



# A4AI Ghana Coalition

## Working Groups Progress Reports

**Taxation** Working Group

July, 2016

# Policy & Regulatory Reform

## Taxation Areas (Targeted):

- Surcharge on International Inbound Traffic (SIIT)
  - Price Arbitrage/Simboxing
- 20% Import Duty on Mobile Devices
- VAT on Mobile Money
- National Fiscal Stabilization Levy
- Tower Moratorium Penalties

## Message:

- These taxes increase barriers to affordability, reduce investment and undermine the competitiveness of Ghana

## Risk/Challenges:

- Government's fiscal deficit & revenue demands
- Stakeholder Buy-in
- Election Year.

# KEY ACTIVITIES 2016



## TEAM APPROACH / STRATEGIC ENGAGEMENTS

## TIMELINE

### GROUP MEETING

All Year

- Champions Meeting
- Taxation Team Engagement

### STRATEGIC ENGAGEMENTS

All Year

- Meetings with the MoF
- Meetings with the MoC [Minister, Deputy & CD]
- Meetings with Central Bank, GRA etc

### RESEARCH ON TAX IMPLICATIONS TO TELCO INDUSTRY

- GSMA Ghana Tax Study
- Study with PwC








Launched (Q1 2015)

Launched (Q4 2015)

# General Taxes

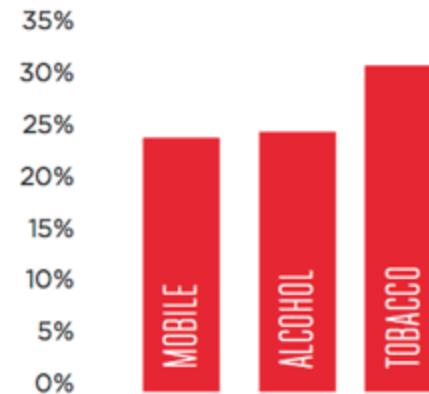


Taxes levied on mobile operators in Ghana

| TAX BASE                                 |   | TAX TYPE  | TAX RATE  |
|--|---|---|-----------|
| Imported network equipment and SIM cards |   | VAT   | 15%       |
|  |   | Customs Duties (and additional charges)   | Up to 20% |
|  |   | National Health Insurance Levy  | 2.5%      |
| Taxes                                    | Profits   | Corporation tax   | 25%       |
|  |   | National Fiscal Stabilisation Levy  | 5%        |
| Annual regulatory fees                   | Termination/ Interconnection revenues   | SIIT  | GH¢ 0.19  |
|  |   |  CST on interconnection                                      | 6%        |
|  | Fixed amounts   |  Ghana Investment Fund for Electronic Communications (GIFEC) | 1%        |
|  |   |  Variable licence fee                                       | 1%        |
|  |   |  International Gateway Licence                             | \$100k    |
| Per phone number                         |  Right of way fees for fibre rollout | \$4000/km on average  |           |
|  |  Microwave fees                      | Per link  |           |
|  |  Numbering fee                       | Up to \$0.50 per number   |           |

Key: Operator taxes on equipment Other operator taxes  Mobile-specific

Taxation as a proportion of usage costs



Source: Deloitte analysis

- About 40% of Operator revenues is in the form of taxes which forms about 9.1% of GoG's total income.
- Inefficiencies in the market reduce growth and investment in the mobile sector.

# Policy & Regulatory Reform



## MESSAGE:

- Consumer taxes create barriers to affordability
- Taxes on mobile operators reduce growth and investment in the mobile sector
- The tax burden on mobile is higher than that on many other sectors
- ReBalancing Mobile Taxes;
  - Increases access to ICT
  - Promotes digital inclusion and increase economic growth
  - Incentivise investments, enhance rural telephony

# PRIORITY TAXES



## 20% Import Duty on Mobile Devices

## TIMELINE

### Current Status

- CET implementation underway...
- TWG monitoring impact on the industry and consumers
- Feedback from OEMs has been, old stock currently in stores

### High Level Joint Stakeholder Engagement

Q1 2016

- TWG engaged the Minister of Finance to speed up implementation
- Tax Policy Unit notified TWG of the effected changes from 20% to 10%.

# PRIORITY TAXES



## National Fiscal Stabilization Levy

## TIMELINE

### **Current Position:**

- Government extended this levy beyond the sunset clause of December 2014 to 2017
- Team continues to monitor effect of this tax and will share detailed impact in due course etc.

# PRIORITY TAXES



## VAT on Mobile Money

## TIMELINE

### High Level Stakeholder Engagement

**The TWG led a series of bilateral engagements;**

- Engaged the Tax Policy Unit
- Engaged the Central Bank

Q1-Q2  
2016

### Current Position:

- **Suspended indefinitely**
- Possible review of MM guidelines.....  
Issues surrounding VAT is out of the discussions and roadmap documents circulated from the Central Bank





# PRIORITY TAXES



## Tower Moratorium Update

## TIMELINE

### **Current Status**

- Ministry requests an extension by 2years.
- TWG research indicates
  - *9million customers to loose service*
  - *Over 4,000,000 cedis penalty a day to the industry*

Q2 2016

### **High Level Joint Stakeholder Engagement**

- TWG engaged the Regulator and Ministry
- Ministry notified TWG of inability to resolve this due to elections



# Next Steps

- Align & Intensify our Interventions with National Coordinator
  - Creating parallel engagement lines to enhance lobby/education efforts



**MUCHAS GRACIAS!**  
**THE TAXATION WORKING GRP!**

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