



# Tax Alert

## Amendment of the levy on person to person mobile money transfers

February 2025

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### Introduction

The Government of Zambia has enacted the Mobile Money Transaction Levy Act, 2024, which will come into effect on 1 January 2025. This new legislation introduces a levy on mobile money transactions, specifically targeting person-to-person transfers. The Act also includes provisions for record-keeping, inspections, exemptions, and penalties for non-compliance. It repeals and replaces the previous Mobile Money Transaction Levy Act of 2023.

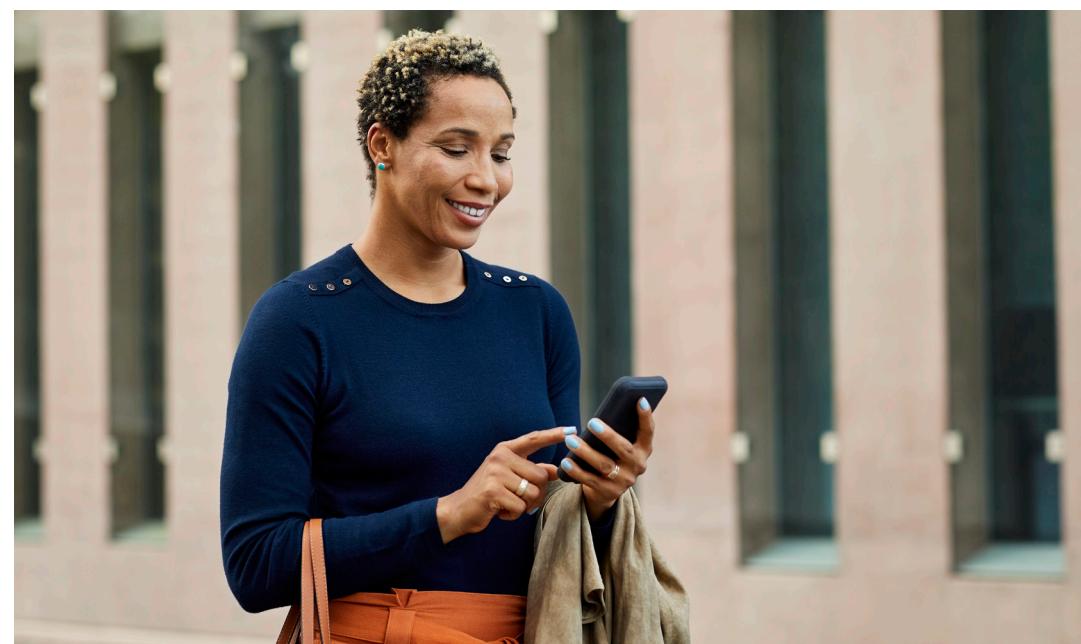
The Zambia Revenue Authority (ZRA) administers the new Act, and the Commissioner-General has the authority to enforce its provisions. This includes the power to inspect records and premises of mobile money service providers without prior notice.

The Commissioner-General may also issue administrative rules and the Minister

of Finance and National Planning may make regulations to facilitate the effective implementation of the Act.

The revised rates are as summarised in the table below:

Amount Range (“ZMW”)	Levy (“ZMW”)
From 0 - 150	0.16
Above 150 - 300	0.20
Above 300 - 500	0.40
Above 500 - 1,000	1.00
Above 1,000 - 3,000	1.60
Above 3,000 - 5,000	2.00
Above 5000 - 10,000	3.00
Above 10,000	3.60



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## Compliance requirements and penalties

The sender of the electronic money is responsible for paying the levy. Mobile money service providers are required to submit a return of the levy collected to the Commissioner-General within ten (10) days after the end of each month. They must also remit the total levies collected on behalf of the senders for that month within the same timeframe. Mobile money service providers must keep and maintain records of their operations for a period of six years.

Failure to comply with these provisions will result in penalty charges. Mobile service providers who fail to comply commit an offense and would be liable to:

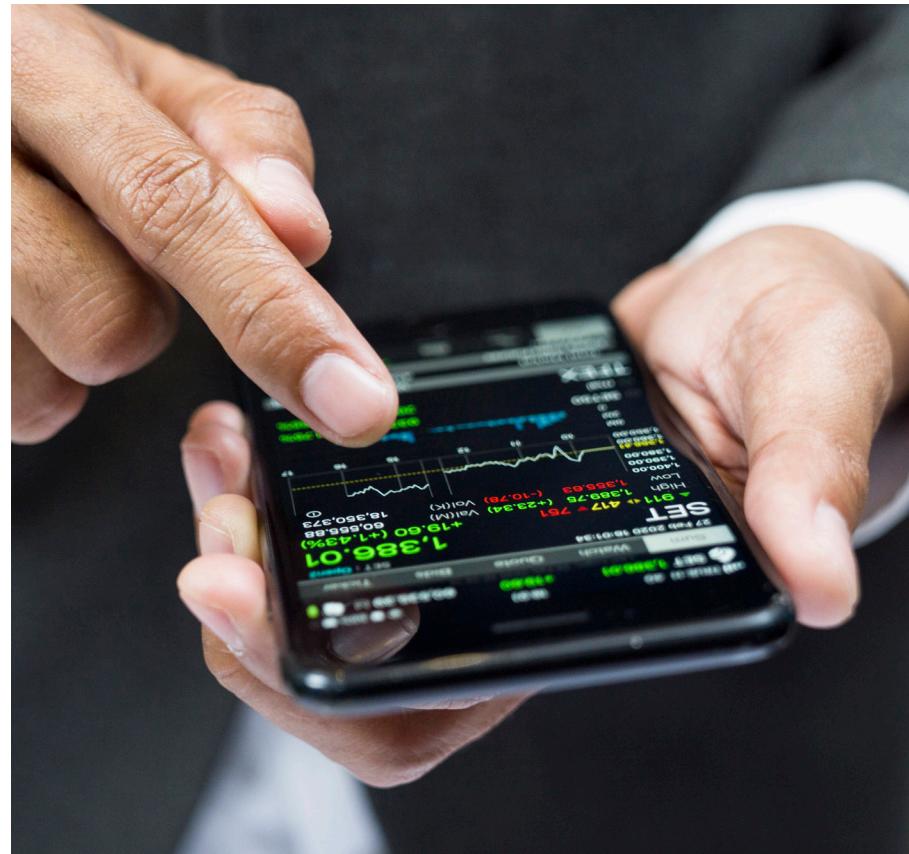
- 100,000 penalty units i.e. (ZMW 40,000) for failure to remit levies for each month or part of a month that a payment is overdue; and
- 200,000 penalty units i.e. (ZMW 80,000) for failure to keep a proper record.

The Commissioner-General has the discretion to waive these penalties in whole or in part.

## Tax Policy and Economic Impact of the amendment

Mobile money has transformed Zambia's financial landscape, providing a convenient and accessible platform for financial transactions, especially for the unbanked and underbanked populations. The adoption of mobile money services surged, with transaction volumes reaching ZMW 452 billion in 2023, a 50% increase from 2022. This growth underscores the critical role mobile money plays in the economy, facilitating daily transactions between businesses and consumers (B2C) as well as between individuals (C2C).

Mobile money has significantly enhanced financial inclusion in Zambia, providing accessible financial services to the unbanked and underbanked populations. However, the levy could impact the affordability



and accessibility of these services, particularly for low-income users who rely on small transactions. Although the levy ranges from ZMW 0.16 to ZMW 3.60 depending on the transaction amount, it could still be significant for those relying on low-cost financial services. This might affect overall transaction volumes and the growth trajectory of the mobile money sector. The additional cost imposed by the levy might make cash transactions more attractive, particularly for individuals conducting small, frequent transactions, potentially slowing the transition to a cashless society.

The provision allowing the Minister to exempt certain individuals from the levy could protect the most vulnerable populations from additional financial burdens, thereby maintaining accessibility.

For businesses, especially small and medium enterprises (SMEs) that rely heavily on mobile money for daily transactions, the increased levy could raise operational costs. This might lead

to higher prices for goods and services as businesses pass on the additional costs to consumers. On the other hand, the additional revenue generated from the levy is intended for public services and infrastructure development. Effective utilisation of these funds could lead to improved public infrastructure and services, potentially offsetting some of the negative economic impacts by fostering a more conducive business environment.

## Conclusion

The Mobile Money Transaction Levy Act, 2024, introduces significant changes to the mobile money landscape in Zambia. While it aims to formalise and regulate mobile money transactions, the additional costs imposed by the levy could have mixed impacts on financial inclusion and the move towards a cashless society. Businesses are encouraged to take proactive steps to ensure compliance and mitigate any potential negative effects on their operations and customer base.

## Contact Us

For more information, please contact your usual PwC contact or any of our experts listed herein should you wish to discuss this further.



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