Understanding mobile money usage and taxation in Zambia

POLICY NOTE

This policy note outlines three insights policymakers should consider as mobile money use expands across Zambia.

- Mobile money's widespread usage for domestic remittances reduces poverty and enhances structural transformation.
- The new mobile money tax fee structure could be revised more progressively, boosting tax fairness and revenue.
- Research partnerships should be established between the Ministry of Finance and National Planning, Bank of Zambia, Zambia Information and Communications Technology Authority, Zambia Revenue Authority, and external partners to evaluate the effects of the mobile money tax and mobile money use across Zambia.

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You can learn more about our work on mobile money at **theigc.org**

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Introduction

Zambian policymakers must balance competing priorities as the country designs its mobile money policies. On the one hand, mobile money will be essential for Zambia to achieve its goal of 85% financial inclusion by 2028 (Ministry of Finance and National Planning, 2024). According to the same source, mobile money's 58.5% usage rate among adults is nearly triple the 20.7% usage rate for formal banking services.

On the other hand, mobile money is seen as a potential source of government revenue in accordance with the country's goal to increase domestic revenue mobilisation (Parliamentary Budget Office, 2025). This priority is reflected in the recently enacted Mobile Money Transaction Levy Act No. 25 of 2024, which introduces a tax on mobile money transfers.

Finally, policymakers must also weigh mobile money's importance to poverty reduction and economic growth.

Mobile money usage in Zambia

The most widespread uses of mobile money in Zambia are sending money, receiving money, and purchasing airtime (Ministry of Finance and National Planning, 2024). Mobile money is particularly important for sending internal remittances, with the Bank of Zambia (2020) reporting that 56.8% of senders and 88.4% of recipients use the tool for this purpose. Mobile money makes it far more time-efficient and less costly to send funds to rural areas than mail, bus, and other physical transfer mechanisms. Mobile money also compares favourably against banks, with 53.6% of Zambians able to access a mobile money agent on foot in under 30 minutes, **more than three times the number that can access a bank in the same timeframe** (Bank of Zambia, 2020).

This flow of funds has significant effects on rural poverty reduction. According to the Bank of Zambia (BoZ), internal remittances in 2023 were around USD 14.1 billion, or over half of Zambia's gross domestic product (GDP). For communities facing crises such as drought or flooding, the immediate infusion of cash from less affected areas can reduce unemployment and food insecurity exposure. This reduction has been verified in research on mobile money in Kenya (Jack and Suri, 2014), Uganda (Wieser et al., 2019), and elsewhere.

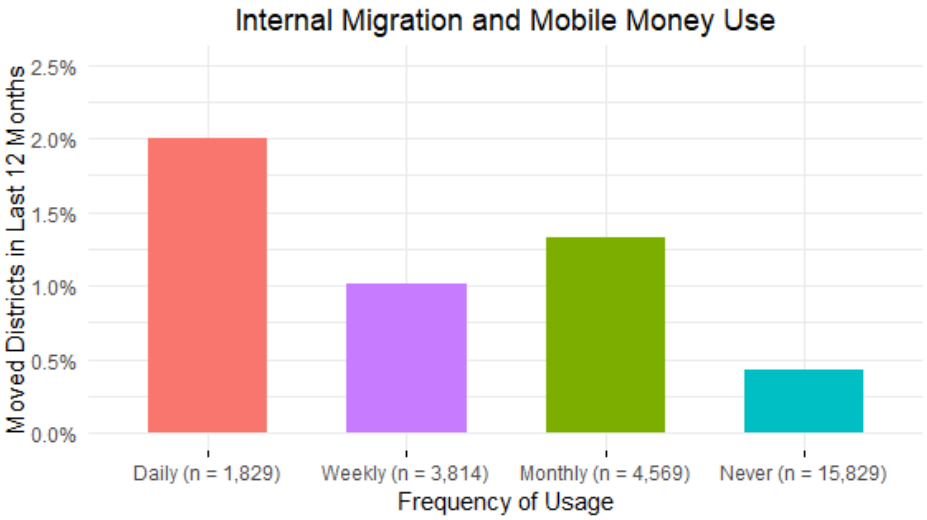
Migration and structural transformation

Internal remittances on mobile money platforms help facilitate rural-to-urban migration, driving structural change from agricultural to non-agricultural employment. With mobile money, household members who migrate may

continue to participate in group insurance schemes in their home villages to minimise risk (Batista and Vicente, 2023). This risk-sharing mechanism lowers the cost of migration and can influence household migration decisions at the margin. As agriculture in Zambia accounts for 59% of employment yet only 3.4% of GDP (Wani et al., 2024), mobile money might incentivise rural household members to move out of low-productivity subsistence agriculture into more productive urban employment.

Data from Zambia's 2022 Labour Force Survey (LFS), a nationally representative survey of 10,400 households, aligns with research on mobile money in other countries. Weighted survey results in **Figure 1** below show that **respondents using mobile money daily are over four times more likely to have moved districts in the last twelve months** when compared to those not using mobile money. While migration likely also drives mobile money adoption, the strong correlation suggests that mobile money use may help lower barriers to internal migration.

Figure 1: Mobile money and internal migration



The chart above shows the propensity to migrate across 2022 LFS respondents. Among users who self-report daily mobile money use, 2% report that they moved districts in the last 12 months. Less than 0.5% of those who report not using mobile money claim to have migrated during the same timeframe. *Note:* While the LFS surveys 10,400 households, the combined sample exceeds 10,400 because multiple household members are surveyed.

Mobile money taxation in Zambia

Fresh questions about mobile money adoption and usage have emerged since the enactment of the Mobile Money Transaction Levy Act No. 25 of 2024. For each transaction on a mobile money platform, users are now required to pay a

fee to the mobile carrier and an additional fee to the Zambia Revenue Authority (ZRA). The tax, outlined in **Box 1**, is between 0.04% and 0.21% of the transfer value.

Box 1 – Levy fee structure

Amount Range in ZMW (USD)	Proposed Levy in ZMW (USD)	Percent of Median Transaction
1-150 (0.04-5.75)	0.16 (0.0061)	0.21%
151-300 (5.79-11.50)	0.20 (0.0077)	0.09%
301-500 (11.54-19.17)	0.40 (0.0153)	0.10%
501-1000 (19.20-38.34)	1.00 (0.0383)	0.13%
1001-3000 (38.38-115.02)	1.60 (0.0613)	0.08%
3001-5000 (115.06-191.70)	2.00 (0.0767)	0.05%
5001-10000 (191.74-383.40)	3.00 (0.1150)	0.04%
Above 10000 (>383.40)	3.60 (0.1380)	0.04%

Source: Author. Modelled off comparable diagram from the International Centre for Tax & Development (Niesten 2023). ZMW = Zambian Kwacha. Values in the first and third columns are rounded to the nearest hundredth, while dollar amounts in the second column are rounded to the nearest thousandth. All calculations are performed using the average ZMW to USD exchange rate for 2024.

As the tax has come into effect beginning in 2025, there are three considerations policymakers should keep in mind when monitoring the policy's effectiveness:

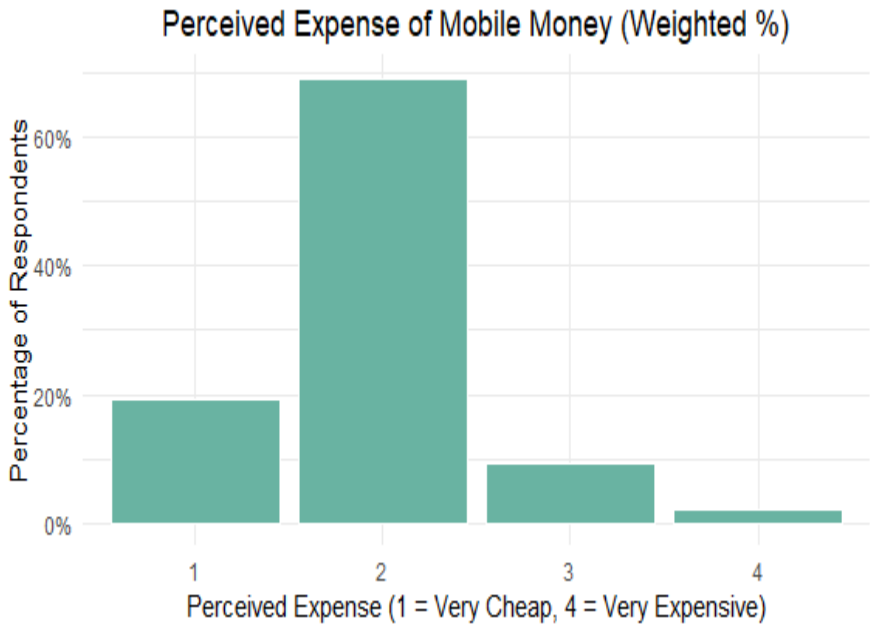
1. **Tax distortions**: Essential uses of mobile money, such as remittances, are likely to decline, but not significantly. Economic research in Tanzania, for instance, found that **for a 1% increase in mobile money transaction fees, consumers sending money over 20 kilometres only reduced usage by 0.01%** (Economides and Jeziorski, 2015). With few alternatives to mobile money for these transactions, consumers are likely to simply pay the increased fee rather than shifting to antiquated alternatives such as bus drivers.

   Beyond demand for remittances, the 2022 Labour Force Survey data shows that most users reporting mobile money usage in the last three months consider it inexpensive. When asked to classify mobile money's

costs from 1 to 4, nearly 90% of weighted users regard it as very cheap (1) or cheap (2), as seen in **Figure 2**. As **Figure 3** shows, on average, more regular (daily) users regard mobile money as cheaper than weekly or monthly users. These figures suggest that usage costs can increase marginally without sharp decreases in demand for mobile money. However, updated research on cost perceptions should be undertaken following the levy's introduction.

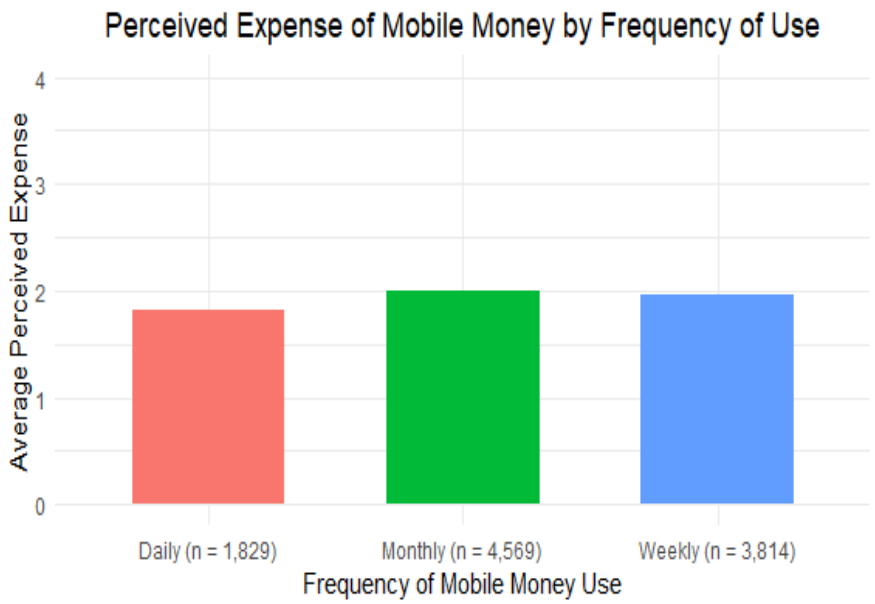
In addition, it is worth exploring how non-users perceive mobile money costs, given the risk that the tax could slow mobile money adoption. Existing surveys, which only ask *current* users how they perceive costs, are inadequate to answer this question.

Figure 2: Perceived mobile money expenses



The chart above shows the perceived cost of mobile money across 2022 LFS respondents, who were asked to rate mobile money's expense as 1 (very cheap), 2 (cheap), 3 (expensive), or 4 (very expensive).

Figure 3: Perceived expenses by user type



The chart above shows the perceived cost of mobile money across 2022 LFS respondents, who were asked to rate mobile money's expense as 1 (very cheap), 2 (cheap), 3 (expensive), or 4 (very expensive). Daily users, on average, perceive mobile money to be less expensive compared to monthly and weekly users. *Note:* While the LFS surveys 10,400 households, the combined sample for this question is less than 10,400 because this question was only posed to reported mobile money users.

2. **Revenue potential**: Since no revenue estimates for the tax in Zambia appear to exist, a rough revenue estimate is needed. Using BoZ's reported volume of 2.99 billion transactions in 2024 and the minimum tax value of ZMW 0.16 per transaction, **the tax could generate over ZMW 478 million (USD 17.7 million) at a minimum**. While reduced usage from the tax could decrease this figure, BoZ data from the first quarter of 2025 suggests that the Zambian economy is on pace to surpass three billion annual transactions, even with the tax.
3. **Regressivity**: Since the fee ratio is larger for smaller transactions, low-income individuals unable to send large amounts of money at once will pay higher fees over time (Fras, 2024). A consumer who purchases food supplies for ZMW 50 (USD 1.92) daily in a marketplace, for instance, would pay **three times more tax over one month than one who purchased the same supply bundle in bulk.**

   Aside from tax fairness concerns, this also raises the prospect that users who can afford to do so will increasingly send one large payment rather than multiple smaller ones. Compared to the first quarter of 2024, BoZ data from Q1 2025 show that monthly mobile money transaction *volumes* are up by nearly 14%, but *values* are up by almost 128%. So far, this indicates that

consumers are responding to the regressive fee structure by increasing transaction size, distorting consumption patterns and limiting potential revenue by reducing the number of total transactions.

Mobile money research in Zambia

More data and research will be required to gain the most detailed understanding of mobile money in Zambia. With microdata on mobile money transactions, researchers could analyse topics including:

- The distribution of payment values, allowing for precise revenue estimates for each tax bracket
- The sensitivity of mobile money transactions to fee amounts
- The distribution of mobile money transfer distances in kilometres, enhancing understanding of remittances
- Discontinuities in transfer trends stemming from policy changes or other unforeseen shocks
- Different types of mobile money levies, such as taxing transfers (as Zambia does), withdrawals, or turnover

With appropriate collaboration, Zambian researchers should be well-placed to answer these questions. Potential collaborators include the research teams at the Ministry of Finance and National Planning (MoFNP), BoZ, ZRA, and the Zambia Information and Communications Technology Authority (ZICTA). External research partnerships should be facilitated where possible, and policy dialogue should be conducted with counterparts in countries such as Ghana, Kenya, and Uganda that have experimented with similar policies.

Policy recommendations

With innovative technology such as mobile money, any policy regulation carries great potential and risk. Going forward, there are two primary recommendations, one short-term and one long-term, for Zambian policymakers to consider:

- Adopt a progressive fee structure while avoiding across-the-board fee increases
- Monitor and evaluate the tax effects using mobile transaction data

Policymakers should consider adopting a more progressive fee structure during the current implementation window. Such a structure would balance revenue interests against fairness considerations by ensuring that the poorest users are not hit hardest by the tax. Given that customers executing large transactions are usually less price sensitive (Economides and Jeziorski, 2015), a

progressive fee structure would also result in fewer distortions to economic activity.

However, it should be cautioned that a progressive structure does *not* entail an across-the-board fee increase. As the Zambian government aims to increase domestic revenue mobilisation (Parliamentary Budget Office, 2025), **policymakers should resist potential calls to increase the tax substantially**. Without additional research, a helpful rule of thumb is that the maximum tax band of 0.21% should be preserved. A precise fee structure, balancing fairness and revenue considerations, would require analysing the distribution of payment values to project potential revenues for each tax band. The overall policy objective should be to shift more of the fee *burden* to higher-income individuals while ensuring that fee *amounts* remain modest (Niesten, 2023) compared to counterproductive mobile money taxes elsewhere in Africa.

In the longer term, researchers from MoFNP, BoZ, ZICTA, and ZRA should carefully monitor and evaluate the effects of the tax. As existing evidence on mobile money taxation is limited (Diouf et al., 2023), it is imperative to monitor how the tax affects mobile money transaction volumes, amounts, and access. Possible research questions, including the impact of the tax on financial inclusion, mobile money adoption, the velocity of money, and tax revenue, align closely with the mandates of all four institutions and can contribute to the ongoing policy debate in Zambia.

Mobile money booths in Zambia. *Source:* Global Press Journal, 2019.

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Historical exchange rate data used for calculations is taken from: https://www.exchange-rates.org/converter/zmw-usd/. All calculations from ZMW to USD use the average exchange rate for 2024.