



GRA



International Centre
for Tax & Development



Insights on Ghana's e-levy: What do we know nearly two years on?

The rapid growth of mobile money in Africa presents both opportunities and challenges for governments seeking to raise revenue

ACCRA, GHANA – 1st March 2024. A two-day workshop opened in Accra, Ghana, earlier this week, on the topic *Taxing mobile money: Lessons and ways forward*.

It is hosted by the Ghana Revenue Authority (GRA), in partnership with the International Centre for Tax and Development (ICTD), which is based at the Institute of Development Studies.

Over the last three years, ICTD's DIGITAX Research Programme has been studying digital financial services (DFS) taxes in selected African countries, including Ghana.

"The research findings and recommendations have been very useful in shaping Ghana's e-levy since it was first implemented in May 2022," said Dr Charles Addae, GRA's Deputy Commissioner of Strategy, Research, Policy and Programmes.

"When DIGITAX began, only a few countries had DFS taxes," recalled Dr Martin Hearson, DIGITAX Programme Lead and ICTD Research Director. "Now, more than 15 countries have introduced them." He added that Ghana is unique in that ICTD has been able to study the e-levy from design to implementation and review.

"Available data showed there was great revenue potential in mobile money taxation in Ghana," said Dr Addae. It was on this basis that the government announced the introduction – on digital transactions – of the Electronic Transfer Levy, or e-levy in short, as it is popularly known. Therefore, the rationale for the e-levy was to broaden the tax net and raise additional revenue for entrepreneurship, youth employment, and digital and road infrastructure.

Originally set for implementation on 1st January 2022, the e-levy was estimated to raise 6.96 billion Ghanaian cedi (GHS) that year. "However, the policy process that preceded the implementation of the levy did not support this, as most Ghanaians and civil society groups kicked against the policy," revealed Dr Addae. Consequently, the revenue target was not met due to delayed implementation, reviewed exemptions, increased avoidance and acceptability challenges. In light of this, the 2022 target was subsequently reduced to GHS 611 million – a target which was slightly exceeded, with 612.34 million raised. In 2023, GRA collected GHS 1.19 billion against a target of GHS 1.11 billion," Dr Addae revealed.

GRA attributes this steady rise in revenue to various drivers:

- Deployment of technology, including integration through the Electronic Management System (ELMAS) which ensured accuracy in charges and sealed tax-avoidance loopholes
- Improved filing and payment
- Vigorous education and research
- Rate reduction from 1.5 per cent to 1 per cent, which reduced avoidance and increased transaction levels

- Increased transactions
- MTN – which accounts for 60 per cent of the e-levy revenue – adding a channel to the common platform.

Currently, the charging entities collecting the e-levy are banks, specialised deposit-taking institutions, payment service providers (PSPs) and electronic money issuers (EMIs).

“Across Africa, it is becoming clear that the taxation of mobile money and digital transactions is here to stay. In many countries across the continent, the implementation has been rough. The trend has been characterised by a cycle – introduce, stop, re-design, re-introduce. This points to the need for more learning and evidence,” observed Prof Peter Quartey, Director, Institute of Statistical Social and Economic Research (ISSER), University of Ghana, Legon, and Executive Director of Retail Finance Distribution (ReFinD) Research Initiative. This was in remarks made on his behalf by Ms Adadzewa Otoo, Project Director, ReFinD. “Governments may think they understand the evidence and reasons, but the performance of mobile money taxation tells a different tale. Because unlike traditional tax instruments underpinned by decades of data, mobile money taxation is a new regime with limited data, evidence and literature. Sometimes there’s enough data to produce evidence. Other times, modelling can still guide policy in the absence of sufficient evidence. Academia plays a crucial role in both scenarios, using rigorous technical tools to investigate evidence and providing evidence-based advice, or generating insights through modelling when evidence is lacking,” Prof Quartey continued.

ISSER emphasised that given the uniqueness of mobile money in Africa, most of this much-needed literature will need to come from African countries. And that if African governments fail to partner with their academic institutions, they risk repeating mistakes. “This presents a clear opportunity for Africa to lead in generating relevant data and insights for effective taxation policy. Governments must therefore prioritise research and partnership with academia to inform policy design,” concluded ISSER.

In this regard, Ghana has taken the lead and is amongst exemplary pioneers. “It is gratifying to see the depth and focus in Ghana in this frontier area,” said Ms Eileen Rafferty, Regional Tax Advisor for West Africa at the United Kingdom’s Foreign, Commonwealth and Development Office (FCDO). “Taxation of frontier technology is a learning process. We are learning from Ghana but also from Uganda, Tanzania and Kenya. It is valuable to have the ability to conduct deep research at both cross-country and in-country levels. The engagement between ICTD and GRA and Ghana’s Ministry of Finance are examples that continue to demonstrate the benefits of good collaboration.”

The workshop closed on 29th February 2024.

- Opening remarks – [Ghana Revenue Authority](#) | [Institute of Statistical Social and Economic Research](#)
- Blogpost: [The Ghana e-levy: Can the latest rate reduction win greater public acceptance and increase revenue?](#)
- [DFS taxes in Africa](#) (website)
- [Workshop announcement](#) (with programme and speaker profiles)

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About [GRA](#): The Ghana Revenue Authority is the Ghana administration charged with the task of assessing, collecting and accounting for tax revenue in Ghana.

About [ICTD](#): The International Centre for Tax and Development is an independent research centre focused on improving tax policy and administration in lower-income countries.

About [IDS](#): The Institute of Development Studies delivers world-class research, learning and teaching that transforms the knowledge, action and leadership needed for more equitable and sustainable development globally.

About [DIGITAX](#): ICTD's DIGITAX Research Programme aims to generate knowledge and evidence to advise and support governments and other stakeholders in overcoming challenges and leveraging opportunities at the interface of digital financial services, digital IDs and tax.