ICTD

Policy Brief

Number 10 • July 2024

Taxing Mobile Money in Africa: Risk and Reward

Martin Hearson, Philip Mader, Mary Abounabhan, Marco Carreras, Awa Diouf, Adrienne Lees, Hannelore Niesten, Fabrizio Santoro, Christopher Wales

Mobile money is a booming industry in Africa, with potential benefits for economic development and financial inclusion. Facing strong fiscal headwinds, a growing number of African countries have introduced taxes on mobile money and other digital financial services (DFS), some of which have generated strong resistance. Critics are concerned that such taxes may attenuate the growth in DFS and disproportionately impact the lowest-income households. ICTD explored the impact of different approaches to DFS taxation in Africa through its DIGITAX programme, which ran from 2020 to 2024. The DIGITAX team and a network of independent researchers conducted research in Cameroon, Côte d'Ivoire, Ghana, Kenya, Nigeria, Tanzania and Uganda, as well as desk-based research with a broader geographical scope. This policy brief summarises the programme's research findings and policy analysis.

Key messages

- **The revenue raised from taxing mobile money is modest, but not insignificant.** Typically, it amounts to around one per cent of tax revenues. These figures often fall well below expectations, illustrative of weak forecasting, uncertainty about the design, and compliance challenges.
- **Impacts on market growth are real, but limited and temporary**. Growth in transaction volumes and values has tended to recover back to pre-tax levels, with the temporary slowdown leaving absolute levels of usage modestly below where they would have been if the pre-tax growth rate had been sustained. That said, taxing DFS more heavily than conventional financial services, as is often the case, may distort the market in ways that deter even greater uptake.