Unlocking digital inclusion in Honduras: Reforming taxation on the mobile sector to support economic and social development

Mobile services in Honduras connect over 5.4 million users of mobile, or 66% of the population and deliver widespread socio-economic benefits. They facilitate the exchange of information, increase productivity, and improve access to life-changing services such as education, healthcare and financial services. Increased connectivity has led to improved economic growth, and the mobile sector is a large contributor, both directly and indirectly, to employment, government revenues and FDI.

However, 2.8 million people in Honduras are still unconnected to mobile services and a number of barriers to digital inclusion remain:



Access to mobile broadband is low, with only a quarter of the population accessing the mobile internet with 3G/4G technologies and less than a third of the population is using a smartphone. These services are key to unlocking the full potential of mobile.



The price of mobile broadband for the poorest households accounts for

48% of annual income.

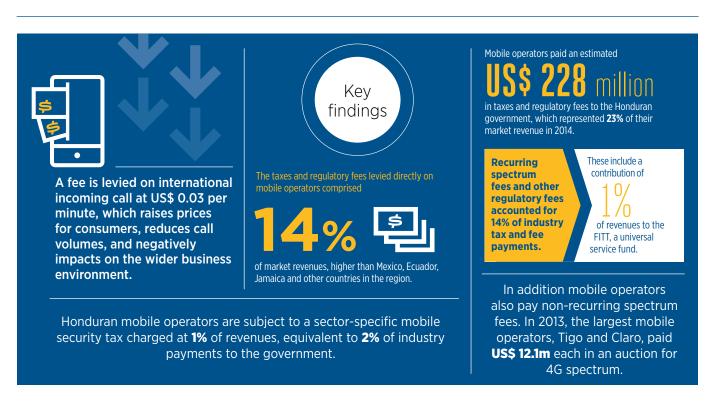
20% of the population can afford entry-level broadband services.*



Mobile operators are subject to high sector-specific taxation, which limits their incentives to invest and their ability to pass on savings to consumer prices.

*According to the threshold set by the Broadband Commission of 5% of annual income.

A recent study of mobile taxation in Honduras, conducted for the GSMA by Deloitte, identifies priorities for policy change and estimates the socio-economic and fiscal benefits of rebalancing mobile taxation and fees in Honduras.



(a))))

IMPACTS OF REFORMS TO SECTOR-SPECIFIC TAXATION BY 2020:

		MARKET PENETRATION*	MOBILE BROADBAND CONNECTION*	MOBILE REVENUES NET OF TAX	ECONOMY WIDE INVESTMENT	GDP	EMPLOYMENT*	TAX REVENUES
	ELIMINATING THE INTER- NATIONAL INCOMING CALLS FEE	+159,000	+115,000	+US\$ 24.9 M	+US\$ 28.6 M	+US\$ 126 M	+1,700	+US\$ 9 M
	ELIMINATING THE MOBILE SECURITY TAX	+26,800	+19,400	+US\$ 4.8 M	+US\$ 4.8 M	+US\$ 21 M	+400	+US\$1 M
	ELIMINATION OF THE FITT CONTRIBUTION	+21,000	+15,000	+US\$ 3.7 M	+US\$ 3.8 M	+US\$ 16.5 M	+229	+US\$ 0.8 M

*Additional cumulative effect over 2016-2020, otherwise figures show additional effect in 2020.

