
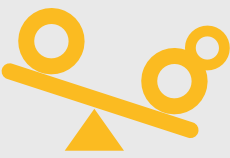





Reforming mobile sector taxation in Pakistan:





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

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

<p>THE MOBILE SECTOR ACCOUNTS FOR</p> <p>1.1% </p> <p>OF PAKISTAN'S GDP</p> <p>In 2017, the mobile sector generated \$3.4bn in revenue</p>	<p>THE MOBILE TAX CONTRIBUTION IS</p> <p>1.5 </p> <p>TIMES GREATER THAN ITS SIZE IN THE ECONOMY</p>	<p>THE MOBILE SECTOR CONTRIBUTES TO</p> <p>1.7% </p> <p>OF PAKISTAN'S TAX REVENUE</p> <p>In 2017, the mobile sector paid \$638m in taxes and fees excluding the withholding tax on mobile services</p>
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Mobile Connectivity Index
Pakistan: 37.1/100

Barriers to connectivity

<p> Affordability</p> <p>Pakistan: 56, APAC: 69</p>	<p> Consumer Readiness</p> <p>Pakistan: 28, APAC: 69</p>
<p> Infrastructure</p> <p>Pakistan: 35, APAC: 51</p>	<p> Content and Services</p> <p>Pakistan: 35, APAC: 51</p>

Source: <https://www.mobileconnectivityindex.com/>

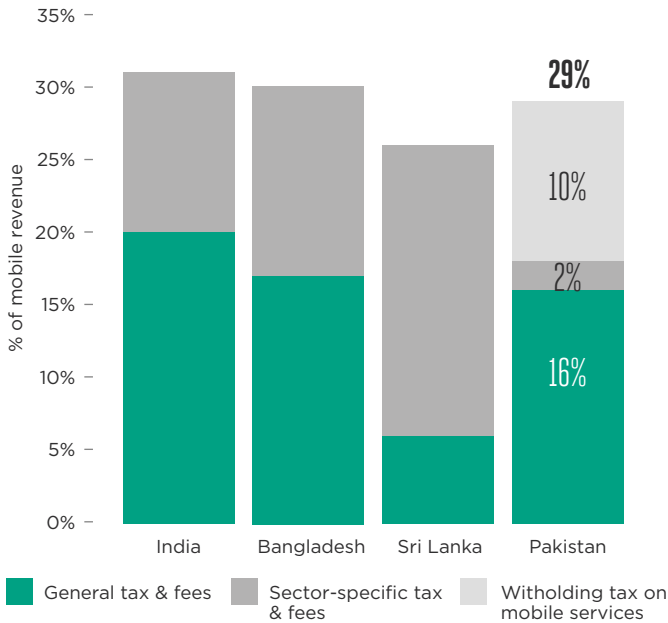
60% of Pakistanis are excluded from mobile access and 76% from mobile internet access

Penetration (%)

Country	Unique subscriber penetration (%)	Unique subscriber penetration, with mobile internet (%)
Singapore	88	80
Maldives	87	49
Thailand	86	63
Malaysia	80	45
Vietnam	75	53
Indonesia	74	43
Sri Lanka	73	43
Cambodia	67	42
Philippines	64	42
India	54	33
Bhutan	53	31
Nepal	53	31
Bangladesh	52	24
Afghanistan	51	19
Myanmar	50	37
Pakistan	40.3%	23.5%

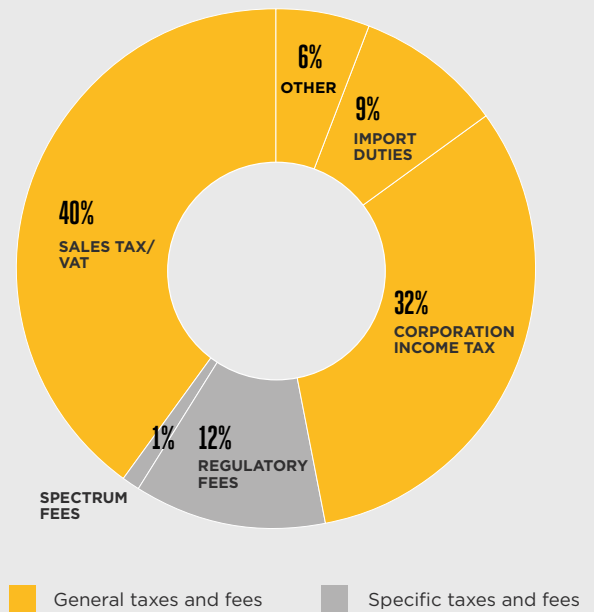
Legend:
 Unique subscriber penetration
 Unique subscriber penetration, with mobile internet

The tax contribution of the mobile sector represents 29% of market revenue (2017)



Source: GSMA Intelligence database, EY analysis and operators' data

Pakistan has the highest share of corporate income tax and high sales taxes in a sample of Southern Asian countries



The high tax burden on the mobile sector discourages further investment and limits the opportunities for further development

MOBILE CONNECTIVITY IMPROVES PRODUCTIVITY IN THE ECONOMY

Academic studies have proved that "a 10% increase in mobile penetration increases productivity by between 1.0% and 1.3%."

Through policy reform, the Government of Pakistan has the opportunity to facilitate private sector investment, supporting job creation and a better business climate

ECONOMIC IMPACTS OF TAX REFORM

EY estimated the economic impact of the following tax reforms, which estimated impacts over a five-year period (2019-2023) are presented below.

		Price of services	Annual gain in tax revenue by 2023	Additional investment in the economy
1	Harmonisation of sales tax on mobile services to 17%	-0.9%	+\$55m	+\$120m
2	Harmonisation and reduction in sales tax on mobile services to 16%	-1.2%	+\$76m	+\$167m
3	Elimination of the 8% minimum withholding tax on income from mobile services	-0.6%	+\$36m	+\$75m

THESE TAX REFORMS ARE SELF-FINANCING

The Government may face an initial cost in the first year following the reform, but tax reforms would boost productivity, leading to higher GDP and taxation revenue in the medium-term.



GSMA HEAD OFFICE
 Floor 2, The Walbrook Building, 25 Walbrook,
 London, EC4N 8AF, United Kingdom
 Tel: +44 (0)20 7356 0600
www.gsma.com

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