

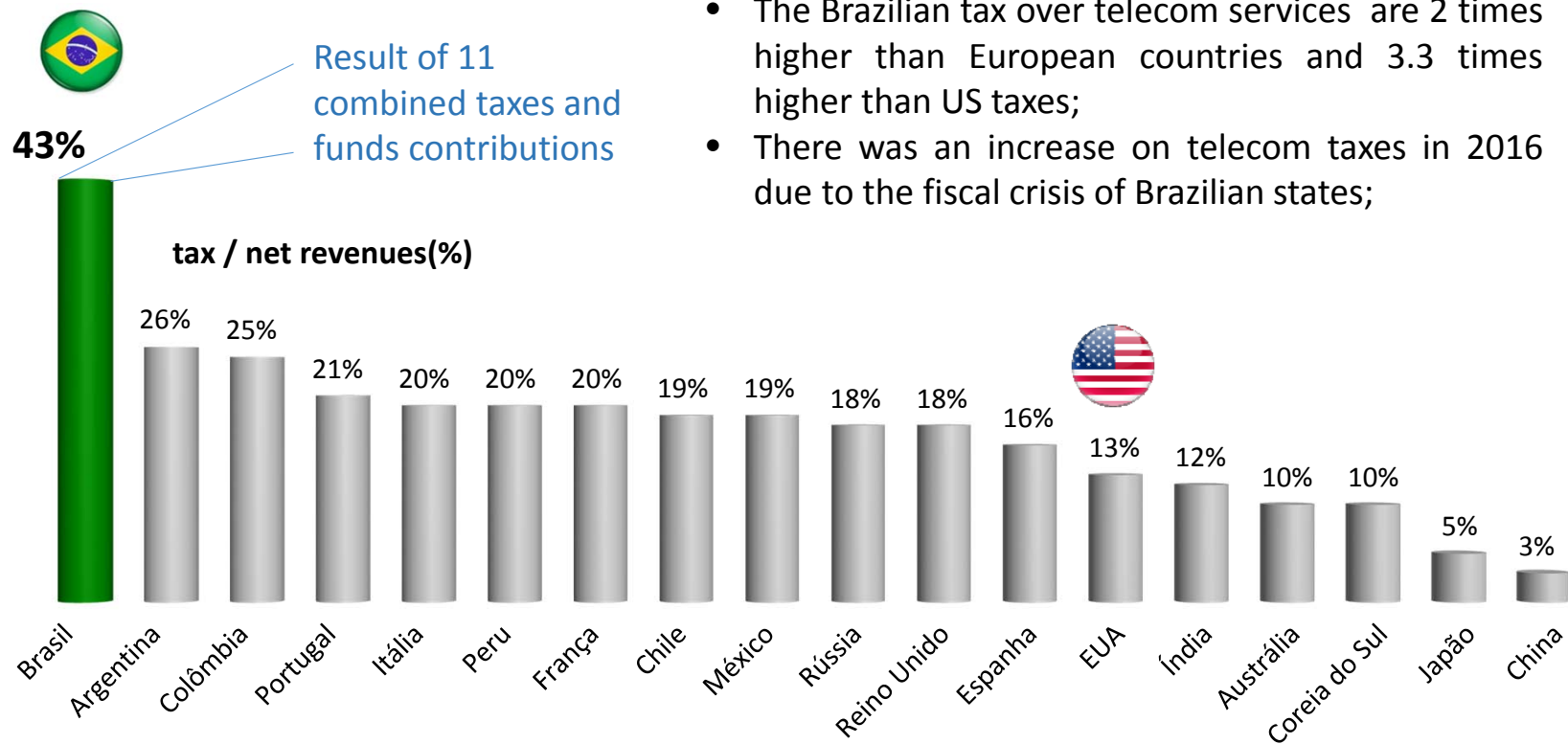
# Tax on Brazilian telecom industry

ITU meeting – Brasilia, Brazil - june 13th to 17th



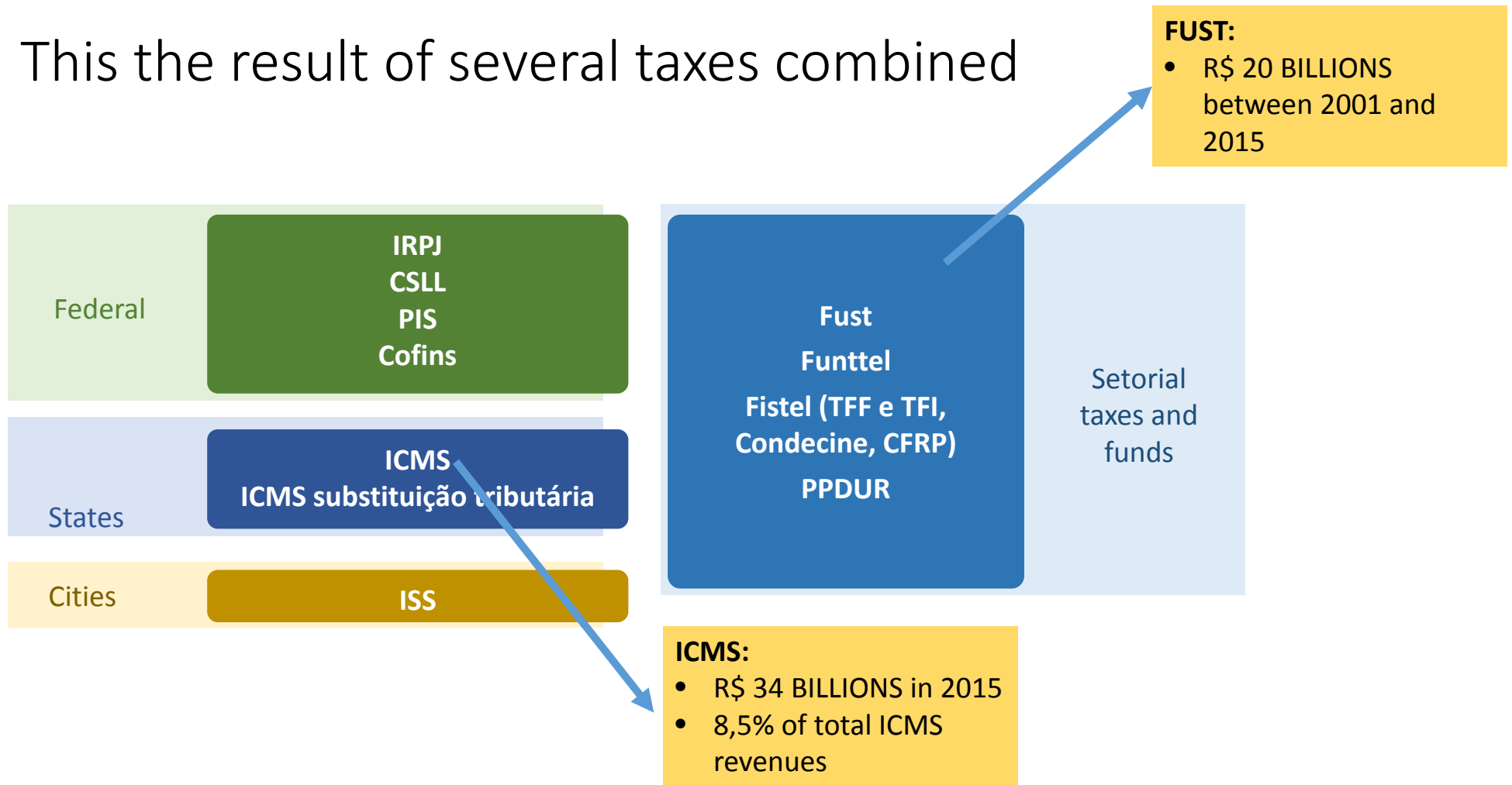
Ildeu Borges - [ildeu@sinditelebrasil.org.br](mailto:ildeu@sinditelebrasil.org.br)

# The tax impact on Brazilian telecom industry is the highest compared to 17 countries



- The Brazilian tax over telecom services are 2 times higher than European countries and 3.3 times higher than US taxes;
- There was an increase on telecom taxes in 2016 due to the fiscal crisis of Brazilian states;

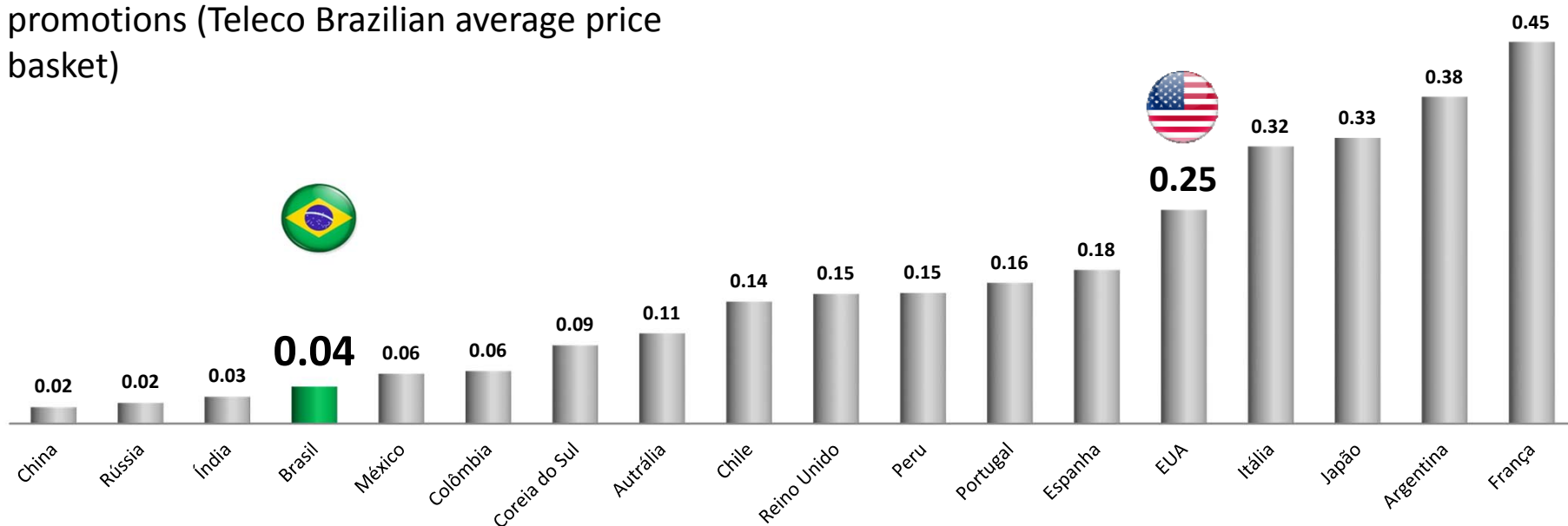
This the result of several taxes combined



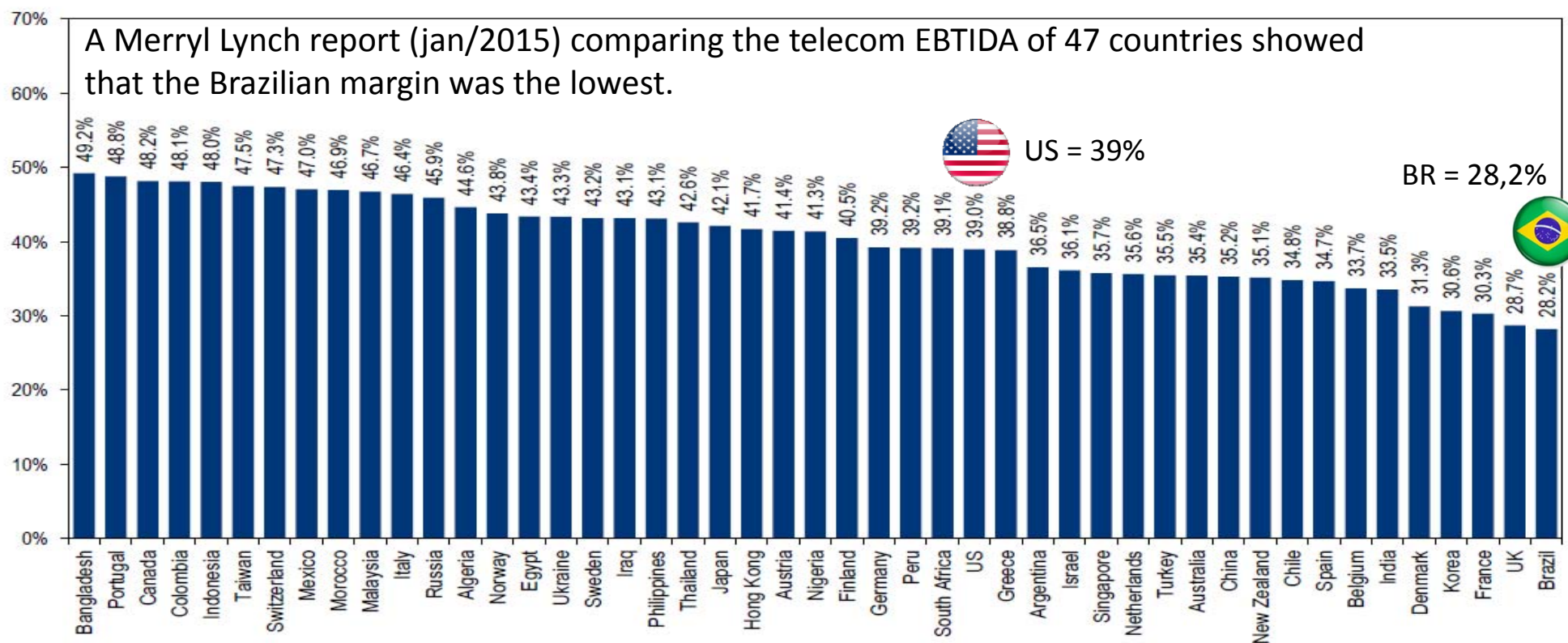
# Besides that, due to the local competition and low local income, the Brazilian telecom prices are low

Average retail price, with tax, considering promotions (Teleco Brazilian average price basket)

Minute of Cell Phone Call (US\$)  
With taxes

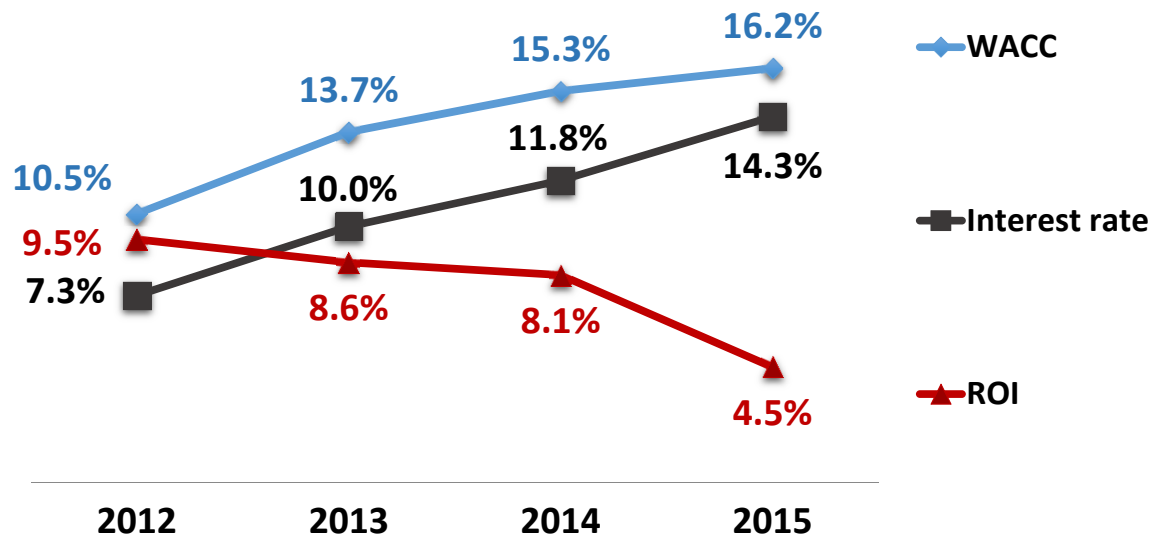


As a consequence, the Brazilian telecom operator margins are low and decreasing ...



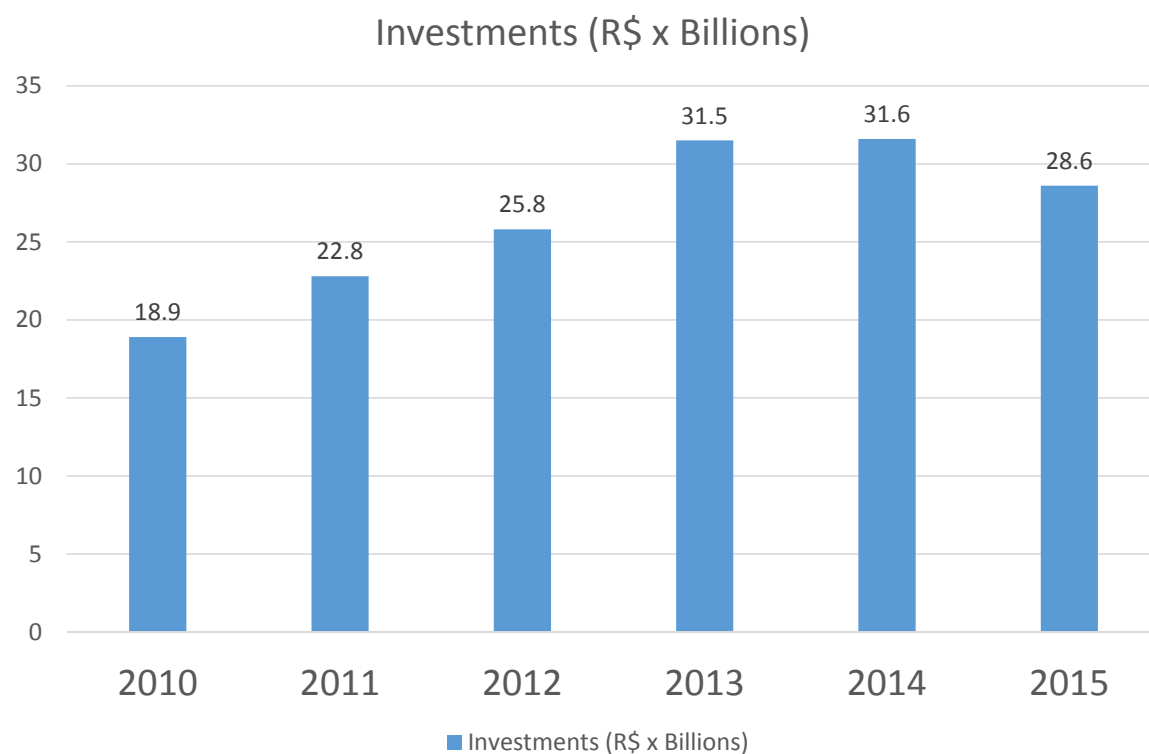
Source: Global Matrix | BofA Merrill Lynch (Jan/15)

As a consequence, the Brazilian telecom operator margins are low and decreasing ...



- Since 2012 the return over investments is lower than the WACC and since 2013 is than the basic interest rate also;
- This show a risk related to investments in telecom in Brazil and one alternative to help solve this is to decrease the tax weight of the industry.

... Besides this, the Brazilian companies still maintain the investment levels



But, to improve the investments, some measures will be welcomed in the tax field:

- *Simplify the tax system;*
- *Decrease the total tax weight and avoid further increases;*
- *Reinvest the funds in the industry itself;*

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