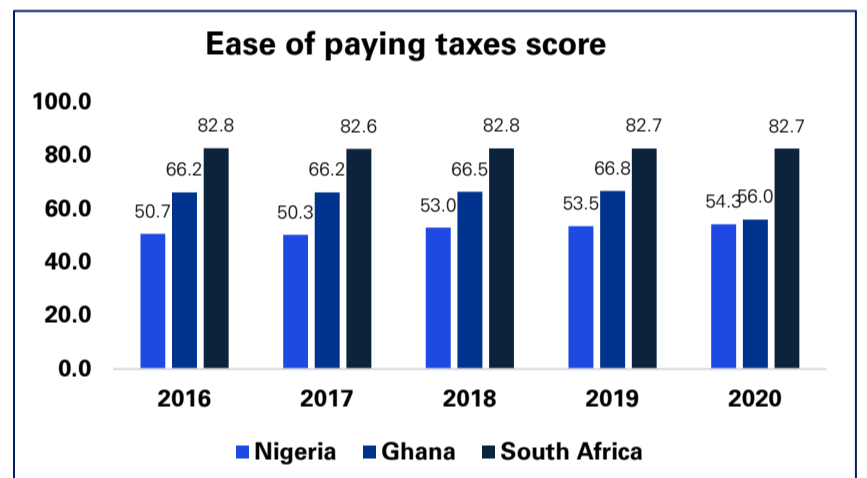
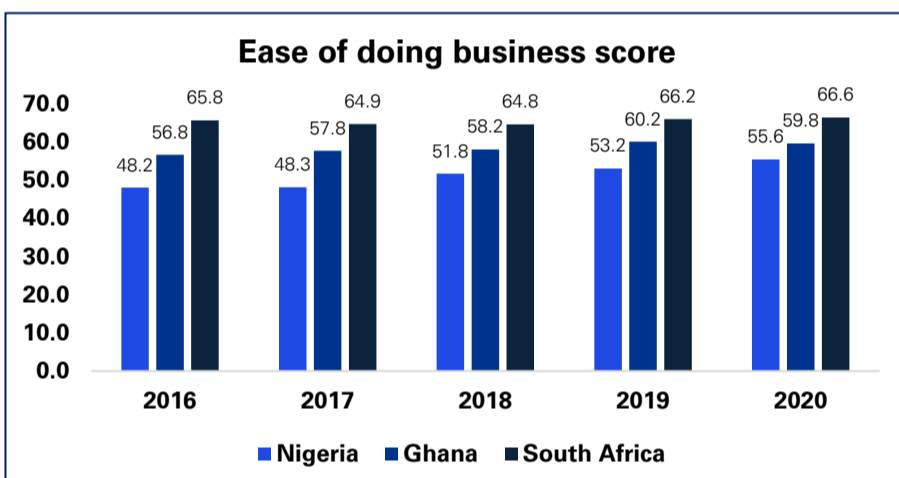
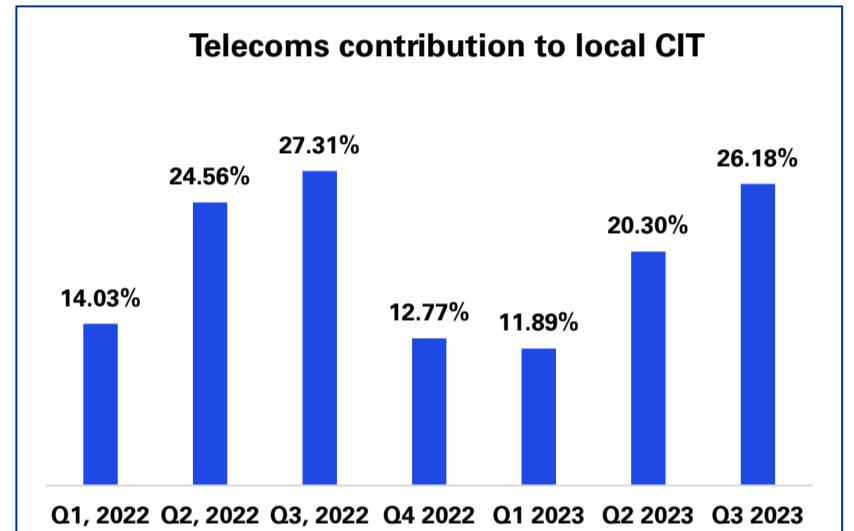
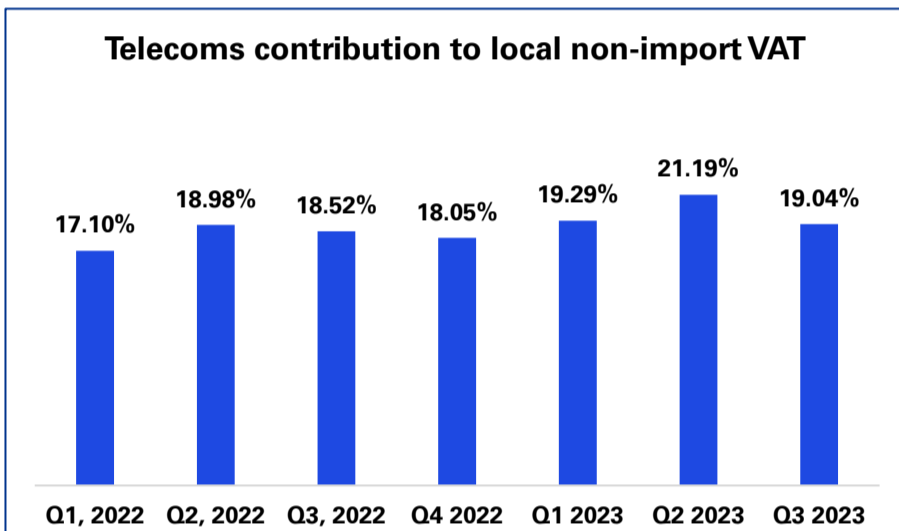
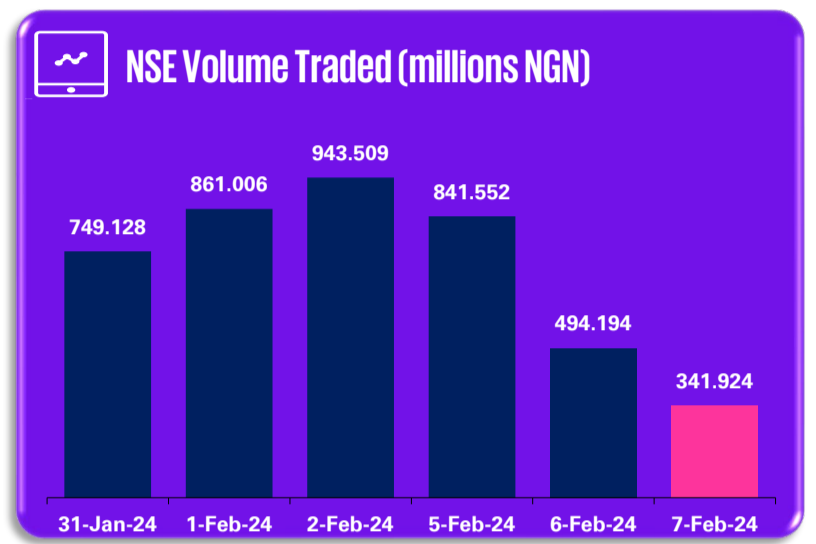
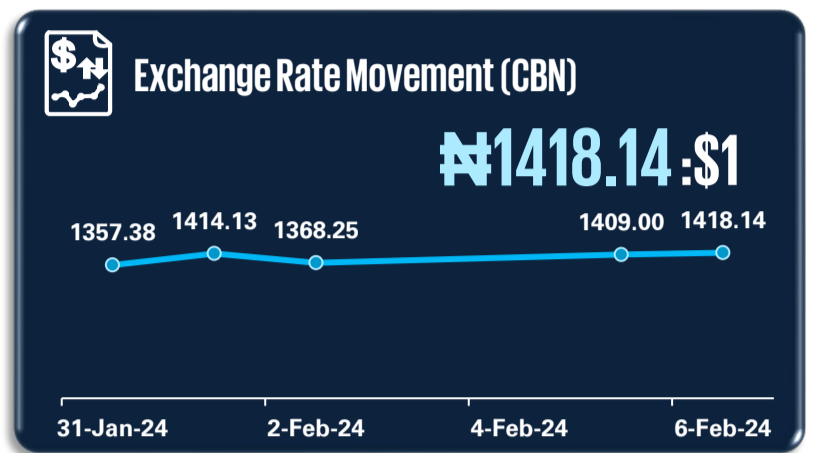
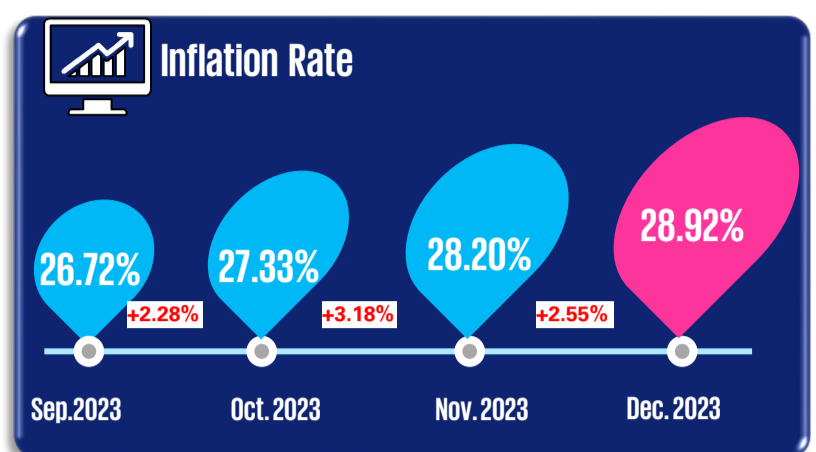
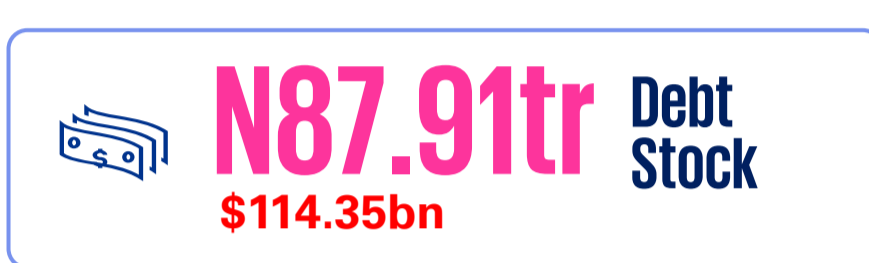
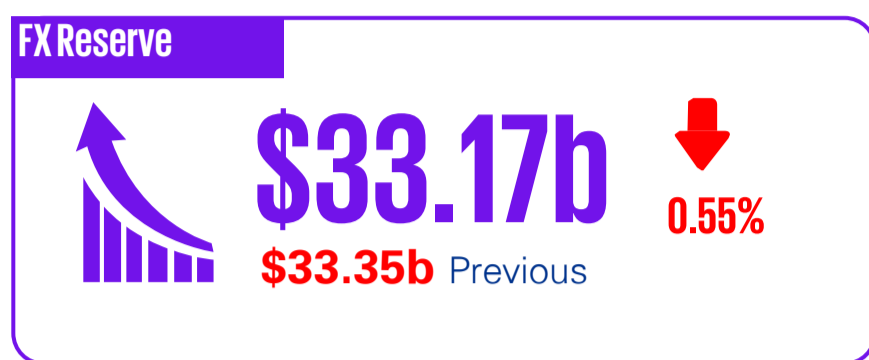


Macroeconomic Snapshot

Research & Insights | KPMG in Nigeria

Thursday 8 February 2024



Note: Higher scores correspond to greater ease

KPMG Analysis: Multiple Taxation in the Telecoms Sector

This week, we highlight the recent call for a reduction in multiple taxation in the telecommunication sector across states and local governments made by the NCC. According to the Executive Chairman of the NCC, taxes like the Right of Way (ROW) and other forms of multiple taxation constitute impediments to the growth of the telecommunication industry.

High and multiple taxes not only significantly impede the ease of doing business in the telecommunication sector, but also comes with other implications for the economy as a whole. Since the tax environment is an important ease of doing business metric considered by foreign investors, the negative external sentiment arising from high and multiple taxation in the telecommunication sector may pose problems for the inflow of foreign investments into the sector which boasts of a significant number of foreign participants that are able to help reduce Nigeria's FX gaps, if leveraged. With Nigeria already ranking lower on the ease of doing business scale relative to other countries like Ghana and South Africa, the issue of multiple taxation may limit the inflow of both domestic and foreign investments into the telecommunication sector.

Furthermore, the problem of high and multiple taxation also threatens the sector's long-term revenue contributions to the government. Data from the National Bureau of Statistics (NBS) shows that the telecommunication sector accounted for 19.04% and 26.18% of local non-import VAT and local Company Income Tax (CIT), respectively, in Q3 2023. Resolving the taxation problem is therefore crucial for the government's revenue performance. Also, because of the inelastic nature of demand for telecommunication services in a typical consumption basket, the burden of these multiple and high taxes is almost entirely transferred to the subscribers, causing a greater squeeze in consumer wallet in an already inflationary environment.

Accordingly, we recommend that the proposed initiative should be extended to other sectors of the economy by the government, in addition to addressing other unique pain points constituting impediments to the ease of doing business across various sectors. We anticipate that resolving the issue of multiple taxation and other administrative and regulatory bottlenecks affecting the ease of doing business in Nigeria will put all sectors of the economy on a balanced and sustainable path to effectively support economic growth.

Sources: World Bank, CBN, NGX, NBS, DMO & KPMG Research

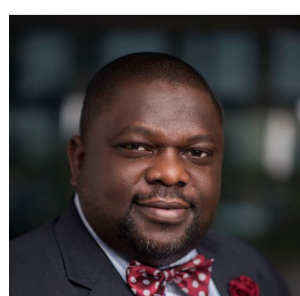
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For further information, contact:



Segun Sowande
Partner & Head
Strategy & Markets
KPMG West Africa
E: segun.sowande@ng.kpmg.com



Ajibola Olomola
Partner & Head of Deal
Advisory, M & A, Tax
KPMG West Africa
E: ajibola.olomola@ng.kpmg.com

Contributors

Kalu Eke
E: eke.kalu@ng.kpmg.com

Fatai Shuaib
E: fatai.shuaib@ng.kpmg.com

Festus Ogunbayo
E: festus.ogunbayo@ng.kpmg.com

Jessica Ezigbo
E: jessica.ezigbo@ng.kpmg.com