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*Electronic Levy in Ghana – Evidence from a
Pre-Implementation Survey*

Justice Djokoto, Central University, Ghana
Akua Agyeiwaa Afrane
Kofi Aaron A-O. Agyei-Henaku
Charlotte Badu-Prah
Francis Yaw Srofenyoh
Ferguson Gidiglo

Abstract

The Government of Ghana announced a 1.75% tax on electronic transactions during the presentation of the 2022 Budget and Economic Policy Statement. In a survey conducted to gauge the views of Ghanaians, most respondents rejected the E-levy at the current rate. The government is unlikely to realise the projected revenue if the tax were introduced. There is the need for alternative measures including expenditure cuts to address the revenue shortfall.

Introduction

The Government of Ghana announced a 1.75% electronic levy (E-levy) to be charged on mobile money and bank transfers. According to the Electronic Transfer Levy Bill, 2021, the transactions to be covered by the levy include, Mobile Money Transfers, Mobile Money Merchant Payments, In-store Payments Using POS or QR, E-Commerce/Online Payments and Bank to Mobile Money Transfers. Transactions excluded from the tax are Bank transfers and cheques, Tax free-transaction limit of up to GHS100/day, and transfers between own accounts.

The levy on mobile money may have been encouraged by the 119% penetration rate in 2018 (JUMIA, 2018).

This drew strong opposition from the Minority in Parliament. The ensuing debate resulted in the rejection of the Budget statement and subsequent admission. When the Bill for the E-levy, Electronic Transfer Levy Bill, 2021, was laid, voting resulted in a brawl among the MPs. Considering the sharp disagreement among the MPs who represent Ghanaians, what are the views of Ghanaians regarding the proposed E-levy? Specifically, do Ghanaians approve of the 1.75% E-levy? What alternatives do Ghanaians prefer? If the government goes ahead with the 1.75% levy, how will Ghanaians respond? What rate of the E-levy may Ghanaians support?

Some studies also addressed the electronic tax (e.g., Bongomin et al., 2019; Lees and Akol, 2021; Fehling, 2019; Silue, 2021; Abuka, 2018). However, not only did these studies focus on mobile money alone, but Ghana was also not the attention of any of these studies. Regarding mobile money tax in Ghana, no study was found. Aside from the keen interest in the E-levy among Parliamentarians to the point of brawling, the implications of this tax on the Ghanaian economy could be enormous. While mobile money is expected to drive growth across developing countries by \$3.5 trillion by the year 2025 through broader financial inclusion, the current form of transaction taxes imposed may hurt its progressive contribution towards achieving universal financial inclusion in developing countries (Bongomin et al., 2019; Abuka, 2018).

Literature Review

Some African countries have introduced a tax on mobile money (Bongomin et al., 2019; Fehling, 2019; Lees and Akol, 2021; Ndung'u, 2018; Silue, 2021). In the case of Kenya, the tax is an excise tax on transaction fees charged by telecommunication companies. This is unlike other countries where the tax is principally on the amount transacted by the customer or user of the service (Table 1).

Country	Introduction	Rate (%)	Current rate (%)	Current incidence
Cameroon	Jan 2022	0.2	0.2	Mobile money, electronic and bank transfers
Côte d'Ivoire	Jan 2018	0.5	0.54	Payment and cash transfer
Kenya	Jan 2013	10.0*	12.0*	On transaction fees
Malawi	Sept 2019	1.0	0.0	-
Tanzania	Jul 2021	3.0	2.0	Sending, transfer, withdrawal
Uganda	Jun 2018	1.0	0.5	Withdrawals only
Zimbabwe	Oct 2018	2.0	2.0	Mobile money, electronic and bank transfers

*Excise tax on transactions (fees).

Table 1. Electronic tax in Africa

In Uganda, the mobile money tax initially included depositing, sending, receiving, and withdrawing the money. These were identified as separate, and thus individually taxable, transactions. The tax led to a decline in mobile money transactions by \$192m in a period of three months (Bongomin et al., 2019; Abuka, 2018). In two-weeks post-implementation, mobile money transaction taxes showed that 44 percent transacted less, and 47 percent completely stopped using mobile money services (Bongomin et al., 2019; Whitehead, 2018). UN Capital Development Fund (2021) noted that in 2021, more than 40% of mobile money users discontinued using the services after the introduction of the mobile money tax. There have been calls for the non-implementation and withdrawal of the mobile money tax in Uganda (Abuka, 2018; Bongomin et al., 2019). Also, there was the need to include exemptions or complete withdrawal of mobile money tax in Uganda.

Methodology

According to the National Communications Authority (NCA), mobile voice subscriptions as of November 2021 stood at 41,313,683. With a margin of error of 5%, the sample size comes to 400 (Yemane, 1967).

The survey instrument (questionnaire) was a Google Form and was distributed via electronic mail and social media including WhatsApp and Twitter. Recipients were encouraged

to complete the form and share the link with their network. Although efforts were made to share the link of the Google Form to our networks across the country, it must be noted that the approach adopted in this survey to reach respondents may not guarantee even distribution across geographical regions in Ghana. This could affect the bio-characteristics of respondents as well. The first response was received at 18:38:40GMT on 31st December 2021. As of 7:58:37 GMT on January 10, 2022, 460 responses were collected exceeding the minimum estimated sample size of 400.

As the respondents completed the Google Form, the data was collected as a Microsoft Excel sheet. The Excel sheet was prepared and imported into SPSS for analysis. Frequencies, charts, and tables were the medium of presentation.

Results

The mean age of respondents is 43.50 years (Table 2). The minimum age of respondents of 18 years indicates that all respondents are of universal adult suffrage hence can express their views on national matters.

	N	Minimum	Maximum	Mean	Standard deviation
Age	460	18	73	43.50	11.606
Household size	440	1	20	5.88	2.909

Table 2. Descriptive statistics: Age and household size

Most of the respondents (85.4%) are employed (Table 3). Less than 10% of the respondents possess a tertiary education qualification (Table 4). The method of sampling and the language (English) of the survey may have influenced this result. Nonetheless, the upside is that the respondents have an appreciation of the issues of the E-levy and can make informed opinions regarding it. Males dominate the sample, 81.3% (Figure 1). More than 70% of the respondents are married (Figure 2).

Employment	Frequency	Per cent	Cumulative Percent
Unemployed	67	14.6	14.6
Employed	393	85.4	100.0
Total	460	100.00	

Table 3. Employment status

Qualification	Frequency	Per cent	Cumulative %
No certificate	1	0.2	0.2
Basic (JSS/JHS) certificate	4	0.9	1.1
Secondary (SSSCE/WSSCE) certificate/Technical (NVTI)	33	7.2	8.3
HND	37	8.0	16.3
Bachelor's degree	166	36.1	52.4
Masters	178	38.7	91.1
Doctoral	41	8.9	100.0
Total	460	100.0	

Table 4. Highest educational qualification

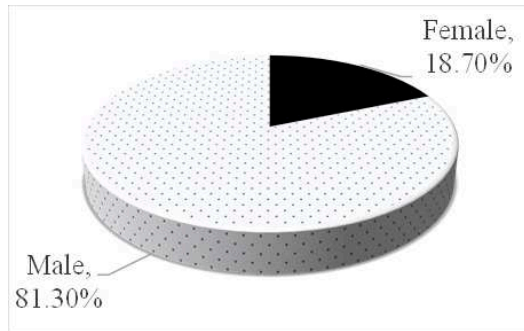


Figure 1. Gender of respondents

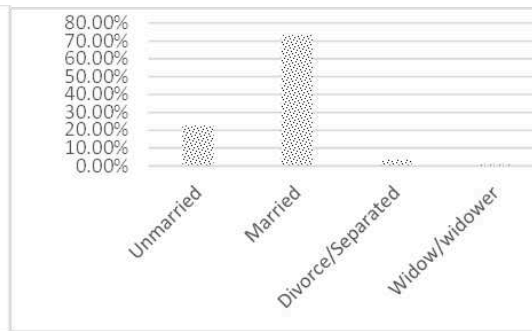


Figure 2. Marital status of respondents

Regarding political affiliation, those affiliated to the NPP (33.4%) are more than those affiliated to the NDC (29.9%) (Table 5). Affiliation to small parties constitutes 10% of the total respondents. The 26.8% of non-affiliated could determine which of the parties; NDC or NPP wins an election based on these respondents.

	Frequency	Percent	Cumulative %
NDC	126	29.9	29.9
NPP	141	33.4	63.3
Others (Small parties)	42	10.0	73.3
None	113	26.7	100.0
Total	422*	100.0	

*Some did not respond to the question on party affiliation.

Table 5. Party affiliation

Among the telecommunications networks operators, MTN is most popular with subscribers of mobile money (Table 6) whilst G-money is the toast of users of non-telecommunication money transfers systems (Table 7). It is instructive to note that G-money is three times more patronised by respondents than all others (Expresspay, Yup, Zeepay etc). This may be explained by the bank support as well as larger customer base GCB Bank than say, that of Yup (SG Ghana).

Network/System	Responses	% Responses	% of cases
AirtelTigo	66	9.4	14.5
MTN	441	62.8	96.9
Vodafone	195	27.8	42.9
Total	702*	100.0	154.3

* Some have used more than one system hence, the total frequency exceeds the sample size

Table 6. Telecom networks used for mobile money by respondents

Network/System	Responses	% Responses	% of cases
AirtelTigo	66	8.6	14.5
G-money	49	6.4	10.8
MTN	441	57.4	96.9
Vodafone	195	25.4	42.9
Others (Expresspay, Yup, etc)	17	2.2	3.7
Total	768*	100.0	168.8

* Some have used more than one system hence, the total frequency exceeds the sample size

Table 7. Transfer systems used for mobile money transactions by respondents

View	Frequency	Percent (%)	Cumulative Percent
Disapproval	443	96.3	96.3
Approval	17	3.7	100.0
Total	460	100.0	

Table 8. Approval/disapproval of 1.75% E-levy

Table 9. Cross-tabulation of political affiliation and decision on the 1.75% E-levy

		NPP and other parties				
		NPP	Non-NPP	Total		
The 1.75% E-levy	Disapproval	% of total	46.1%	49.8%	95.9%	
		count	126	133	256	
	Approval	% of total	1.1%	3.0%	4.1%	
		count	3	8	11	
			% of total	47.2%	52.8%	100.0%
			count	126	296	422

*This total sums NDC and NPP party affiliations hence it is less than 422 for all party affiliation responses.

Out of the 460 respondents, 443 (96.3%) disapprove of the E-levy (Table 8). This is decisive. Nevertheless, we explored the association between political party affiliation and the approval/disapproval of the E-levy in a cross-tabulation (Table 9) with statistical tests (Table 10). The results show that only 0.7% out of the 29.9% of the NPP supporters approved of the E-levy. Indeed, the non-NPP supporters who approve of the E-levy (13) outnumber those of the NPP that approve of the E-levy (3). All the tests in Table 8 show that there is no association between political party affiliation and approval/disapproval of the E-levy. Whether NPP or non-NPP, respondents of diverse party affiliations emphatically disapprove of the E-levy as proposed by the Government of Ghana. The NDC MPs may well be representing the views of Ghanaians. This outcome is like the -post-implementation results from Uganda and Kenya (Abula, 2018; Bongomin et al., 2019).

	Value	Degree of freedom	Asymptotic significance	Exact significance
Pearson Chi-Square	1.826	1	0.177	
Fisher's exact test				0.225
Likelihood Ratio	1.906	1	0.167	
Linear-by-Linear Association	1.820	1	-0.177	
Number of Valid Cases	267*			

*This total sums NDC and NPP party affiliations hence it is less than the 422 for all party affiliation responses.

Table 10. Test of association between political affiliation and decision on the 1.75% E-levy

Having disapproved of the 1.75% E-levy, what alternatives did the respondents favour? About 80% called for complete withdrawal, whilst about 15% called for a reduction from the current 1.75% to 0.5% (Table 11). A close examination of the results suggests fewer than the 15% support a higher rate above the 0.5% rate.

	Frequency	Per cent (%)	Cumulative Percent
Complete withdrawal	350	79.0	79.0
Downward revision to 1.5%	3	0.7	79.7
Downward revision to 1%	24	5.4	85.1
Downward revision to 0.5%	66	14.9	100.0
Total	443*	100.0	

*This number disapproved the E-levy. Thus, less than the 460.

Table 11. View about the E-levy in the current form

Lower rates of the E-levy were tested with respondents; 1.5%, 1% and 0.5%. Table 12 shows that as the rate reduced from 1.75% downwards, the percentage of those who will ‘stop using mobile money transfers’ declines with a decrease in the E-levy rate the percentage of persons who will ‘use the service and pay the indicated rates’ increases with decrease in the E-levy rate. Specifically, those who will not use mobile money exceed 50% for an E-levy rate of 0.5%. This is more than the Government’s prediction that 24% of mobile money users for an E-levy rate of 1.75%. The percentage is also higher than the over 40% found in Uganda in a post-implementation survey (Bongomin et al., 2019; Whitehead, 2018; UN Capital Development Fund, 2021).

Response	1.75%	1.5%	1%	0.5%
Stop using out transfers mobile money services	62.2	57.4	47.2	37.0
Limit mobile money out transfers to minimum tax-free threshold	20.9	23.0	24.8	21.7
Use mobile money out transfer services less than previously and pay the E-levy	3.3	3.0	8.7	23.5
Use mobile money out transfer services ONLY when necessary and pay the E-levy	13.6	16.6	19.3	17.8
Total per cent	100	100	100	100
Responses	460	460	460	460

Table 12. Expected reactions as E-levy rate declines from 1.75% to 0.5% for mobile money users

A similar trend is observable with bank electronic transfers (Table 13). Except that the percentage of patrons of the tax (‘Use bank transfer services and pay the E-levy as my cost’ as well as ‘Use bank transfer services and pay the E-levy, charge to my customers’) is lower than 40%. Bank electronic transfers will be patronised less with the introduction of the E-levy. This can be explained by the lower numbers of patronage of bank electronic transfers (Tables 12 and 13). The survey did not explore what the over 60% who will stop using mobile money and bank transfer services would use as an alternative.

Response	1.75%	1.5%	1%	0.5%
Stop using electronic bank transfers	66.3	62.8	56.7	45.7
Limit transactions to the minimum tax-free threshold	26.1	27.4	28.0	27.2
Use bank transfer services and pay the E-levy as my cost	2.6	5.0	8.5	16.1
Use bank transfer services and pay the E-levy, charge to my customers	5.0	4.8	6.8	11.0
Total per cent	100	100	100	100
Responses	460	460	460	460

Table 13. Expected reactions as E-levy rate declines from 1.75% to 0.5% for electronic bank transfer services users

Conclusion

The respondents overwhelmingly reject the 1.75% E-levy proposed by the Government of Ghana. If the government insists and goes ahead with the levy, most of the users will stop using the tax-eligible electronic services. Whilst the larger decline will be in users for mobile money, in terms of cash, the bank transfers will experience a larger reduction than mobile money. Less than half of the subscribers will consider using electronic services and pay the tax if the rate is reduced to 0.5%.

- Government should abandon the current 1.75% E-levy as the needed revenues will not be realised. Alternative sources that would not create policy inconsistencies must be considered. Key among these is cutting expenditure through eliminating waste, disincentivising corruption, merging some ministries and reducing the size of government.
- Given the government's fixation with the E-levy, a rate lower than 0.5% can be considered. However, how much the E-levy would rake in may be nowhere near the GHS6.963b desired.

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Corresponding Author: Justice Djokoto, jdjokoto@central.edu.gh

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