

# Tax Alert

## Mobile Money transfer and withdrawal levy

September 2021

For amounts from TZS 1,000 to TZS 200,000, the effective percentage rate ranges from a low of 0.5% to a high of 3.36% (as compared to 0.5% and 4.80% previously)

### General / Commencement

This Tax Alert is an update on our July 2021 newsletter on the regulations issued in relation to the two new levies on electronic communications, and follows the recent publication of a Government Notice<sup>1</sup> to amend one of the regulations, namely the National Payment Systems (Electronic Mobile Money Transfer and Withdrawal Transactions Levy) Regulations, 2021.

### In Brief

- Rate reduction: tariffs reduced by 30%
- Scope expansion: to cover transfers by mobile banking applications
- Effective date: 1 September 2021 (subject to a maximum seven day transition window)

### Further Detail

GN No 642A, the National Payment Systems (Electronic Mobile Money Transfer and Withdrawal Transactions Levy) (Amendment) Regulations, published on 31 August 2021 and effective from 1 September 2021, amends the National Payment Systems (Electronic Mobile Money Transfer and Withdrawal Transactions Levy) Regulations, 2021<sup>2</sup> “the principal Regulations”, details of which were set out in our Tax Alert<sup>3</sup> issued in July 2021.

### Rate reduction

Set out overleaf is a table comparing the new rates with the previous rates which shows a general reduction of 30% in the tariffs.

### Scope expansion

Transfers in scope are now those that fall within a new definition of “transfer” which covers “the transfer of electronic mobile money from-



- the user's mobile money account to another mobile money account;*
- the user's mobile money account to bank account; or*
- a bank account to bank account, but does not include transfer from a bank account to a mobile money account”.*

<sup>1</sup>Government Notice No 642A of 2021, published on 31 August 2021

<sup>2</sup>Government Notice No 496A of 2021, published on 30 June 2021

<sup>3</sup><https://www.pwc.co.tz/assets/pdf/tax-alert-new-regulations-electronic-communication-levies-wcf.pdf>

**“Electronic mobile money”** is defined to mean *“electronic money whose access is through a mobile money menu or mobile application of the electronic money issuer on a user’s mobile phone and through which the user may effect payment, transfer or withdrawal and shall also include money transferred or withdrawn through an approved payment system administered by a bank or financial institution which allows a bank customer to transfer or withdraw money through a mobile phone”*.

A **“user”** is *“a person who accesses a mobile money menu or bank account in the payment system on a mobile phone and through which he may effect payment, transfer or withdrawal”*.

**“Withdrawal”** is defined to be the *“withdrawal of cash from a user’s mobile money account or bank account in a payment system through a collector’s agent”*.

#### Transition

Although the commencement date is stated as 1 September 2021, there is a maximum seven day window given for transition. In particular, the regulations state that *“the rates prescribed in the principal regulations shall continue in force during the time in which collectors align the necessary systems of collection with the new rates, but in any case not later than seven days from the 1st day of September 2021”*.

A “user” is “a person who accesses a mobile money menu or bank account in the payment system on a mobile phone and through which he may effect payment, transfer or withdrawal”

#### Commentary

For amounts in the range of TZS 1,000 to TZS 200,000, the effective percentage rate ranges from a low of 0.5% to a high of 3.36% (as compared to 0.5% and 4.80% previously), and for amounts in the range of TZS 200,000 to TZS 3,000,000 the effective percentage rate ranges from a low of 0.22% to a high of 1.03% (as compared to 0.31% and 1.47% previously).

It is understood that the tariff continues to apply at both ends of a transaction - so both transfer and withdrawal, or “two bites of the cherry”.

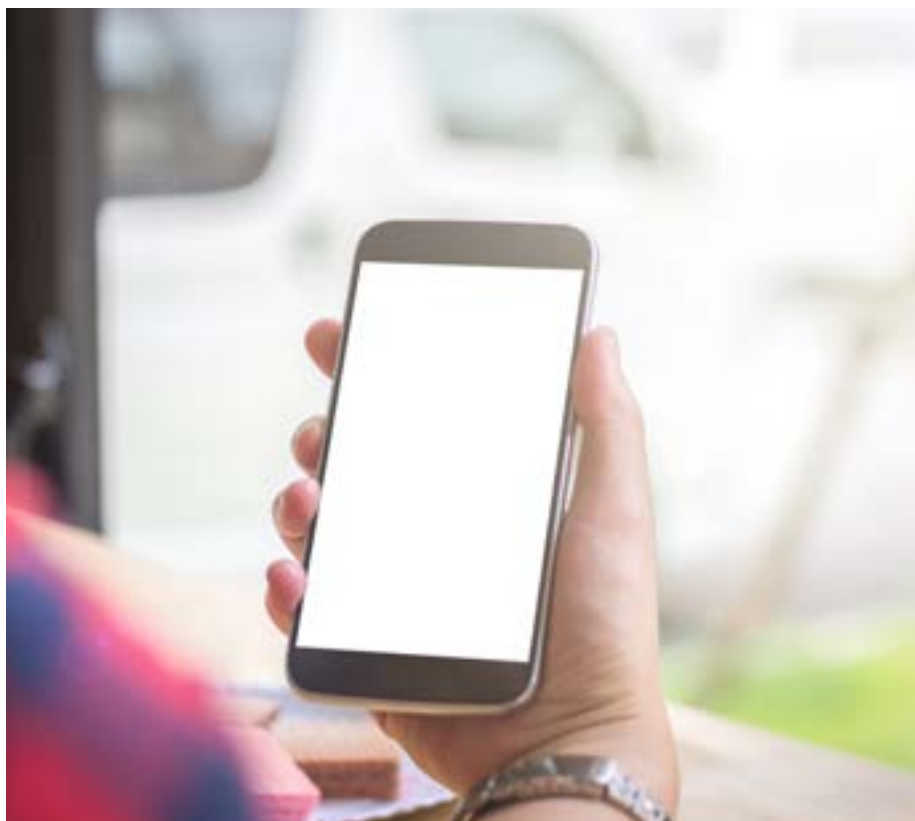
By contrast in Uganda, which is the only other country in East Africa<sup>4</sup>, with such a levy (in their case applied at a flat rate of 0.5%), the levy only applies once - namely, at the time of cash withdrawal (but not at the time of actual transfer).

The extension to mobile banking applications accessed by phone

presumably seeks to level the playing field between banks and mobile phone companies.

However, it would seem from the definition of “electronic mobile money” (and in particular, the express inclusion that follows the words “and shall also include”) that the scope of the charge is not limited to transfers initiated by a mobile phone application; instead so long as the approved payment system has mobile functionality, then the charge would seem to apply whether or not the transfer is initiated on a mobile basis (using a mobile application) or otherwise (for example, using a laptop).

Although not explicitly stated in the legislation or the regulations, based on the practice to date, it is our understanding that the levy is not applicable to payments made to a merchant mobile money account (P2B) or Government collections account.



<sup>4</sup>See regional comparison in our July 2021 newsletter

## Transfer / withdrawal amount

From	Up to	Original Rate	Revised Rate		Original effective percentage range		Revised effective percentage range	
TZS	TZS	TZS	TZS	% change	Lowest	Highest	Lowest	Highest
1	999	0	0	0%	0.00%	0.00%	0.00%	0.00%
1,000	1,999	10	10	0%	0.50%	1.00%	0.50%	1.00%
2,000	2,999	16	11	-31%	0.53%	0.80%	0.37%	0.55%
3,000	3,999	27	19	-30%	0.68%	0.90%	0.48%	0.63%
4,000	4,999	56	39	-30%	1.12%	1.40%	0.78%	0.98%
5,000	6,999	100	70	-30%	1.43%	2.00%	1.00%	1.40%
7,000	9,999	125	88	-30%	1.25%	1.79%	0.88%	1.26%
10,000	14,999	320	224	-30%	2.13%	3.20%	1.49%	2.24%
15,000	19,999	610	427	-30%	3.05%	4.07%	2.14%	2.85%
20,000	29,999	960	672	-30%	3.20%	4.80%	2.24%	3.36%
30,000	39,999	1,100	770	-30%	2.75%	3.67%	1.93%	2.57%
40,000	49,999	1,500	1,050	-30%	3.00%	3.75%	2.10%	2.63%
50,000	99,999	2,050	1,435	-30%	2.05%	4.10%	1.44%	2.87%
100,000	199,999	2,530	1,771	-30%	1.27%	2.53%	0.89%	1.77%
200,000	299,999	2,940	2,058	-30%	0.98%	1.47%	0.69%	1.03%
300,000	399,999	3,500	2,450	-30%	0.88%	1.17%	0.61%	0.82%
400,000	499,999	4,100	2,870	-30%	0.82%	1.03%	0.57%	0.72%
500,000	599,999	5,200	3,640	-30%	0.87%	1.04%	0.61%	0.73%
600,000	699,999	6,400	4,480	-30%	0.91%	1.07%	0.64%	0.75%
700,000	799,999	7,100	4,970	-30%	0.89%	1.01%	0.62%	0.71%
800,000	899,999	7,520	5,264	-30%	0.84%	0.94%	0.58%	0.66%
900,000	1,000,000	8,900	6,230	-30%	0.89%	0.99%	0.62%	0.69%
1,000,001	3,000,000	9,400	6,580	-30%	0.31%	0.94%	0.22%	0.66%
3,000,001		10,000	7,000	-30%		0.33%		0.23%



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