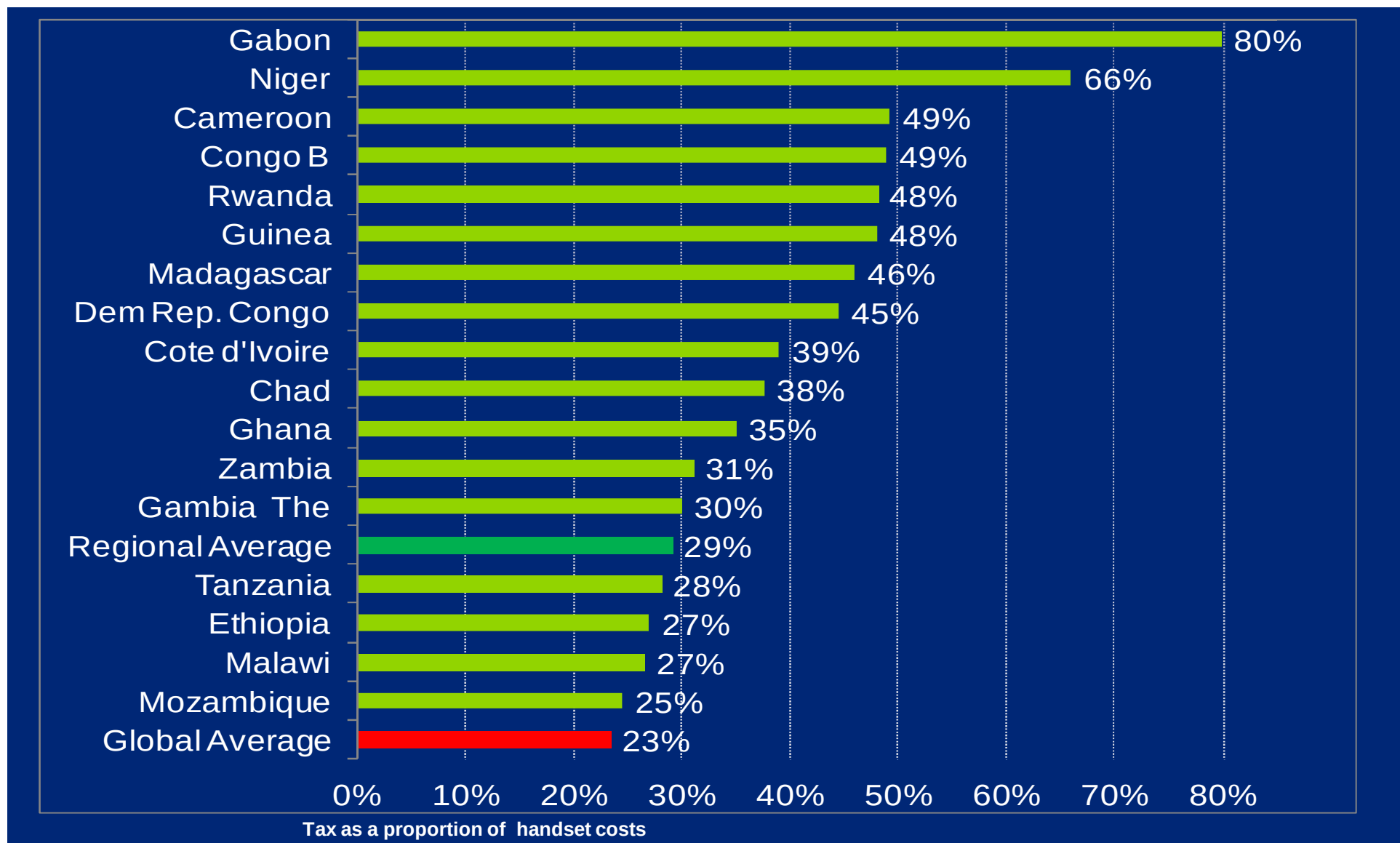
Gabon, DRC and Madagascar have the highest tax as proportion of TCMO in Africa



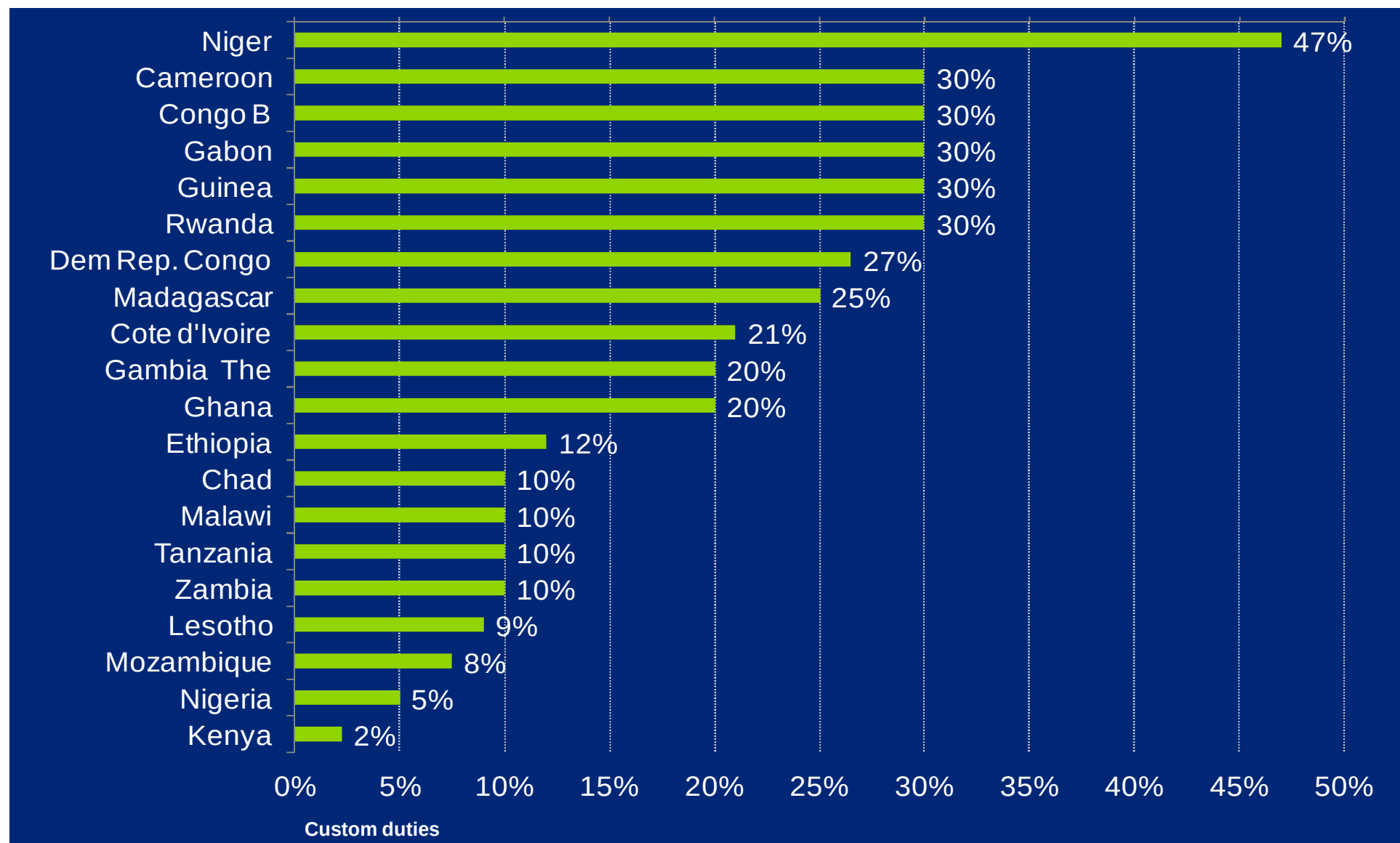
Taxes on mobile usage, or 'airtime taxes', have also increased significantly in the last four years in Africa



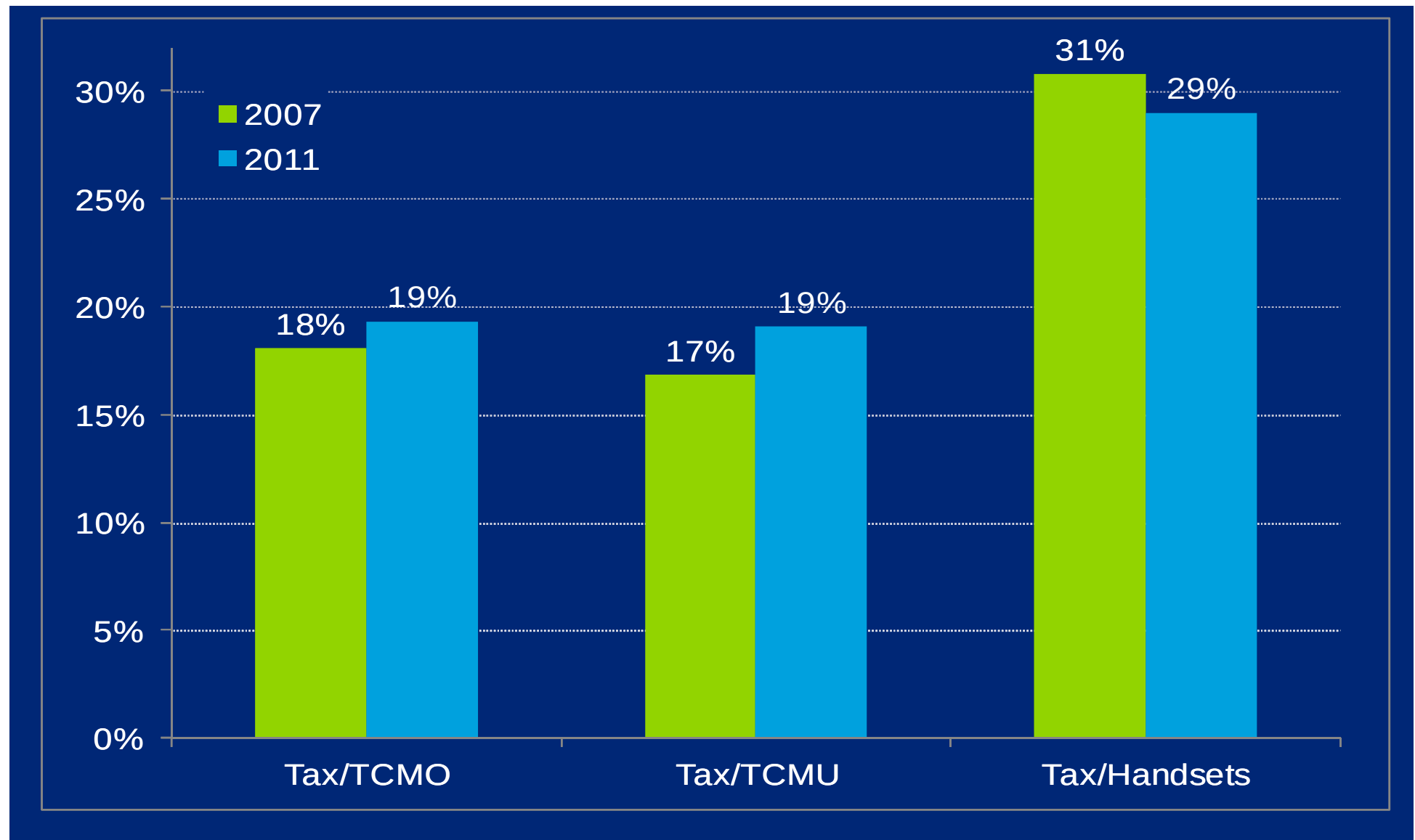
Tax as a share of handset costs represents over two thirds of the costs of a handset in Gabon and Niger



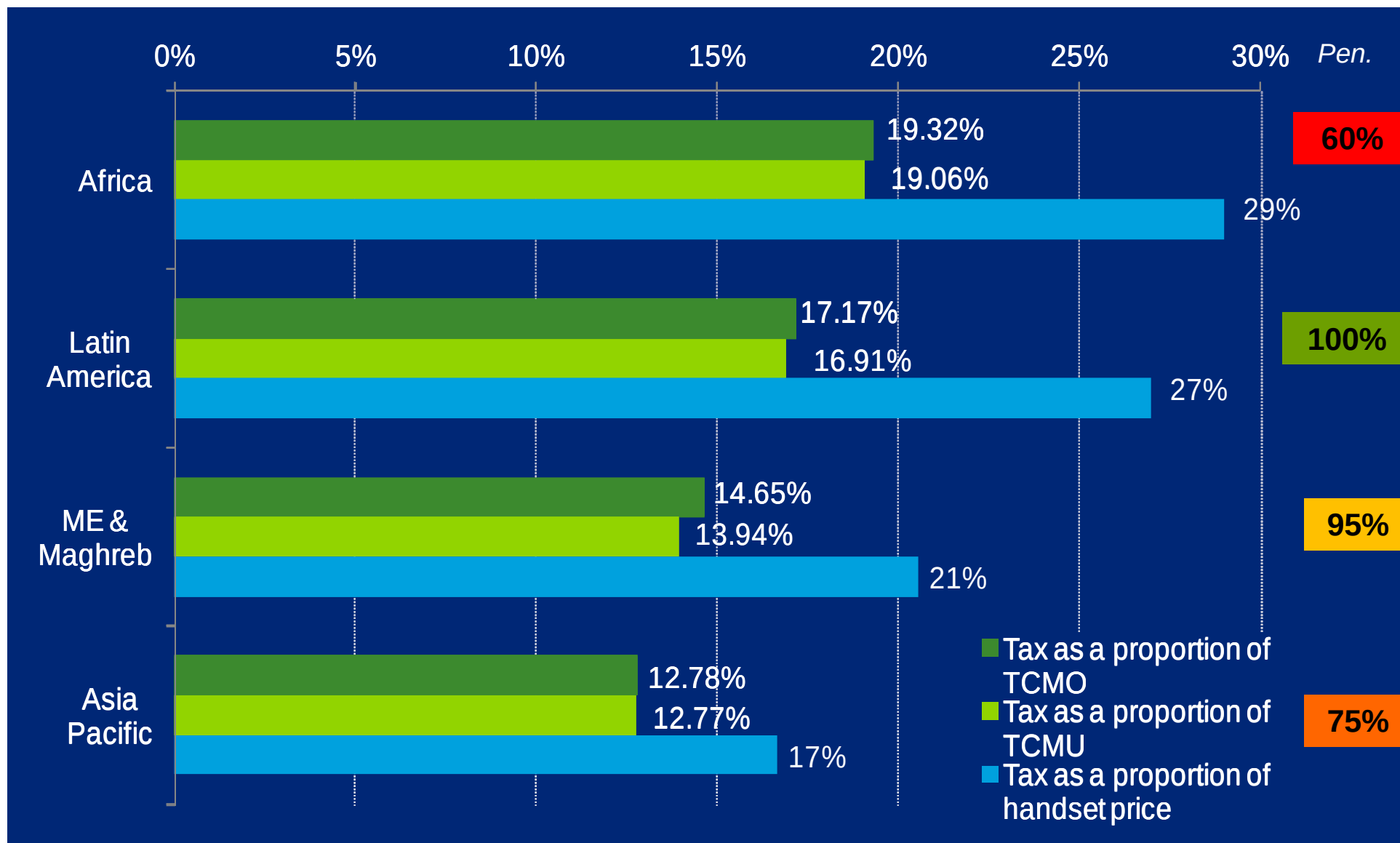
20 African countries still impose custom duties on handsets



As a result, taxation as a proportion of mobile costs has increased in the last four years in Africa...



... and mobile taxation as a proportion of mobile costs in Africa is higher than in other developing regions



Mobile taxes and unbalanced taxes on handsets constrain mobile penetration and economic activity

Reducing the imbalance on handset taxation



Increase in handset circulation and mobile penetration

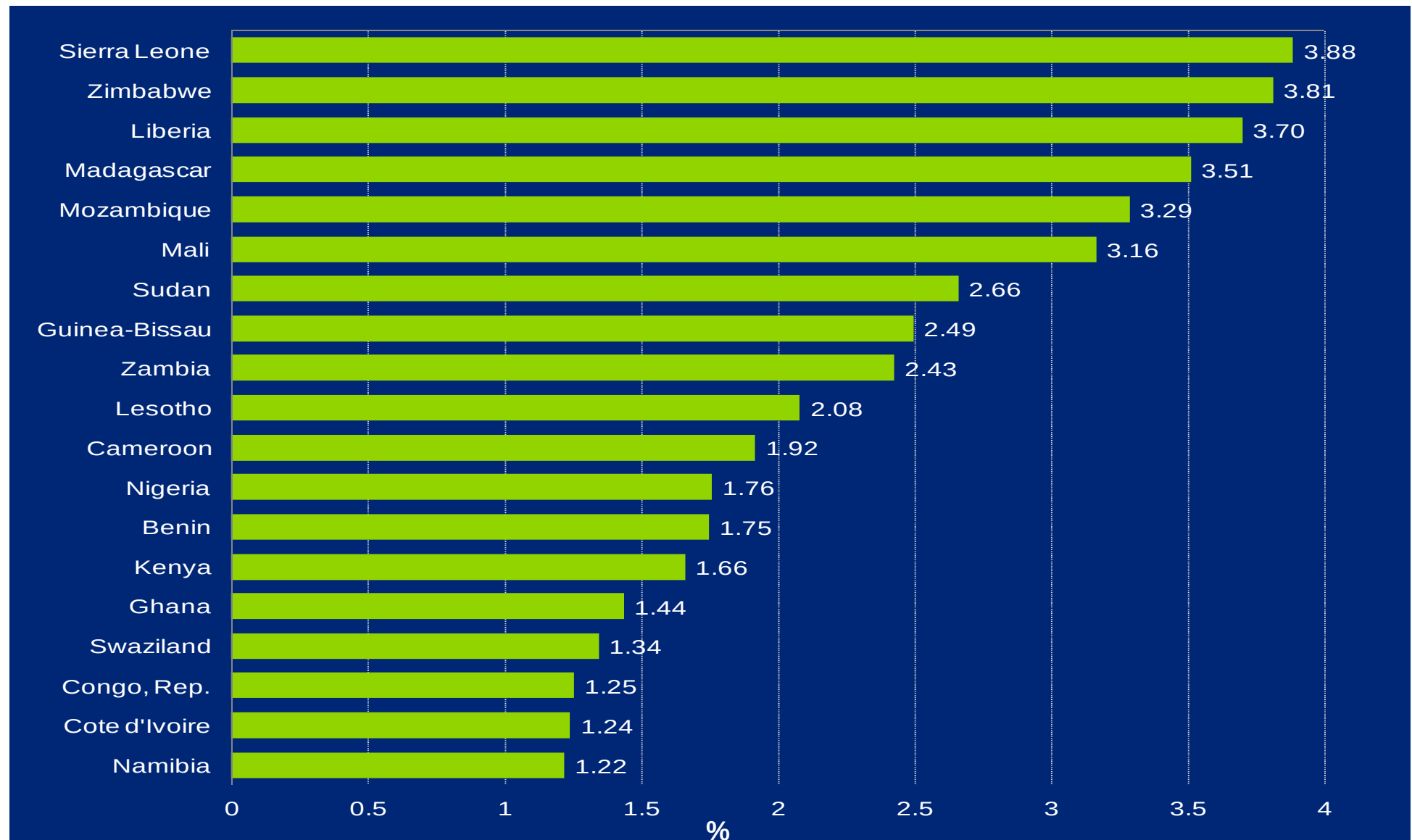


Positive effect on GDP growth



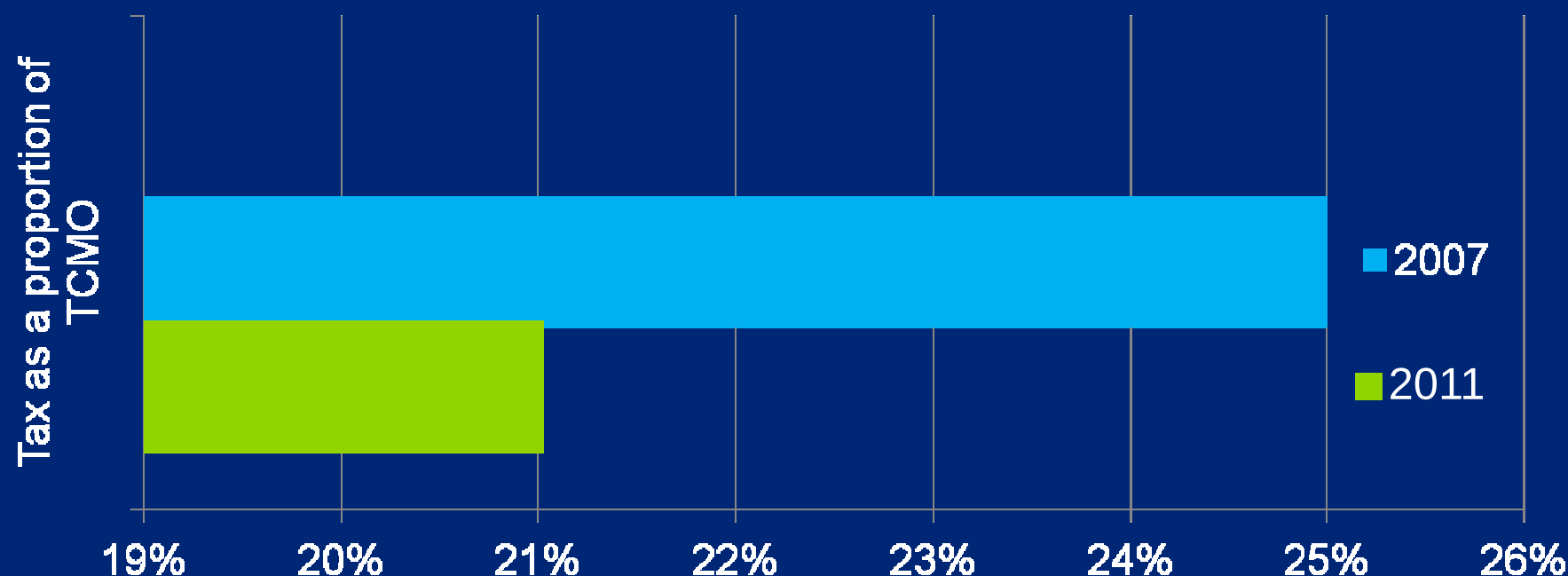
Positive effect on government taxation receipts

A 10% increase in mobile penetration leads to significant increases in growth of GDP per capita

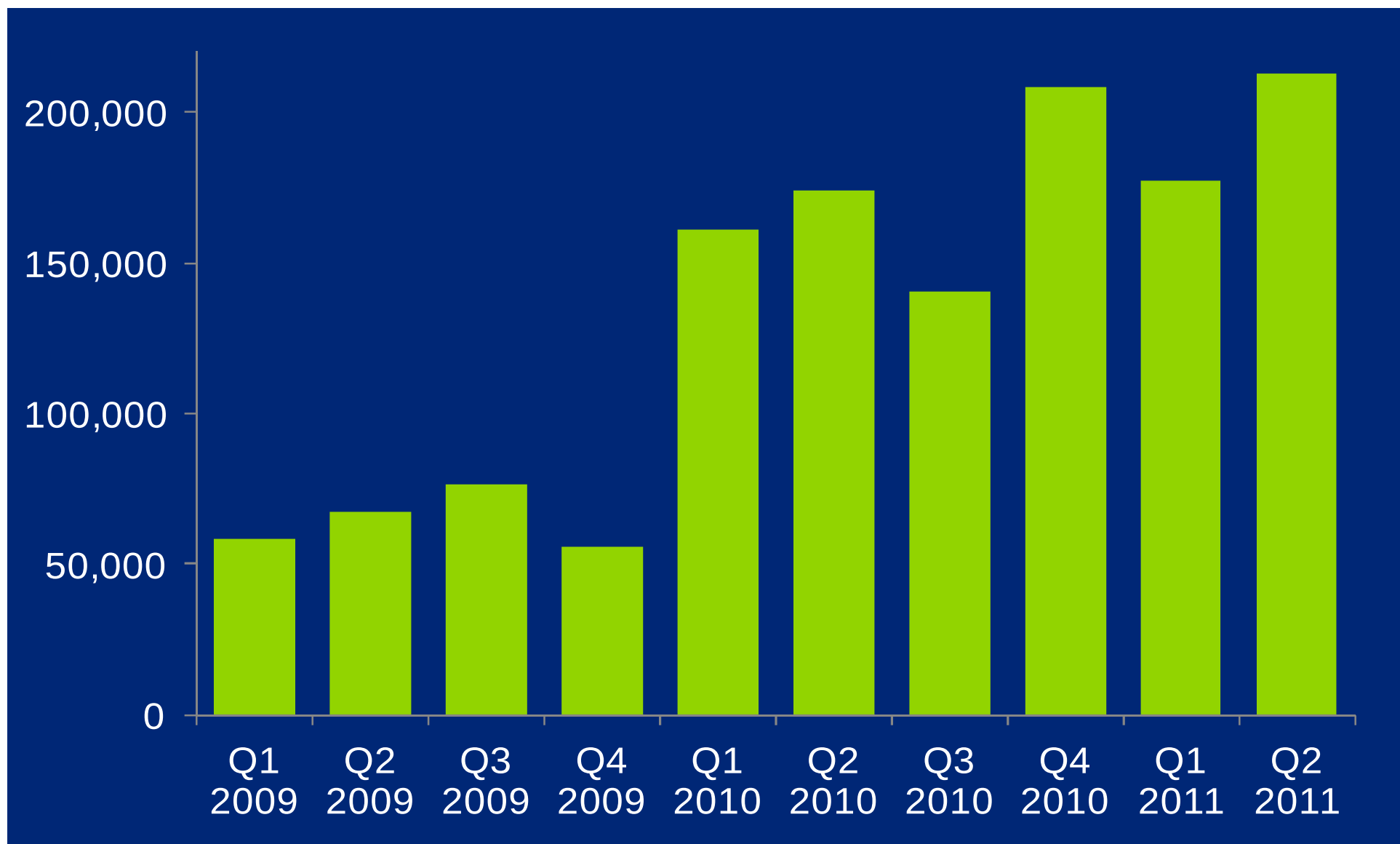


Kenya has successfully reduced mobile specific taxation

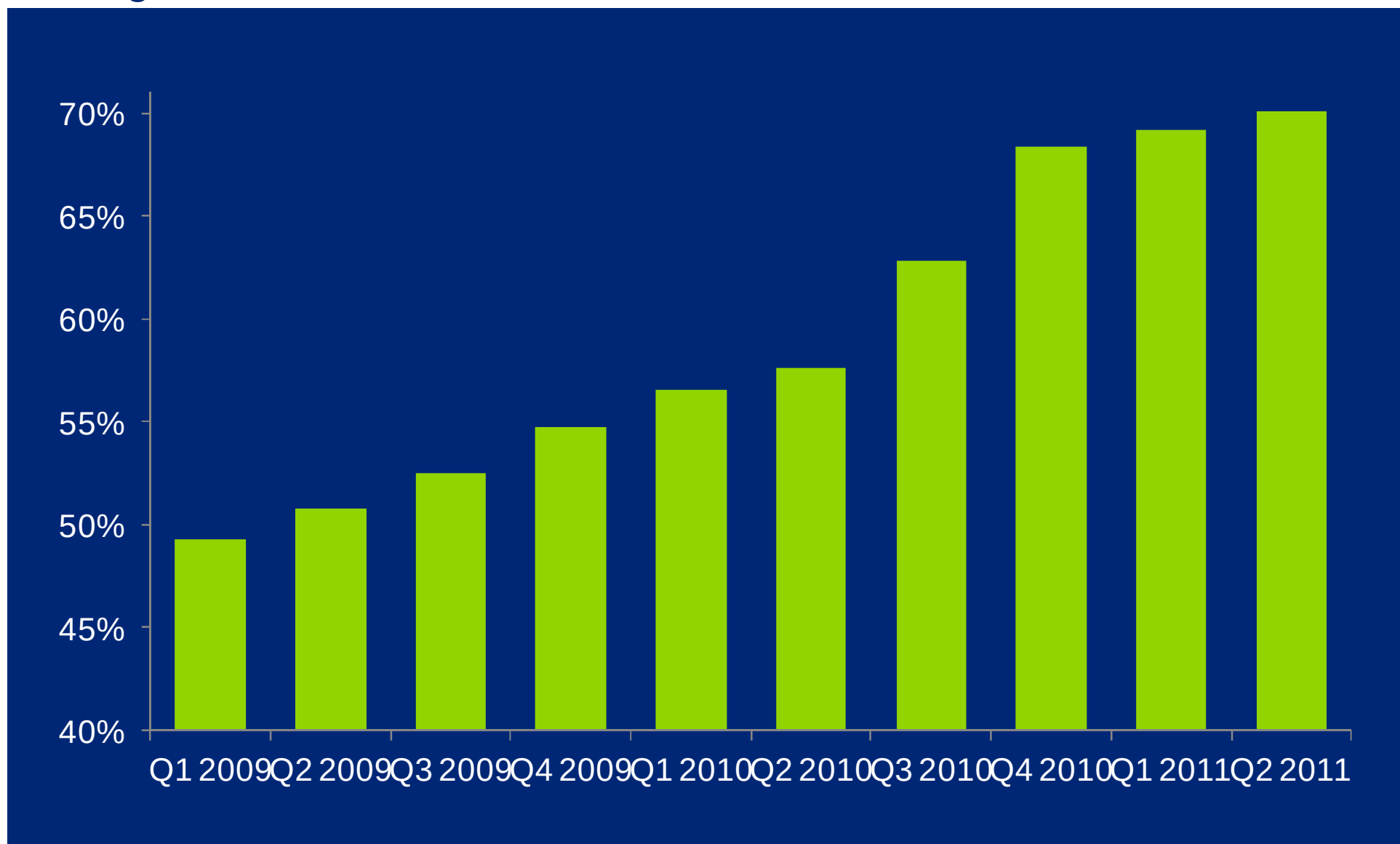
- The Kenyan government recognised that handset price represented a barrier to the development of the sector
- In August 2009, the 16% VAT on mobile phone handsets was removed



Lowering taxation has significantly increased handset circulation...



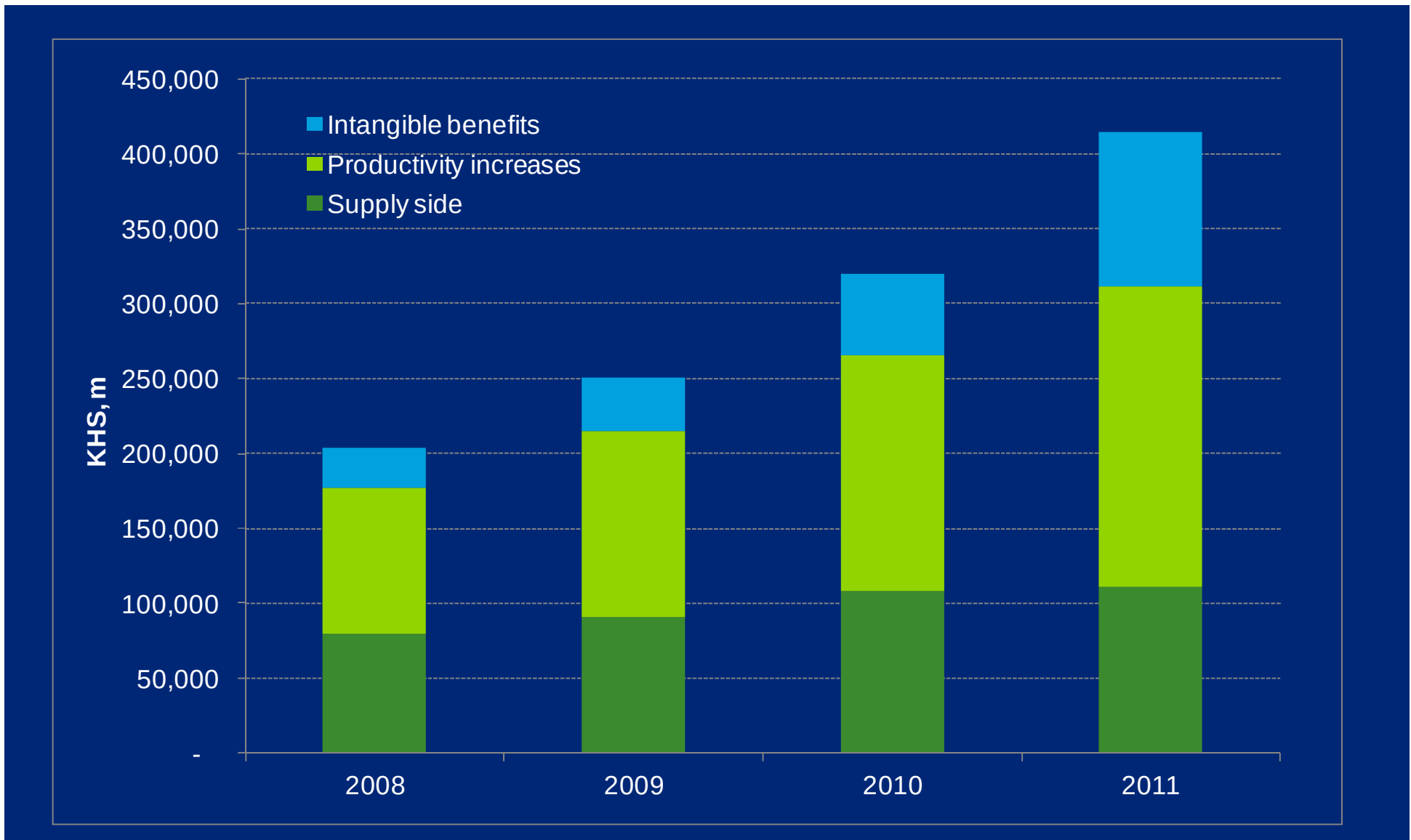
... and has contributed to increased mobile penetration above African average



Tax reductions and healthy competition have also lowered mobile prices and increased usage



In Kenya, consumers, businesses and government have benefitted from developments in the mobile sector



Reducing taxation contributes to increase service penetration and benefits economic activity

- In Africa, the contribution of mobile communications is particularly important to countries' economic and social development, especially as a result of the limited fixed telecommunications infrastructure
- The Kenyan government has recognised the importance of removing taxes on access to mobile services
- The reduction in handset costs has led to substantial increases in handset circulation and mobile penetration
- This has resulted in notable benefits to consumers and to the economy
- Other African countries could consider the benefits that removing handset tax has provided for Kenya, and the positive benefits that increases in mobile penetration have on GDP growth rates

Deloitte.



Global Mobile Tax Review 2011



Any questions?

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