Fintech and tax in Sub-Saharan Africa: taxation versus financial inclusion

The rise of digital financial services has attracted growing attention from governments in Sub-Saharan Africa seeking to raise tax revenue. In the context of global concerns around how governments can tax the digital economy and fintech, we evaluate recent controversies over mobile money taxation in Africa as fundamentally political rather than technical matters. We assess in depth three such controversies, in Kenya, Uganda and Malawi. In doing so, we draw on a critical reading of recent political economy literature on taxation, state-business relations and the ambiguity of financial inclusion. Our research highlights how political questions about tax materialise as technical ones, how governments’ tax bargaining is influenced by the interests of business, and how the ambiguity of financial inclusion at times allows qualms over adverse effects on financial services to frustrate and supersede other policy concerns.

Keywords: digital financial inclusion, mobile money, taxation, tax bargaining, political economy, Sub-Saharan Africa

# 1 Introduction

Mobile money services have become the cornerstone of fintech[[1]](#footnote-2) in Sub-Saharan Africa (SSA). The expanding digital financial services (DFS) sector in SSA has been widely celebrated as a driver of financial access by international development policymakers and finance and technology firms alike, with the ability to send and receive money via mobile phones seen as a breakthrough in bringing formal financial services to “unbanked” people (World Bank 2014, Sahay *et al*. 2020). Especially in SSA, the prominence of DFS has risen tremendously. Within the “platform political economy of fintech” (Langley and Leyshon 2021) in Africa, mobile network operators (MNOs) acting as mobile money service providers have increasingly become financial intermediaries, including by acting as a gateway to wider financial services, such as credit via mobile phone (Bharadwaj *et al.* 2019, as well as generators of payments data which is scraped and processed by MNOs themselves and sold to external analytics companies (Iyer *et al* 2021). Banks and other financial institutions have joined forces with MNOs to offer and scale up DFS.

The taxation of DFS has become a controversial issue. African governments are increasingly paying attention to DFS as a profitable and taxable African industry, seeking to translate the DFS sector’s substantial growth and revenues, specifically from mobile money services, into tax intake. This brings Africa abreast of other recent efforts, for instance those led by the European Union and the OECD, to tax digital services and platforms as part of a revised international tax system.[[2]](#footnote-3) International awareness is growing that multinational corporations (MNCs) generate income from providing digital services across the globe without being subject to corporate income tax where they provide services and where they may have no physical presence (OECD 2020a). In SSA, taxing DFS has encountered opposition from the DFS industry, international development actors and some civil society actors. Global MNO industry bodies such as the GSM Association (GSMA), national lobbying groups, think tanks and high-level pro-DFS spokespeople including central bankers have spoken out against taxing mobile monies. Headline-making controversial taxes like the mobile transactions tax in Uganda, which was introduced simultaneously with a “Social Media Tax” in 2018, triggered popular backlash (see section 4.2). Yet such taxes sit alongside the long-standing quieter taxation of transaction fees in other countries, including Kenya (section 4.1). This variance between taxes and their political reception indicates the need for a much better understanding of the *political economy* of mobile money taxation, with particular attention paid to how different objectives are negotiated and how this leads to different outcomes.

In this paper, we will examine three cases of mobile payments taxation: Kenya, Uganda and Malawi. Our aim is to unpack policy questions around taxing mobile money and show how they are only superficially technical and in reality fundamentally political questions, thus requiring greater attention to the politics of taxation (see, e.g., von Haldenwang and von Schiller, 2016 but also others). Practically speaking, taxes on mobile monies are comparatively easy to implement, assess and collect. However, they often pit tax authorities and policymakers against the expressed or hidden interests of various elite and non-elite stakeholders, ranging from MNOs which aim to protect profits through to civil society groups concerned about liberties. Politically, these taxes require the negotiation of potentially clashing high-level policy agendas, namely domestic resource mobilisation (DRM; i.e., to reduce African governments’ dependency on aid) versus the (far-reaching yet poorly-defined) project of ‘financial inclusion’, whose “ambiguity” has made it dynamic, malleable and globally pervasive (Dafe 2020, Girard 2021), Both agendas are promoted by development donors and seen as instrumental to achieving the SDGs.

In unpacking the contentious and sometimes perplexing politics of mobile money taxation, we follow Pryke and du Gay (2007) and others (Aitken 2020; Haiven 2020) in understanding finance as an activity and sector whose material practices, including its regulation and taxation, are constituted by culture in the sense that “the *technicality* of financial markets” is intractably embedded in cultures, politics, and personal interconnections (MacKenzie 2006: 25). We hope to add, in a small way, to the ongoing (re-)exploration of the ‘political’ in relation to the ‘cultural’ in cultural economy (Hardin 2017; Muniesa 2021) by highlighting the relationship between the technicality and the politicality of fintech taxation. While fintech’s expansion is undoubtedly shaped by Africa’s political histories of colonialism and neo-colonialism (Langley and Leyshon 2022) and new payment platforms’ shifting relationships with African social economies (Rodima-Taylor 2022), it is also mediated through contentious politics in which its relationship to governments and societies is negotiated, including via taxation.

In this context, financial inclusion represents an ambiguous and technically inscrutable policy enterprise which taxation efforts are discussed in reference to and, variously, opposed, reinterpreted, deflected or assimilated. As we will discuss, the ambiguity of financial inclusion has enabled financial service providers to oppose tax plans by painting DFS taxation as harmful to inclusion and, by extension, the welfare of poor people. DFS providers claim that taxing DFS (which would dent their profits) would harm the poor by raising the costs of financial access. Others have already pointed out the challenge which finance’s technical complexity poses to states’ efforts to regulate or tax it (e.g. Gaffeo and Tamborini 2011; Kalaitzake 2017), even suggesting the complexity “threatens the input legitimacy of our democratic systems because of the inflated importance of financial sector expertise” (Nölke 2020: 430). In the case of DFS taxation, it is not just the technical complexity of DFS but also the opacity of the claims about the economic and societal benefits of DFS which complicate and obfuscate the political choice regarding whether and how to tax DFS. The paper proceeds as follows: We first review the literature on digital financial inclusion and DRM, and then conceptualise the taxation of DFS as a political endeavour at the interface with state-business relations and the ambiguity of financial inclusion, before presenting three tax controversies (Kenya, Uganda, Malawi) and discussing them from a political economy perspective. The final section concludes with reflections on the challenges and political relevance of taxing mobile money.

# 2 Literature review: Digital financial inclusion, mobile money, and the tax question

## 2.1 Digital financial inclusion and mobile money in Africa

Financial inclusion is promoted as a key intervention to facilitate economic development (e.g. World Bank 2014). It is claimed that financial services for the poor generate economic opportunities and thus alleviate poverty, improve welfare and empower women (e.g. Suri and Jack 2016, Brody *et al.* 2015). Approximately 1.7 billion adults worldwide are counted as having no access to financial services (Demirgüç-Kunt *et al.* 2018). Many public and private sector partners have made commitments to facilitate financial inclusion across the globe, aiming for “Universal Financial Access” (an initiative promoted by the World Bank). Recently, DFS, in particular mobile monies, have purportedly become an effective strategy for promoting and enabling financial inclusion in LMICs (McKinsey Global Institute 2016).

Mobile monies typically involve three transactions: cash is deposited into an account, an amount is digitally transferred to another user’s account, and an amount is withdrawn as cash. The DFS provider acts as payment platform, while the cash-digital interface is managed by local agents, who are usually microenterprises. Charges can be levied at each point of the payment cycle and are typically proportionately higher the smaller the amount transacted (i.e., regressive fee structures). Users may choose to not withdraw the received amount as cash, but most do (see Aron 2018; Suri 2017).

The impact of (digital) financial inclusion on poverty alleviation and women’s empowerment remains contested (e.g. Guérin *et al*. 2013, Bateman and Maclean 2017). The literature is often technically complex and requires a sophisticated understanding of evaluation methodologies and different theoretical frameworks to fully engage with it. In a recent systematic review of systematic reviews, Duvendack and Mader (2020) find that financial inclusion does not have transformative impacts in scope or scale, and the effects often vary and frequently are limited to the early stages of the causal chain. Comparatively little is known regarding the impact specifically of *digital* financial inclusion, with much of the initial impact evidence focusing on just one mobile money system: M-PESA in Kenya. Notably, a study by Suri and Jack (2016) has claimed that M-PESA was solely responsible for lifting 2% of Kenyan households out of poverty. However, while DFS are appealing to users by allowing them to access banking services anytime and anywhere, to send and receive money, as well as to borrow and save often, with the objective of resolving short-term liquidity squeezes, there are serious doubts about the wider impact. Bateman *et al.* (2019) concluded, in a re-examination of Suri and Jack’s study that their research “does not stand up to scrutiny” due to a series of “serious errors, omissions, logical inconsistencies and flawed methodologies” (pp.489-490). Overall, the verdict on the impact of digital financial inclusion is still outstanding.[[3]](#footnote-4)

## 2.2 Domestic resource mobilisation in Africa

The taxation of mobile monies comes against a background of international organisations’ and governments’ own efforts to increase DRM. African countries’ average tax-to-GDP ratio of 16.5 is less than half that of wealthier OECD countries and considerably below Latin America’s. Worldwide as well as within Africa, the lowest-income countries tend to have the lowest tax-to-GDP ratios, the exception being natural resource-rich countries which have other sources of government revenue (OECD 2020b). Measures to improve DRM championed by major public and private development donors, such as the International Monetary Fund (IMF) and the Gates Foundation, have included focusing more on collecting indirect taxes such as VAT and excise taxes, reducing tax loopholes and exemptions, building the capacity and professionalism of tax administrations, and improving tax policy decision-making processes (Gupta and Tareq 2008).

As Moore *et al*. (2018), among others, have highlighted, growing the tax intake faces a range of challenges. Not only are the tax administrations of most SSA countries severely under-resourced (some are only recently computerising), but also much of Africa’s theoretical tax base is difficult to tax in practice. High net-worth individuals (HNWIs) and MNCs use professionally optimised tax avoidance strategies to shift earnings abroad and subvert governments’ attempts to collect personal income taxes or corporate profit taxes (Ogembo 2020, p.6-7, Moore and Prichard 2020, p.112-6). Lower-income countries lose a higher share of their potential tax revenue than richer ones (Garcia-Bernardo and Janský 2021). At the other end of the scale, a large share of the population and the economy in Africa operates in undocumented and informal ways, making incomes and profits hard to identify, and even if these could be taxed, the small revenues would often not be worth the administrative effort (Joshi *et al*. 2012).

Fundamentally, the issue is that too much falls in the “hard-to-tax” category. “Hard-to-tax” taxpayers are not necessarily informal, and may include professional groups and other actors who, for whatever reasons, neither typically voluntarily register with the revenue authority, keep proper books of accounts, file their returns promptly, nor have significantly higher rates of tax evasion (Ogembo 2020, p.6-7). MNCs, digital businesses and HNWIs are usually excluded from this category, because they typically register, keep proper books, and file timely returns; but they use sophisticated tax avoidance (rather than evasion) schemes and can devote so many resources to misrepresenting and concealing their incomes and profits that they, too, become hard for authorities to tax (Mo 2003). Key to corporations’ tax avoidance strategies is transfer-mispricing, where the prices for goods and services traded between corporate subsidiaries are distorted to shift profits to lowertax jurisdictions and tax havens (Moore and Prichard 2020, p.112-116). Estimates suggest the total tax revenue lost due to MNCs’ profit shifting is USD 200-300 billion. This affects all countries, but lower-income countries lose a higher share of their potential tax revenue (Garcia-Bernardo and Janský 2021).

Thus, many tax researchers and policy experts have argued that, particularly where enforcement capacity is weak, governments should shift from profit-based taxes to revenue-based taxes such as turnover or sales taxes. These may be less economically efficient but are easier to assess and much harder for taxpayers to avoid than profit-based taxes (Moore and Prichard 2020, p.126-127). Influential experts such as Sanjeev Gupta[[4]](#footnote-5) have lauded excise taxes (taxes levied on the production/delivery of specific goods or services) and specifically argued: “If LICs are looking for a new source of revenue, one option is to consider introducing an additional tax on telecommunication services.” (Mullins *et al*. 2020, p.12)

## 2.3 DFS taxation in Africa

Against this background and recognising the telecoms sector’s tax potential, a growing number of countries in SSA have introduced or increased taxes based on revenues and turnover, applying a range of different instruments (Munoz *et al*. 2022). Some taxes have specifically been levied on mobile monies transactions and revenues, which are comparatively easy to target thanks to being formal, tracked and documented, and not movable abroad (although profits earned from them can be shifted, for instance through transfer mispricing).

The rationale and appropriateness of these taxes in general terms are debated.. Matheson and Petit (2021) suggest there to be a strong rationale for taxing MNOs, due to the rents they earn from limited competition, and increasing those taxes that already exist, but they explicitly oppose mobile money taxation, citing adverse impacts on financial inclusion. In a GSMA-sponsored paper, Rota-Graziosi and Sawadogo (2020) estimate the total tax burdens on MNOs across 25 African countries, which they find vary significantly but are higher on average than both the general tax burdens on corporations and those on the mining sector. Former Kenyan Central Bank governor Njuguna Ndung’u (2019) suggests, with explicit reference to the widely debunked “Laffer Curve”[[5]](#footnote-6), that lower tax rates on mobile monies would lead to *higher* tax revenues. Another analysis concludes that governments should “totally eliminate discriminatory taxation or all sector-specific taxes” (Ndulu *et al*. 2021, p.45), apparently based on the assumption that tax increases lead to lower GDP, lower tax collection, and lower societal welfare.

A related debate is the *fairness* oftaxes levied on telecommunications generally and on mobile monies specifically. Several authors say taxes on mobile monies are regressive, either by burdening poorer users more heavily or excluding “those who need to be included the most” (Claessens and Rojas-Suarez 2020, p.33, Ndung’u 2019, Clifford 2020). Another fairness issue is the equal tax treatment of comparable activities, such as mobile money transfers versus bank transfers. Simplistically, Ndulu *et al.* (2021, p.36ff) label all sector-specific taxes “overtaxation” and “discrimination”. The mobile industry association GSMA argues that when mobile monies are subjected to “additional taxation (unlike bank or cash transactions), the principles of both horizontal and vertical equity in the tax system are contravened” labelling mobile money transaction taxes “the antithesis of a well-designed tax system” (Clifford 2020, p.44). These arguments for equivalent taxation are valid, however also incomplete without consideration of potential arguments for sector- or provider-specific taxation, such as ease of implementation and the presence of rents or windfalls.

The literature warns of a range of potential developmental impacts and potential unintended *impacts* from mobile money taxation, usually based on claims about the importance of financial inclusion. Ndung’u (2019, p.2) says “the expansion of financial inclusion through mobile banking is under threat”. Similar concerns are found both in more academic publications (Bongomin *et al.* 2019, Claessens and Rojas-Suarez 2020, Ndulu *et al.* 2021) and industry publications (Rogers and Pedros 2017, Clifford 2020). Bongomin *et al.* (2019) specifically argue all taxes on mobile money services ought to be revoked so as to not harm financial inclusion.[[6]](#footnote-7) More broadly, Ndulu *et al.* (2021, pp.44-45) argue taxes on digital services hinder the uptake of digital technologies and thereby decrease productivity and efficiency across the whole economy, adding that governments should subsidise access to smartphones and broadband services (while leaving it unclear how governments should afford this) (*ibid.*, pp.45-46). In a rare, more nuanced contribution, Rukundo (2020) suggests that new ways to “tap into the revenues earned by digital MNEs” (*ibid*., p.19) are justified considering Africa’s unique digital taxation challenge, highlighting how the digital economy poses a greater risk to tax than elsewhere, and how tax administrations are under-resourced, while also warning that “undue” taxation would undermine the development of the digital economy.

Despite – or precisely because of – taking such normative positions, are often presented as technical arguments about expected consequences in terms of revenues, fairness, or financial inclusion, most authors have little to say about the *political economy* of mobile money taxation. One exception is a GSMA report (Clifford 2020), which explicitly examines the “motivating factors” behind governments’ mobile money taxation efforts (without attending to the GSMA’s own motivations to resist taxation). Noting that “taxation is inherently political and mobile money taxation is no exception”, Clifford (2020, p.41) sees four factors: a desire to tax informal sector actors *via* their mobile money transactions (i.e. a proxy tax on the informal sector); weak tax policy processes leading to ill-informed and arbitrary taxes; low administrative capacity inducing revenue authorities to focus on easy tax targets (such as MNOs); and “political economy factors” (p.41) including budget deficits, donor pressures, intra-governmental power struggles and political bargaining. Another exception is Lees & Akol’s (2021) study of the process that led to the controversial tax introduced in Uganda in 2018. Their analysis focuses on how Uganda’s tax policymaking process, which foresees broad stakeholder consultations, was overridden by immediate revenue pressures and high-level political compulsions, leading to “an ultimately flawed and unpopular” tax which the government was forced to renegotiate (ibid., p.26).

# 3 Conceptualising the political economy of tax, state-business relations and policy ambiguity

Traditionally, taxation has been treated as a technical question, usually revolving around three sets of issues: *equity*, both horizontal (equal taxation of similar entities and activities) and vertical (fair treatment of better- and worse-off taxpayers); *administrability and convenience*, being simple enough to administer and comply with; and *efficiency*, avoiding or potentially even correcting economic distortions (Munoz *et al.* 2022). The “new fiscal sociology” (Martin et al. 2009), alongside works in political science and heterodox economics, has refocused attention on the social underpinnings of tax compliance and on formalisation and taxation as elements of social integration and state formation (see also von Haldenwang and von Schiller 2016). At the heart of these social-scientific engagements with tax, often informed by in-depth studies of history, lies a conceptualisation of taxpayer compliance and tax systems overall as reflective of state-citizen relations. Moving beyond technically oriented mainstream theories, particularly “optimal” taxation theory, studies in the new fiscal sociology in particular analyse tax regimes as a “fiscal-social contract” between states and citizens who bargain over the conditions attached to consenting to taxation (Martin et al. 2009: 13; see also Smoke 2011). Critically interrogating the new fiscal sociology, Meagher (2018, p.3ff) highlights several “blindspots” in its treatment of post-colonial settings, including how its insights have been strongly informed by European historical experiences, how it “essentially” equates taxation with formality (although actors in reality are often exposed to multiple burdens of informal and formal taxation), and a “monolithic” treatment of the diversity of the informal economy. As a result, coercive experiences and the weak bargaining power of poor informal actors are often overlooked.

Applied to Africa, recent studies of the political economy of taxation have often highlighted “tax bargaining” as a potential means of empowering citizens and informal actors by allowing taxpayers to demand more responsive and accountable government (Prichard 2015). Such “resource bargains”, in citizens accept tax plans “in exchange for services, social protection, employment guarantees, and income support”, may at times be explicit, but more often are implicit (Hujo and Bangura 2020, p.8). However, these notions are at odds with understandings of taxation that more strongly emphasise the involuntary nature of taxes (Moore 2008: 36ff) and the fact that taxation “is, everywhere, in large part an exercise in the use of coercive power, as states extract resources from citizens”. Taxation’s results in terms of state-building and accountability vary depending on political economy factors (Moore *et al.* 2018: 13), including whether taxpayers actually have the capacity and governments the willingness to meaningfully engage one another (Van den Boogaard *et al.* 2021).

We take cues from the recent sociological and political re-engagement with tax to recognise taxation as a technical yet “deeply political issue [which involves] power struggles between the government and various segments of society over the level and composition of taxes” (Delamonica *et al.* 2020, p.210), and depart from it in three ways. First, eschewing abstract notions of “resource bargaining”, we focus greater attention on how more openly conflictual encounters unfold around technical questions of taxation. As Moore (2008), Meagher (2018) and Van den Boogaard *et al.* (2021) all clarify, citizen-government bargaining for accountability and responsiveness depends, among other things, upon historical legacies, characteristics of the state, existing informal arrangements, political willingness, and the relative bargaining capacity different actors have. In particular, we suggest better-organised and more powerful (potential) taxpayers can often bargain more effectively for outcomes which benefit them but not society writ large. This is hardly tantamount to corruption or cronyism, and rather a reflection of how consultations and political negotiations typically privilege some voices and forms of knowledge over others, especially in ‘technically’ complex issues like taxation and financial inclusion, where the knowledge arsenal of large companies or HNWIs surpasses that of smaller/informal taxpayers and even, often, of governments. One example is how, despite popular support, the proposal for a European financial transaction tax (FTT) after the Great Financial Crisis of 2008 was derailed by the financial sector, which orchestrated “a strategic campaign of resistance” based on sophisticated technical arguments that “persuaded policy-makers to reject the Commission’s aggressively designed proposal, secured multiple exemptions and provoked postponement of the charge indefinitely” (Kalaitzake 2017, p.709).

Second, and consequently, we must pay attention to the state-business relations which shape many real-life negotiations about taxation. Notions of tax bargaining as unfolding between “civil society” and governments overlook the heterogeneity of taxpayers, both across economic sectors and within (Meagher 2018). Delamonica *et al*.’s (2020) recent work, which explicitly links state-business relations to taxation in developing countries, highlights the role business associations play in negotiating tax policy with governments. While state-business relations research has often, informed by notions of the ‘developmental state’, focused on the notion that “good state-business relations are based on a benign collaboration between business and the state”, following principles of transparency, reciprocity and credibility (Te Velde 2009, p.5), more recent research emphasises how business wields power via formal and informal channels, at both the macro-structural and micro levels (Ayele *et al.* 2016). Business leaders and associations may strategically cultivate and activate existing high-level relationships, mobilise allies, bring in competing ideas, and grant or demand concessions, as needed (Ayele *et al.* 2016). Private transnational governance regimes, industry self-defined standards and benchmarking rubrics are potent forms of hidden and soft business power which can sway negotiations (Dobusch *et al.* 2013). If the business sector is well organised, it can make a “structural dependency” argument, as with the European FTT, where lobbyists exploited the “fears of policy-makers” that upsetting the financial sector would harm the whole economy (Kalaitzake 2017, p.716).

Third, ambiguity in policy formulation deserves greater attention as a factor shaping negotiations. The ambiguity of financial inclusion appears to have helped DFS providers oppose tax plans, whose goal (to raise government revenue) is much more concrete and bounded than the broad goals of financial inclusion. Not only are the developmental impacts of financial inclusion contested and ambiguous (recall section 2.1), but also – as a nascent literature drawing from a longer lineage of political economy that discusses ambiguity as a “constructive” enabler of policy and norm diffusion (Best 2005) shows – financial inclusion’s ambiguous properties have enabled the formation of a powerful coalition which encompasses a wealth of actors and spans vast geographical spaces (Dafe 2020, Girard 2021). Financial inclusion has some core features, namely the aim of widening access to finance and the treatment of underdevelopment and poverty as financial problems, but remains ambiguous in that its targets (who is to be included?), the primary means for achieving it (by relying on market forces or policy interventions?) and its potentially conflictual relationships with other goals (such as macroeconomic ones; the profit/poverty-alleviation tradeoff) remain unresolved (Dafe 2020, p.505-7). Ambiguity was instrumental to the formation of the coalition because “a norm that is ambiguous can be more easily embraced and adapted to local political realities” (Dafe 2020, p.519). As Girard (2021) suggests, ambiguity was not a deliberate strategy but rather resulted from the gradual accommodation of a wide range of (potentially conflicting) actors and goals into the project “without resolving inconsistent or contradictory understandings of its policies and aims” (2021, p.18). Regarding mobile money taxation, we argue the ambiguity of financial inclusion supported a pro-business/anti-tax position in tax bargaining by introducing a threat to financial inclusion and its (unproven) economic and social benefits as an unknown (and potentially not fully knowable) variable.

# 4 Mobile money taxation in Kenya, Uganda and Malawi

In this section, we analyse three case studies of mobile money taxation in East Africa, to better understand how such taxes are implemented, and how opposition to them manifests. This political economy analysis is based on publicly available sources. Our approach was to map the modalities of mobile money taxation in each case study country, based largely on academic literature, grey literature including both industry and government publications, and in-country media, and to reconstruct and understand political debates around mobile money taxation in each case, again using grey literature, academic sources, and in-country media. From these sources we gained sufficient evidence for understanding who the key actors involved were and what arguments they mobilised both for and against mobile money taxation.

Our case studies were selected for their representation of different modalities of mobile money taxation and different responses to mobile money taxation: Kenya as a pioneering country in both the use of mobile money and its (largely unopposed) taxation; Uganda and Malawi as examples of attempts to introduce taxes on mobile money which generated controversy and protest. In Malawi the tax was revoked while in Uganda it was (partially) implemented. In all three countries, mobile phone subscriptions and mobile money account numbers have grown over the last decade, though at different rates. In Kenya, both mobile phone and mobile money accounts now surpass population numbers (i.e. the average Kenyan has more than one of each), while user growth in Uganda and Malawi has been slower (Figure 1). The different paces are broadly aligned with economic patterns, as Kenya’s per-capita GDP at PPP is approximately twice Uganda’s and nearly three times Malawi’s.[[7]](#footnote-8)

### Figure 1: Mobile phone and mobile money accounts relative to population

Note: Cellular subscriptions sourced from the World Bank’s World Development Index database, figures for registered accounts/subscribers calculated by authors based on population data from the World Bank’s World Development Index and mobile money registration data from the Central Bank of Kenya, Reserve Bank of Malawi, and Bank of Uganda (mid-year).

We classify the modalities of mobile money taxation in these cases by: upon whom the tax burden falls, the point of the payment cycle at which the tax is levied, and the level of taxation. The taxes listed in Table 1 are those we consider to be direct taxes on mobile money, as opposed to indirectly related taxes such as corporation tax, import duties for hardware or other taxes which are not specific to mobile money (such as income tax on wages or tax on interest earned in mobile savings accounts).

The three countries levied taxes on mobile money fees, either in the form of *excise* *duties* on fees taken by the MNO from the users or *VAT* charged on users’ fee payments. These charges have increased over time in Kenya and Uganda. However, they are frequently comparable to (or lower than) the taxes charged on other financial service fees. In Uganda, the same tax was applied to agency banking fees (Clifford 2020).

Commissions paid by MNOs to their mobile money agents are subject to a *withholding tax* in Malawi and Uganda. In the case of Malawi, this was recommended in 2019 by the IMF as a revenue-raising measure (Clifford 2020). We have no information on whether Kenya charges similar taxes. The tax burden on users is unclear since agent commission is not linked directly to user fees (Rukundo 2017).

The *transaction tax* is the only tax which is directly levied on users, and the tax that has caused the most controversy. Excise taxes and withholding taxes appear to have gone largely unchallenged.

### Table 1: modalities of mobile money taxation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Tax** | **Who pays?** | **Kenya** | **Malawi** | **Uganda** |
| **Excise duty on MNO revenues** | MNO, but often reflected in higher fees to user | Introduced at 10% in 2013, raised to 12% in 2018 | 10% | Introduced at 10% in 2014, raised to 15% in 2018 |
| **VAT on service fees** | User, added on to fee | None (exempt) | 16.5% | None (exempt) |
| **Withholding tax on agent commission** | MNO (but borne by agent) | None | 20% | 10% |
| **Transaction tax** | User | None | None (attempted to introduce 1% tax in 2019) | 0.5% on withdrawals (reduced from 1% on all transactions; introduced in 2018) |

Source: Authors’ own, compiled from Clifford (2020), Kamulegeya (2018), Civil Society Budget Advocacy Group (2018), Rukundo (2017), Ndung’u (2019), National Council for Law Reporting (Kenya Law) (2020a), National Council for Law Reporting (Kenya Law) (2020b), Okuja (2019)

## 4.1 Kenya

Kenya makes a useful case study to illustrate the dynamics of Africa’s fintech industry, including its political embeddedness. Tyce’s (2020) analysis of the rise of Safaricom (the Vodafone-backed company behind M-PESA) suggests that while Safaricom was the first to successfully implement mobile money in Kenya, its growth was due to favourable government treatment which effectively shielded it from competition. This was the result of a push for increased financial inclusion by the Kenyan government but also of vested interests of politicians in the Commercial Bank of Africa, the bank with which Safaricom partnered (*ibid.*). M-PESA soon dominated the mobile money market, remaining relatively unregulated in its early years, and becoming able to effectively generate monopolistic rents through the pursuit of anti-competitive practices without regulatory consequences (*ibid.*). The main opposition to this favourable treatment of Safaricom came from banks, whom the government encouraged to compete by developing alternative payment platforms (*ibid.*; Osongo and Schot 2017). Safaricom still dominates the mobile money market in Kenya, with M-PESA having 98.9% of market share (subscriptions) as of June 2020 (Communications Authority of Kenya 2020). Safaricom is also a major taxpayer, having contributed one tenth of state revenues in 2016 and been Kenya’s top taxpayer for 13 consecutive years (Tyce 2020; Safaricom 2021).

The Kenyan government in 2009 removed VAT on all financial services, including mobile money, but in 2013 levied an excise duty of 10% on fees charged by all money-transfer services. This applied not just to mobile money, but there was some opposition specifically with reference to its potential impact on the mobile money industry and financial inclusion. It was argued that the tax harmed mobile money users as a regressive tax and stymied the still-young industry’s growth (Rojas-Suarez 2012, Ndung’u 2019). While a slowdown in user growth did occur, it is not clear the tax caused it, and Kenya has remained a poster-child for digital financial inclusion.

The excise duty was increased in 2018 as part of a broader package of taxes and tax increases on mobile and bankingtransactions, with the rise in mobile money tax being the smallest. Excise taxes on banking transfers increased from 10 to 20%, airtime from 10 to 15%, and a new 15% excise tax was introduced on the purchase of mobile data (Ndung’u 2019). Unlike mobile services, mobile money fees remained exempt from VAT charges. Some opposition was voiced in the media, with Safaricom’s CEO quoted saying that any increase in taxes on mobile money would hurt the poor and hinder moves toward a “cash-light” society (Reuters 2018). Ndung’u laimed the introduction of the 2013 tax had already harmed mobile money growth and claimed further taxes rises would lead to falling tax revenues (the Laffer Curve).

Overall, Kenya seems to demonstrate that DFS growth can coexist with significant tax revenue generation from mobile monies, although Kenyan tax authorities have still taxed mobile money less than other financial services. While we see the same arguments against mobile money taxation being made by the industry in Kenya as elsewhere – that it is regressive and stifles mobile money usage and financial inclusion – there has been no substantial civil society opposition to the taxes the government does levy on mobile money. Indeed, these taxes appear to treat the sector somewhat better than other digital and financial services. Other important factors appear to be that the taxes are levied on the MNOs but not users directly (despite some costs presumably being passed on) and the fact that Safaricom has enjoyed favourable government treatment, whether due to lobbying or financial inclusion arguments, or possibly both.

## 4.2 Uganda

Uganda is the best-known or most infamous case of mobile money taxation. Following concerns from President Museveni and the Uganda Revenue Authority that tax revenues from mobile network operators were below targets, and that fewer services offered by these companies were being caught in the tax net (Lees & Akol 2021), the Ugandan government in 2018 combined a 1% transaction tax on mobile money with an increase in excise duty on mobile money fees from 10% to 15% (Clifford 2020). It wrapped this up with a new and unpopular charge of UGX 200 (US$ 0.052) per day for accessing social media.

The May 2018 law led to initial protests by civil society organisations (CSOs), namely the Civil Society Budget Advocacy Group (CSBAG), which raised some awareness but had minimal impact (CSBAG 2018, Lees and Akol 2021). In July, when the new tax came into force, broader protests from civil society and the mobile money industry erupted. The President and Minister of Finance both backtracked, claiming the tax was passed in error, and that they had only intended a 0.5% tax (CSBAG 2018, Daily Monitor 2018a). Mobile money usage dropped significantly and immediately: Airtel claimed that transactions dropped 33% in the first two weeks. MTN Uganda also reported a 30% drop in revenues (GSMA 2020). On 13 July, after backtracking, President Museveni decreed that customers who had paid the tax should be reimbursed, although it appears only Airtel obliged in doing so (Daily Monitor 2018b). Following the protests, Parliament passed an amendment, reducing the transaction tax to 0.5% and imposing it only on withdrawals from mobile money accounts (Observer 2018a, Daily Monitor 2018b). This was not the complete repeal which civil society, the Bank of Uganda, and MNOs had called for (Lees and Akol 2021).

There are a number of interesting points here. Firstly, opposition to the tax was largely led by CSOs. The social media tax in particular was viewed as digital repression and censorship, as Lees and Akol (2021, p.20) note, and this “had a strong influence on the public perception of the mobile money tax, which was protested under many of the same banners”. Civil society actors channelled discontent and mobilised effectively against the tax. As Oxfam (2020) argues, this was because, regarding tax matters, the government feels that it still requires citizen support. CSOs argued that the taxes were regressive and inconsistent with the government’s financial inclusion strategy (Oxfam 2020, Civil Society Budget Advocacy Group 2018). CSBAG orchestrated a “Say No to Taxing Mobile Money” campaign across the country (CSBAG 2018).

Secondly, the private sector appears to have only made its opposition publicly known after the tax was implemented and protests began. Lees and Akol (2021) note that the industry was involved in consultations with the Ugandan Ministry of Finance, Planning, and Economic Development (MFPED) prior to the implementation, but their opposition did not prevent the tax. They suggest that private sector opposition was initially muted because of providers’ reliance on the government for their operating licences. Following the beginning of the protests, MNOs became more outspoken, arguing that the tax would stifle their infant industry, and pointing to Kenya a better example. The CEO of MTN Uganda opined: “if you over tax a young industry you might end up killing that industry” (Observer 2018b).

Thirdly, there was division among political actors, with both the President and Minister of Finance disavowing part of the tax. Whether this was genuine, or to save political face, is unclear. A number of MPs voiced dissent (Observer 2018a). Additionally, the Bank of Uganda opposed the tax, with a representative arguing that while it was necessary for revenue purposes it was discriminatory since it did not apply to all financial transactions and hit different people differently, exacerbated the risk of financial exclusion, and its negative impact would be compounded by the rise in excise duty. In response, Henry Musasizi, the parliamentary finance committee chairperson, said despite the Bank of Uganda’s opposition Parliament still needed to raise UGX 115 billion (approx. USD 30 million) for the budget (Observer 2018b).

The Ugandan case thus offers a rare case of openly visible contestation and negotiation around mobile money taxation. The political backdrop of the revenue pressure becomes clear when considering a large amount of aid funding was pulled from Uganda in 2013 following allegations of government corruption, leaving a budgetary hole which Uganda’s initial 2013 excise tax on mobile money was intended to help fill. Fair Tax Monitor (2018) notes that Uganda’s government prioritises revenue generation over tax fairness and that citizens are disengaged from the country’s tax process. This could have contributed to the negativity regarding mobile money taxation: anecdotal evidence from the time of the 2013 proposal for a 10% excise duty on mobile money fees suggests people felt the tax amounted to the government passing its failures onto taxpayers (BBC 2013, Ahimbisibwe 2017).

## 4.3 Malawi

Malawi’s mobile money industry has already seen 16.5% VAT charged on mobile money fee revenues and 20% withholding tax on commissions. Malawi’s 2019/2020 budget proposed a 1% transaction tax on all mobile money transactions, which would have entailed users paying an additional direct tax proportionate to transaction size. This was met with significant opposition. Between the publication of the budget on 9 September 2019 and its ratification on 10 October 2019, various CSOs, academia, and business spoke out, leading to the tax being scrapped.

Opposition was largely voiced on the basis that the tax would be regressive and would stifle the growth of the mobile money industry and “threaten the financial inclusion agenda” (Kasalika 2019). The director of the CSO Consumers Association of Malawi (CAMA) labelled it “an insult […] punishing the most vulnerable groups who are mostly in rural areas, doing small businesses.” Local academics used similarly evocative language: “So, with one hand, the mobile money service was touted as a solution to empower the rural people, but with another, the system has now decided to plot against the very people it should empower.” (Sunduzwayo Madise, quoted in Kasalika 2019). The private sector also publicly voiced opposition, with Malawi Confederation of Chambers of Commerce and Industry CEO arguing the tax would hinder the Reserve Bank of Malawi’s own agenda to promote non-cash transactions (Kasalika 2019). In addition, the CEO of Telekom Network Malawi (TNM) publicly wrote a letter to the Minister of Finance, arguing that a 1% tax on users would entail cost increases of 25% for consumers and that TNM had paid 29% of its revenues as tax 2018 (Phiri 2019).

Interestingly, the government’s budget statement did not anticipate any of these concerns. It justified the tax as a base-broadening measure and a way to ensure “that Government has scope to improve service delivery” (Government of Malawi 2019). While that justification suggests a tax bargaining gambit, there was no acknowledgement of the risks of imposing an unaffordable or regressive tax on citizens, and it appears the government did not conduct its usual consultation with stakeholders, instead basing its policy solely on similar taxes in other countries (Clifford 2020). Ultimately, the transaction tax was dropped in the face of opposition, but revenues were instead raised via a 20% withholding tax on interest earned by trust funds set up by mobile companies for financing social programmes (Jomo 2019). Unable to do raise revenue through the taxation of mobile money transactions, the government proceeded to raise it from other sources with lower risk of significant opposition.

# 5 Discussion: Unpacking the contentious political economy of mobile money taxation

With Kenya, Uganda and Malawi, we have three cases of political contestation and negotiation around taxing mobile money. In the Kenyan case, the government increased an already long-existing excise duty and encountered little opposition. In Uganda, the government introduced a mobile money transaction tax but encountered such staunch opposition from CSOs, business interests and the central bank that it reduced the tax. In Malawi, in 2019, the government attempted to implement a transaction tax but withdrew the proposal when faced with vocal CSO and industry opposition. Our aim here is not to judge the technical merits and demerits of different approaches but to unpack the controversies in particular in terms of how opposition to the taxes manifested, drawing on the way we conceptualised the political economy of tax, state-business relations and policy ambiguity above.

## 5.1 The technicality of tax politics

Arguments made by opponents were typically framed in terms of concerns about negative social and economic effects. Although many of the (potential) effects of taxes could have been experienced by mobile users in everyday life, to assess, prove or challenge many of the arguments – such as claims that the economy would suffer adverse effects, the taxes would be regressive, tax revenues would actually fall, or trajectories away from cash would be prevented – would requires specialised technical knowledge to prove or disprove. While these positions could be challenged on technical grounds – for instance, whether demand for mobile monies is truly so inelastic[[8]](#footnote-9) as for tax burdens to be fully be passed on to users –, the important point is not which assumptions were technically correct or incorrect, but rather that technically complex arguments were often politically effective.

The issue of regressivity is instructive. Opponents routinely claimed that taxes on DFS are regressive and the poor would pay disproportionately more. To counter this would require analysis of data on usage by different user groups and assessment of the costs already borne by users.. All the while, the charges levied on mobile money users by MNOs themselves went unscrutinised, despite themselves being highly regressive (Claessens and Rojas-Suarez 2020: 101) thanks to the widespread use of “slab” pricing systems, as can be seen in Annex 1, which shows the percentages users pay as fees on different-sized transactions. On average, fees are 8.6% for transfers of US$5 compared to 2.3% for US$50 (IPA 2017).[[9]](#footnote-10) Notably, the (technical) challenge could have been mounted by governments that DFS taxes would be no more regressive than these charges, or could even, depending on modality, ameliorate the overall regressivity of the cost burden , for instance with a flat percentage transaction tax, like in Uganda and Malawi, affecting all users proportionately. The main issue here is not particular technical arguments or elisions[[10]](#footnote-11), but rather how such technical claims can *become* political arguments and how in our three cases these tended to favour the opposition to taxation by MNOs, central bankers and financial inclusion advocates.

To be clear, not all positions taken were of a technical nature, and the Ugandan case stands out for the explicitly political opposition spearheaded by CSOs with regard to digital repression and censorship, although it remains unclear how much of this opposition was about the simultaneous social media tax. Across all three cases, civil society demands relating to accountability and responsiveness played less significant roles than “tax bargaining” theories may suggest, while a consumer perspective about the effects of taxes was foregrounded..

## 5.2 State-business relations in tax bargaining

Recalling the heterogeneity of taxpayers (Meagher 2018) and the links between state-business relations and taxation in developing countries (Delamonica *et al.* 2020), we follow Ayele *et al.*’s (2016) cue to look at how state-business relations shape processes of negotiation. In all three cases, governments found their revenue-raising ambitions opposed by large business interests, although these did not necessarily lead the opposition (only Malawi stands out for MNOs’ more outspoken positioning, perhaps emboldened after Uganda). Where large business advocacy was successful at halting (Malawi) or partly overturning taxes (Uganda), this was as part of wider coalitions. Nothing suggests CSOs’ and other civil society actors’ engagement was ‘astroturfed’ or orchestrated by business. If anything, it appears MNOs were able to free-ride on opposition led by others. However, the relatively elite nature of much of the civil society advocacy should also not be , overlooked, with business-friendly voices like central bankers often dominating. Njuguna Ndung’u’s ‘structural dependency’-inspired arguments, for instance, about electronic payments’ centrality to Kenya’s digital development aspirations[[11]](#footnote-12), were amplified by national and international media (even inaccurately paraphrased as “Kenya M-Pesa tax risks killing the goose that laid the golden egg”; Kiruga 2019).

Moreover, the transnational dimension of soft power exercised by business, not immediately visible from our country-level analyses, should be considered (cf. Dobusch *et al.* 2013). African governments have been the targets of influencing campaigns deployed by actors like the Better Than Cash Alliance (BTCA), a single-purpose lobbying group for DFS whose funders are major payment and fintech companies (Mader 2016). Documents show attempts starting in early 2019 – soon after Kenya’s and Uganda’s tax initiatives, and before the announcement and reversal of Malawi’s tax plans – to accurately identify “audiences for advocacy” and develop targeted advocacy strategies aimed at national finance ministries and treasuries, tax administrations, heads of state, parliamentarians, and the private sector. Central bankers like Ndung’u (2018, p.84) have argued “all African economies” should “join the Better Than Cash Alliance” and “embrace digitization” by changing national regulations and policies. The global MNO industry body GSMA has also weighed in on domestic policymaking regarding mobile money at least since 2013, seeking among other things to define purpose-built standards and benchmarks of what counts as “enabling regulatory solutions” (Di Castri 2013), and even developing a ‘Mobile Money Regulatory Index’ to track, score and compare different governments’ actions (Bahia and Muthoria 2019).

Such forms of business power place real and perceived constraints on domestic political actors’ choices. As Dafe highlights, with respect to the wider financial inclusion agenda, these “[p]ressures emanating from foreign governments, international organizations and market actors upon which countries rely for material resources shape the preferences of local agents […] and bound the range of FI policies they find acceptable” (2020, p.501).

## 5.3 The ambiguity of financial inclusion versus taxation

Resistance to mobile money taxation in all cases was recurrently framed as concern for financial inclusion, with numerous domestic and international voices declaiming that taxation would “stifle” or “kill” the mobile money industry (Observer 2018b, Kiruga 2019). This would “reverse” or even bring “death” to digital financial inclusion (Ndung’u 2019, Atwine 2018) and “ruin” Africa’s growth (Atwine 2018). Although no one suggested explicitly that digital financial inclusion is *more important* than domestic resource mobilisation, the two were juxtaposed.

The ambiguity of financial inclusion, in terms of both whether it ‘works’ at generating impacts and as a policy project, was cruciato complicating and obfuscating the political choice of whether and how to tax DFS. It gave powerful actors a sweeping anti-tax argument which encompassed a wide range of concerns and actors. The GSMA’s activism and lobbying offers a case in point. In a flurry of publications since 2017, it has presented MNOs and mobile money services specifically as crucial drivers of digital financial inclusion and (even more ambiguously) ‘digital inclusion’, always returning to the same points: mobile services are beneficial because they create ‘inclusion’; the mobile industry is universally over-taxed; taxes make mobile services unaffordable; this hurts the poor and impedes connectivity and economic growth (Rogers and Pedros 2017, Clifford 2020, Naghavi 2020, Pedros and Sivakumaran 2020). Financial inclusion is such a “broad church” that an industry body which represents MNOs and other corporate stakeholders of the mobile industry[[12]](#footnote-13), and which has no social policy, poverty-alleviation or development mandate, can claim common cause “across elite and non-elite boundaries” with central bankers, development policymakers, and civil society actors (Girard 2021, p.13, 18). It allowed the GSMA to reframe its corporate stakeholders’ profit and growth objectives in the vernacular of social policy, poverty alleviation, development and justice. Ambiguity enables actors who are not central to a coalition to nonetheless “shape the branding of the agenda and the language used to communicate its associated policies, anticipated outcomes, and relevant community” (Girard 2021, p.18).

Ambiguity also lets new goals, policies and constituencies be assimilated. DRM’s assimilation into the financial inclusion agenda may have already begun. As Mader (2016, p.76) suggests, mobile monies, with their digital traceability, can be used “to tax or criminalise the informal sector” when cash is removed from the picture. Consequently, DFS promoters point governments towards payments *data* (instead of payments themselves) as future tax handles. Ndung’u (2019, p.6) highlights how e-money payments have been making “the previously informal transactions to be formal and, thus, tractable [*sic.*]”. Clifford (for the GSMA) concludes that future research ought to focus on the “[r]ole of mobile money in formalising the informal economy” and “of digital identity in enabling tax collection in developing countries” (2020, p.47). As this trajectory continues, DRM may be absorbed into digital financial inclusion in a DFS provider-friendly way, by passing the tax burden on to the informal sector. Notably, such tracking and surveilling of low-income and informal actors would bring revenue-authorities’ desideratum of tax base broadening in reach, assuming they can sufficiently upgrade their IT capabilities. Yet this would be anything but an empowered “tax bargain” for civil society, and without simultaneous efforts to increase the tax compliance of wealthy individuals or highly targeted pro-poor spending of these tax earnings, the net effects would almost certainly be regressive.

# 6 Conclusion

We have here examined mobile money tax controversies in Kenya, Uganda and Malawi, suggesting that the politics of mobile money taxation has been shaped by a foregrounding of technically complex arguments, sophisticated bargaining and advocacy strategies on the part of MNOs, and the way financial inclusion as an ambiguous project incorporates a wide range of concerns and actors. These factors have made mobile money taxation a contentious issue at the interface of digital financial inclusion and DRM, both of which are currently accorded high priority by development actors. The Covid-19 pandemic, which has both increased the fiscal strain on the governments of low-income countries (Laskaridis 2021) and spurred a further political push for digitalising payments (Arner *et al.* 2020), is likely to sharpen this conflict of objectives further. Simultaneously, we note that, in many ways driven by necessity rather than design, SSA is leading the way in taxing the digital economy, which is a hotly debated issue across the world. Governments in SSA may also be seen as pioneering FTTs and fintech taxation, whilst European and other initiatives along those lines have stalled.

For the practical purposes of taxing the digital economy and the social-scientific study of the same, three messages stand out. These relate to our understanding of taxation as a deeply political issue which, as we pointed out in section 3, is shaped by power struggles in which some actors and forms of knowledge are privileged, business actors specifically can negotiate from positions of power (as compared to other taxpayers), and the concerns raised about ambiguous other goals such financial inclusion can muddy the waters.

Firstly, we suggest a tax’s political perception and framing is arguably as important as its technical design and highlight that powerful actors, including businesses and governments (and sometimes CSOs), have the ability to shape the perception. With mobile money taxes, the perception of unfairness stemmed in part from their depiction as regressive and levied on users rather than MNOs. The case of Uganda stands out for catastrophically poor framing, with the mobile money tax being implemented alongside the ‘social media tax’. However, MNOs themselves burden poorer service users regressively with much higher fees, though this remained largely outside the frame of the debate. Further progress in political economy research on DFS taxation may reveal how taxes can be designed to both be fairer and be *seen* as fairer. For example, when Cote d’Ivoire introduced mobile sector-specific taxes in 2019, it earmarked some of the revenues for rural development, and this defused some civic opposition (Clifford 2020).

Secondly, and relatedly, DRM is strongly affected by political opposition from MNOs, which is not well understood with notions of ‘tax bargaining’. In the real-life political economy cases we studied, better-organised and more powerful corporate taxpayers were able to bargain more effectively, sometimes in broader coalitions with civil society, and resist or diminish tax initiatives which would have negatively affected their business. To take seriously state-business relations in tax policy does not mean to write off the idea that consultations with civil society should take place but rather to acknowledge how overlapping or divergent interests between citizens, businesses and governments can lead to different outcomes, and to point to the need for more democratically inclusive political processes which are attentive to how powerful actors can use technical expertise to exert pressure which ordinary citizens cannot.

Lastly, going forward, policymakers in SSA may be less afraid to tax mobile monies if they were more cognisant of the ambiguity of financial inclusion. Researchers should draw greater attention to it. Concerns about DFS taxation’s effects on financial inclusion have made the case for taxes more uncertain, although the effects of financial inclusion themselves are highly uncertain. When, or if, the question is taxation versus financial inclusion, it is a political choice which one should prevail.

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# Annex 1

Fees charged by twelve mobile money services in SSA for a full payment cycle (deposit, transfer, withdrawal)

Data source: IPA (2017). Horizontal axes show transacted amount in USD and vertical axes show fees paid as % of transaction amount. By the time of writing, Firstmonie (Nigeria) had moved to a regressive slab-based fee structure (<https://www.firstbanknigeria.com/personal/ways-to-bank/firstmonie/agent-banking/>, accessed 4 August 2021). Equitel (Kenya), a virtual mobile network and subsidiary of Equity Bank, was not charging fees for transactions in its network, but was charging (slabs) for cash withdrawals and transfers to other networks (<https://equitel.com/my-phone/equitel-rate-card/>, accessed 4 August 2021).

1. The IMF and World Bank (2018, p.7) understand fintech, or financial technology, as “advances in technology that have the potential to transform the provision of financial services spurring the development of new business models, applications, processes, and products.” [↑](#footnote-ref-2)
2. See for example: <https://digital-strategy.ec.europa.eu/en/consultations/fair-taxation-commission-launches-public-consultation-digital-levy>. [↑](#footnote-ref-3)
3. As also shown by a recent evidence gap map (<https://egm.financedigitalafrica.org/>) focusing on mobile money, which suggests mixed results and thin impact evidence. [↑](#footnote-ref-4)
4. Gupta was deputy director of the Fiscal Affairs Department of the IMF. [↑](#footnote-ref-5)
5. Ronald Reagan famously relied on Arthur Laffer’s claim that lowering tax rates would raise tax intake to justify tax cuts, suggesting that tax rates were in the “prohibitive” range beyond a hypothesised optimum; see Mirowski (1982) for an early and still valid refutation. [↑](#footnote-ref-6)
6. Their regression of local survey data, however, offers at best weak evidence for this claim. [↑](#footnote-ref-7)
7. As per World Development Indicators, figures for 2020. Differing methods for classifying registered “accounts” (Kenya), “subscribers” (Malawi) and “customers” (Uganda) may explain some differences between countries, including registered accounts exceeding people in Kenya but not elsewhere. [↑](#footnote-ref-8)
8. The assumption is also inconsistent with the simultaneously-made argument that users would switch back to cash, which would suggest demand *is* elastic. [↑](#footnote-ref-9)
9. These figures are from calculations on 18 DFS providers and include some in South Asia. [↑](#footnote-ref-10)
10. A balanced technical analysis should, for instance, also extend to the expenditure side: “Even regressive taxes can have redistributive effects if they fuel progressive patterns of public spending” (Moore et al. 2017: 8). [↑](#footnote-ref-11)
11. As argued in July 2020: Kenya’s tax plans would bring “costly outcomes on tax revenues, market price distortions, and a negative impact of [*sic.*] market developments” (Ndung’u 2020). [↑](#footnote-ref-12)
12. Including most MNOs, the world’s largest digital enterprises (such as Amazon and Facebook), hardware producers and automobile manufacturers (<https://www.gsma.com/membership/>, 8 August 2021). [↑](#footnote-ref-13)