



REPUBLIC OF ZAMBIA

REPORT

OF THE

PLANNING AND BUDGETING COMMITTEE

ON THE

MOBILE MONEY TRANSACTIONS LEVY BILL, N.A.B. NO. 31 OF 2023

FOR THE

THIRD SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

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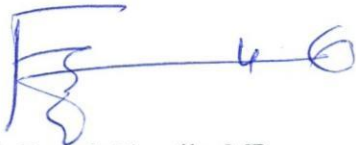
FOREWORD

Honourable Madam Speaker, the Committee on Planning and Budgeting has the honour to present its Mobile Money Transactions Levy Bill, N.A.B. No. 31 of 2023, for the Third Session of the Thirteenth National Assembly. The functions of the Committee are set out under Standing Orders 195 of the National Assembly of Zambia Standing Orders, 2021.

The Committee held six meetings to consider the Bill. In order to gain insight into the ramifications of the Bill, the Committee sought both written and oral submissions from various stakeholders. The list of the stakeholders is at Appendix II of the Report.

The Report is in three Parts. Part I contains the salient provisions of the Bill. Part II highlights concerns raised by stakeholders, while Part III contains the Committee's observations and recommendations.

The Committee wishes to pay tribute to all stakeholders who appeared before it and tendered both oral and written submissions. It further wishes to thank you, Madam Speaker, for affording it an opportunity to study the Mobile Money Transactions Bill, N.A.B. No. 31 of 2023. The Committee also appreciates the services rendered by the Office of the Clerk of the National Assembly during its deliberations.



Mr Fred C Chaatila, MP
CHAIRPERSON

December, 2023
LUSAKA

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1.0 MEMBERSHIP OF THE COMMITTEE

The Committee consisted of Mr Fred Chaatila, MP (Chairperson); Ms Brenda Nyirenda, MP (Vice-Chairperson); Mr David Mabumba, MP; Mr Kalalwe Andrew Mukosa, MP; Mr Koonwa Simunji, MP; Mr Machila Jamba, MP; Mr Jeffrey Mulebwa, MP; Mr Anthony Chanda Mumba, MP; Mr Mayungo Simushi, MP; and Mr Mwabashike Nkulukusa, MP.

2.0 BACKGROUND

In an effort to boost domestic revenue collection, the 2024 National Budget pronounced several tax measures across diverse sectors of the economy. Among these measures was the introduction of a mobile money levy, slated to take effect in 2024. The proposed fee-structure, focused on person-to-person transactions as outlined in the schedule of the Bill.

Amount range (K)	Proposed Levy (K)
Between 1 to 150	0.08
Above 150 to 300	0.1
Above 300 to 500	0.2
Above 500 to 1,000	0.5
Above 1,000 to 3,000	0.8
Above 3,000 to 5,000	1
Above 5,000 to 10,000	1.5
Above 10,000	1.8

In light of this development and to establish the framework for the enforcement and oversight of the levy, which was to be collected by mobile money operators, the Mobile Money Transaction Levy Bill, N.A.B. No. 31 of 2023, was formulated.

3.0 OBJECT OF THE BILL

The objects of the Bill were to:

- (a) provide for the imposition, payment and collection of a mobile money transaction levy; and
- (b) provide for matters connected with, or incidental to the foregoing.

PART I

4.0 PROVISIONS OF THE BILL

The salient provisions of the Bill were set out hereunder.

Clause 2 – Interpretation

This clause sought to provide for the definitions of key words and phrases used in the Bill in order to make the law easier to understand by the citizens as well as those tasked to implement the law.

Clause 3– Administration of the Act

This clause designated the Bank of Zambia to be responsible for the administration of the Act.

Clause 4– Imposition of levy

This clause mandated a mobile money service provider to collect a levy on a person-to-person transfer, which would be paid by the sender of the electronic money. In addition, the clause, required a mobile money service provider to remit the total levies collected for a month to a special bank account. The account would be opened and operated by the Bank of Zambia for the purposes of receiving a levy from a mobile money service provider. Further, a mobile money service provider was mandated, at the time of remitting a levy, to also submit a return to the Bank of Zambia.

This clause, further, mandated the Bank of Zambia to deposit the levy received from a mobile money service provider to the Consolidated Fund. Lastly, the clause imposed a sanction on a mobile money service provider, who failed to comply with the provisions of this clause.

Clause 5 – Exemptions from payment of levy

This clause sought to exempt the payment of a levy on transactions between a person to Government or Government to person; payment of utility bills or to a merchant; and on a transfer from a bank account. The clause, further, empowered the Minister to make regulations to exempt a person from paying a levy.

Clause 6– Monitoring

Clause 6 required the Bank of Zambia to maintain mechanisms of monitoring person-to-person transfers to which a levy related. The clause, further, gave the Bank the discretion to, among other things, verify a return submitted by a mobile money service provider at the time of remitting a levy. It also mandated the Bank to access the mobile money service provider's operations, bank account and data that related to a levy so as to ensure compliance with the Act.

Clause 7–Offences by principal officers of body corporate or unincorporated body

This clause sought to hold a director, manager, shareholder or partner of a body corporate or unincorporate body liable for offences committed by that body corporate or unincorporate body under specified circumstances.

Clause 8– Guidelines

Clause 8 empowered the Bank to issue guidelines, which were necessary for the better carrying out of the provisions of the Act. The clause, further, mandated the Bank to publish the guidelines in the Gazette.

Clause 9– Regulations

This clause sought to empower the Minister to make regulations for effective enforcement of better carrying out of the provisions of the Act.

PART II

5.0 CONCERNS RAISED BY STAKEHOLDERS

Stakeholders who appeared before the Committee supported the Bill. However, in doing so, they raised concerns as outlined below.

a) Reversal of mobile transactions

Stakeholders observed that clause 4 (2) of the Bill provided for the imposition of the levy. However, it did not provide guidelines pertaining to the reversal of transactions that could occur. This was especially common when payments were being made via mobile money platforms. In this regard, they proposed that clear and user-friendly procedures should be put in place for the reversal of mobile transactions in relation to the payment of the Levy. The Bill should provide step-by-step guidelines outlining how users could initiate a reversal and what information or documentation may be required

b) Exemptions from paying the Levy

Stakeholders expressed concern that the Bill had not explicitly provided for exemptions from payment of the levy. This included merchants which the Bill defined as “a person or entity that accepts electronic money as a means of payment for goods and services but did not include betting, which was registered with the Zambia Revenue Authority for tax purposes”. They were of the view that the Bill needed to clearly communicate the criterion for exclusion, the application process, and the responsibilities of betting entities in maintaining their eligibility.

Additionally, given the significance of informal traders in Zambia, the design of the levy would discourage informal traders from using mobile money for transactions as they would be subjected to a fee. They were of the view that transactions below the threshold of K1000 should be exempted from the levy.

Further, stakeholders noted that the Bill provided for an exemption of the levy on a user’s transfer from a bank account to a mobile money account, but did not provide for an exemption on a user’s transfer from a mobile money account to a bank account. Therefore, they recommended that the Bill should state clearly what constituted as a person-to-person transaction.

c) Non-Compliance

Stakeholders stated that the Bill provided for a penalty for non-compliance. Clause 7 provided the punitive action that would be taken if a corporate or non-corporate body committed an offense under the Act, with the knowledge and consent of the principal officers of the bodies.

However, it did not specify what circumstances counted as knowledgeable or unknowledgeable. This ambiguity could be used by principals for general misconduct under the guise of ignorance. In this regard, stakeholders recommended that the Bill needed to clearly define offenses that could lead to penalties and provide specific examples and scenarios that could help businesses understand what constituted being knowledgeable and unknowledgeable in order to reduce ambiguity.

d) Proposed chargeable rates

Stakeholders noted that the Bill provided for the proposed chargeable rates to be applied. Therefore, lowering taxes on smaller transactions fostered financial inclusion and eased the burden on lower-income households. The proposed levy rates for Zambia appeared relatively modest compared to taxes that were being charged by other African countries on digital financial services. However, it was important to understand the potential impact of tax bands on various transaction types and on the distribution of the tax burden. Additionally, to further cushion smaller transactions, stakeholders were of the view that a tax-free band should be introduced in the structure.

PART III

6.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

Having considered the concerns raised by stakeholders, the Committee makes the observations and recommendations outlined below.

6.1 Mobile transaction reversal

The Committee agrees with stakeholders who submitted that clause 4(2) of the Bill outlines the imposition of the levy but lacks provisions guiding the reversal of transactions, which are particularly prevalent in payments made through mobile money platforms.

In this regard, the Committee recommends that explicit and easily understandable processes for reversing mobile money transactions related to levy payments should be provided for. The Bill should include detailed guidelines explaining the initiation process for users and specifying the necessary information or documentation required in order to have a transaction reversed.

6.2 Person to person transfer

The Committee notes that under clause 2 of the Bill, "person-to-person transfer" means a transfer of electronic money from one person to another. This definition notably excludes physical deposits and withdrawals from the levy. This might encourage cash handling, a practice that the global world is moving away from cash transactions make it very difficult to detect corruption.

The Committee further notes that the design of the levy will discourage traders from using mobile money for their transactions. This has the potential to negatively impact the financial inclusion and digitalisation of the informal economy.

Therefore, the Committee is of the view that there is need to re-evaluate the definition of "person-to-person transfer" to consider including certain types of deposits and withdrawals that are commonly associated with everyday transactions. The Government should also collaborate closely with mobile money operators to address these concerns and explore ways to mitigate potential negative impacts on their users.

6.3 Selective nature of levy

The Committee notes that the levy is being selectively applied because there is no tax on bank-to-bank transfers, which sometimes involve huge amounts of money as compared to mobile money transfers. This raises questions about its impact on the general welfare of the citizens and equity. In this regard, the Committee is of the view that the Government should

consider introducing exemptions for mobile money transactions falling below K500 to protect economically vulnerable individuals. The design of the levy should align with broader financial inclusion objectives as set out in the Eighth National Development Plan and should not be seen to be creating barriers for individuals and businesses to access and use digital financial services.

6.4 Administration of Act by the Bank of Zambia

The Committee notes that clause 3 of the Bill tasks the Bank with the responsibility of administering the implementation of the mobile money levy. This essentially entails collecting the proposed tax and managing penalty collection. However, the Committee observes that this responsibility falls beyond the purview of the Bank of Zambia as prescribed in the Article 213(1) of the *Constitution of Zambia* and section 5 of the *Bank of Zambia Act, No 5 of 2022*, which prescribes the additional functions of the Bank. These include issuing the currency of the Republic; determining monetary policy; regulating banking and financial services; and regulating and supervision, as well as promoting the soundness and safety of payment systems.

In this regard, the Committee recommends that the Zambia Revenue Authority should assume the role of administering the levy. This is consistent with its mandate as a revenue collecting agency. It is also akin to the modalities used for the medical levy when it was introduced in 2003. The collection of this levy by the Zambia Revenue Authority will avert any legal challenges and enable the Bank to focus on fulfilling its mandate. Consequently, the Committee recommends that clause should 3 be amended to replace the words Bank with Zambia Revenue Authority.

8.0 CONCLUSION

The Committee supports the Mobile Money Transactions Bill, N.A.B. No. 31 of 2023 with reservations. The Committee is of the view that, however, the proposed implementation of a mobile money transaction levy raises significant concerns that warrant careful reconsideration by the Government. While the intention may be to generate additional revenue, it is essential to acknowledge the potential adverse consequences that could result from such a law. If the law is enacted, it will negate some of the positive strides made in achieving financial inclusion, it will be a burden on low-income individuals, and has the potential to stifle economic growth. Therefore, it is the Committee's considered view that the Government engages in extensive consultations with stakeholders, including representatives from the mobile money industry, financial institutions, and the civil society.

Ultimately, the goal should be to strike a balance between revenue generation and fostering financial inclusion, in line with the Eighth National Development Plan and economic growth. By addressing these concerns and exploring alternative measures, the Government will demonstrate its commitment to responsive and responsible governance, ensuring the well-being of its citizens.



Mr Fred C Chaatila, MP
CHAIRPERSON

December, 2023
LUSAKA

APPENDIX I

LIST OF NATIONAL ASSEMBLY OFFICIALS

Mr Stephen Chiwota, Director (Financial Committees)
Mrs Angela M Banda, Acting Deputy Director (Financial Committees)
Ms Chitalu R Mulenga, Senior Committee Clerk (FC2)
Mr Emmanuel Bwalya, Committee Clerk
Mrs Racheal M Kanyumbu, Administrative Assistant
Mr Danny Lupiya, Committee Assistant
Mr Muyembi Kantumoya, Parliamentary Messenger

APPENDIX II LIST OF WITNESSES

Airtel Zambia
Anti-Corruption Commission
Centre for Trade Policy and Development
Consumer Unity Trust Society
Minister of Finance and National Planning
Ministry of Justice Zambia Institute for Policy Analysis and Research
Zambia Revenue Authority
Zambia Information and Communication Technology