

Regulatory Alert

Ghana Introduces the Electronic Transfer Levy (E-Levy)



The Electronic Transfer Levy Act, 2022, has been enacted into law by the Parliament of Ghana in its capacity as the country's law makers. The purpose of this law is to regulate and impose an electronic transfer levy on all monies which are electronically transferred. This is being done by the government in their effort to broaden Ghana's tax base and, subsequently increase revenue mobilisation.

The Electronic Transfer Levy Act, 2022 was assented to by the President of the Republic of Ghana on 31 March 2022 and came into force on 31 March 2022.

In this alert, we highlight the key areas of the new Electronic Transfer Levy Act below:

The imposition of levy on Electronic Transfer

- This act imposes an electronic transfer levy of 1.50% on all electronic transfers across the country.
- The Levy shall be charged on an electronic transfer at the time of transfer by the entities provided below, as found in the first schedule of the Act;
- **Entities**
 1. Electronic Money Issuers
 2. Payment Service Providers
 3. Banks
 4. Specialised Deposit – Taking Institutions
 5. Other Financial Institutions prescribed by regulations made under the Act

The scope of application of the Levy

- The imposition of the Levy applies to all transfers provided below. This can be found in the second schedule of the Act;

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Types of Transfers covered



1. Mobile money transfers done between accounts on the electronic money issuer
2. Mobile money transfer from an account on one electronic money issuer to a recipient on another electronic money issuer
3. Transfers from bank accounts to mobile money accounts
4. Transfers from mobile money accounts to bank accounts
5. Bank transfers on an instant pay digital platform or application originating from a bank account belonging to an individual subject to a threshold to be determined by the minister



The Levy imposed on the above transfers, does not apply to;



1. A cumulative transfer of GHS100.00 a day made by the same person
2. A transfer between accounts owned by the same person
3. A transfer for the payment of taxes, fee and charges on the Ghana.Gov system or any other Government of Ghana designated payment system
4. Specified merchant payments
5. Transfers between principal, agent and master-agent accounts
6. Electronic clearing of cheques



Administration, Collection and Regulation of the Levy

- The Levy shall be administered by the Commissioner-General in accordance with the Revenue Administration Act, 2016 (Act 915).
- The Ghana Revenue Authority shall collect the Levy.
- The levy collected shall also be paid by the Commissioner-General into the consolidated fund.
- The Minister may, by legislative instrument, make regulations to provide for the efficient implementation of this Act.

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Two (2) phased implementation

The implementation of the E-levy is being implemented in two phases:

- Phase one considers charging the levy per wallet/account within the same charging entity, implementation of reversals of wrong charges, and remitting of levy collected to GRA.
- Phase two will deal with charging the levy per person across all charging entities, integration of E-levy management system, and implementation of reversal of wrongful deduction

Takeaway

- Although, the Act has been passed into law earlier, the implementation of the electronic transfer levy (E-levy) effectively begins on 1 May 2022.
- The E-levy of 1.50% will be charged on any additional amount beyond the GHS100.00 threshold on electronic transfers within a 24-hour period.
- Electronic Transfers in this regard refers to money transfers comprising of mobile money payments, bank transfers and merchant payments, except inward remittances which are exempted from the levy.
- Taxpayers should note that all E-levy charges will be borne by the sender of the electronic transfer in all electronic transactions and not the recipient of the transfer.
- Taxpayers are informed that the E-levy charge will not affect deposits and withdrawals from electronic wallets or accounts. This also applies to money currently being held or saved in these electronic accounts. As a result, taxpayers are advised to avoid making panic withdrawals.
- Taxpayers are also notified that transfers between accounts owned by the same taxpayer are exempted from the E-levy, as well as payments of taxes and fees through Government designated payment channels, such as the Ghana.Gov system.
- Transfer of funds between principal, agent and master agent accounts such as transfers from and to mobile money merchant agents are exempted from the E-levy. This is to prevent the levy being charged multiple times on the same amount before it reaches the intended recipient's account. Merchants, agents and master agents are also required to be in possession of relevant documents from the GRA such as Tax Clearance Certificates.

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- Payments made through a payment service such as bank applications, mobile money or fintech applications, to commercial establishment registered with the GRA for income tax or VAT purposes are exempted from the E-Levy. Therefore, Commercial establishments who want to benefit from this exemption are advised to ensure that they are duly registered with the GRA for income Tax or VAT purposes.
- If the transfer of funds between accounts belonging to the same taxpayer is incorrectly charged. The taxpayer has the right to request that the service provider reverse the erroneous E-levy charge, and will be needed to produce a national identity card as proof of identification to complete the reversal. The GRA, on the other hand, will prosecute fraudulent claims for reversals or refunds.
- Charging entities are currently required to duly **Stamp** their Principal, Master-Agent and Agent Agreement in accordance with Stamp Duty Act, 2005 (Act 689).
- Although transfer between account to account of the same person will not be affected by the E-levy, differences in account records such as names or ID numbers used to open the accounts may pose a challenge to beneficiaries and prevent them from enjoying the exemption.
- Since the Levy can only be applied on transfers originating in the Ghanaian jurisdiction, Corporations would likely resort to using foreign domiciled accounts to effect transfers for their payments. This may also affect Government's expected income from the Levy. Government is therefore advised to consider measures which would disincentivise the use of foreign domiciled accounts for avoiding the levy.
- With exclusion of cheque clearing from the E-levy, many will opt for the traditional cheque system instead of electronic transactions which is currently being advocated by the government.
- Despite the fact that the E-levy was passed as a revenue-generating measure by the government, it may have a negative influence on digital payments and the country's financial inclusion progress. This is evident from available statistics, which reveals that the value of mobile money transactions has dropped by GHS 10 billion over the current period, since the Minister announced the E-levy in November.
- GRA anticipates wrongful deductions and therefore have planned to implement a reversal of wrongful deduction in both phases of implementation. Users of electronic transactions should therefore anticipate same and follow the procedures to obtain the reversal.
- Charging entities are expected to file/submit monthly e-levy report not later than 15th day after the month in which the report relates. This requirement will therefore operate just as the usual requirements to file returns such as Withholding tax and PAYE returns.

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