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AND CITIZENRY AT ODDS OVER
A 0.2% MOBILE MONEY TAX**

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Policy Brief

No 1, January 2022

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IMPRESSUM

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Cameroon's government and citizenry at odds over a 0.2% mobile money tax

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Executive Summary

Following a new government legislation, Cameroonians started paying a 0.2% tax on mobile money transactions on January 1, 2022. This 0.2% tax on money transfers and withdrawals has been making headlines since its implementation. Critics have described this tax as regressive, arguing that it will slow down financial inclusion. The tax has its implications on the government of Cameroon, Cameroonian citizens especially mobile money users, Mobile Telephone Network (MTN) & Orange mobile network service providers, and the entire banking sector. For example, it disproportionately affects middle- and low-income taxpayers since it is seen as a double or continuous tax. Amongst several recommendations, the government can reduce the tax option from 0.2% to 0.1%, but with MTN and Orange Cameroon adjusting to a reduction of their charge rates. Alternatively, the tax could be imposed either only on sending or on withdrawal and not on both as the latter clearly indicates a double tax regime which is disparaging and antithetic to social and economic wellbeing of the citizens. A possible outcome could be that struggling students will not have to “rob Peter to pay Paul” because they need to augment fees chopped by “some taxes”.

1. Introduction

On January 1, 2022, the government of Cameroon launched a new tax on money transfers through mobile money transactions commonly referred to as Mobile Money (MoMo). Mobile Money, or “MoMo” in local parlance, which has long served as a *de facto* standard for easy money transfers, is presently in disarray. Many a Cameroonian have so far been passively protesting the fee since it was implemented, most notably on social media under the hashtag “end mobile money tax”. They argue that 2022 is going to be horrible financial year for them, owing to the fact that the year has begun with the government implementing an unfavourable fiscal strategy implemented through MTN Cameroon and Orange Cameroon. A message from MTN to its customers to this effect reads as follows; “Dear valued client, in the application of the Finance Law, starting 01 January 2022, 0.2% tax is applied to transfers and withdrawals. Thanks for your understanding”.

2. Situation of the new tax

A cross-section of Cameroonian citizens do not only feel over- taxed, but doubly- taxed. There is a “normal” fee being paid by mobile money users as charges to mobile telephone network providers for every transaction made, both in sending and withdrawal of money. Just when MoMo users were already feeling exhausted by the regular charges reflected by the significant rise in transaction fees, the government imposed a new tax. It should be noted that the importance of the MoMo service to Cameroonians cannot be overemphasised. A Cameroonian recounts how useful MoMo has been for them in the following statement:

“The MoMo we use to play our “njangi” from different locations. The MoMo we use to send and receive money to and from our loved ones. The MoMo we use to pay our children’s school fees. That same MoMo we use to buy and sell goods and services. And it is that same MoMo which has been helping out in transactions despite the shortage of cash (coins)in our economy. Where do we go from here?” (N. Amuntung, personal communication, January 05, 2022).

The regular fees charged consumers for MoMo transactions, plus an additional 0.2% (government fee) when juxtaposed with the charges that accrued before the implementation of

the tax leaves many with the impression that the general wellbeing of the citizens was not taken into consideration by the government. The following tables are for MTN Mobile money only. Orange money is unique. However, the 0.2% surcharge is applicable to both parties. The same taxation regime applies to all money transaction.

Table No. 1: Situation Before 0.2% Tax, (actual MTN MoMo transaction Charges)

Amount (XAF)	For an MTN MOMO Subscriber
100- 5.999	3%
6000-10.050	175
10.051- 13.551	300
13.551- 25.050	350
25.051- 50.050	700
50.051- 75.100	1.350
75.101- 100.100	1800
100.101- 200.500	2.150
200.501- 300-500	2.600
300.501- 400.500	3.100
400.501- 500.000	3500

Source: MTN Cameroon (2018)

Table No. 2: Situation after the 0.2% tax. (actual withdrawal charges and 0.2% tax inclusive)

Amount (XAF)	For an MTN MoMo Subscriber
<5000	3.2%
5.000	160
10.000	195
25.000	400
50.000	800
100.000	2.000
200.000	2.550
300.000	3.200
400.000	3.900
500.000	4.500

Source: Personal compilation

It is quite reasonable for the government to tax Mobile Network Providers such as MTN and Orange Cameroon. Additionally, it is natural for mobile network carriers to charge MoMo customers for their services. However, many Cameroonians feel that to be charged by MTN and Orange Cameroon, and then taxed by the government is unusual. The country was already transitioning to a cashless society, but it seems that dream will be shattered as some Cameroonians are going to start looking for alternative ways to avoid paying the new MoMo tax. While frowning at this new policy, experts have been reacting on various social media platforms. Arrey Ntui, a security analyst working with the International Crisis Group, in a tweet, argues that “Cameroon should pursue financial inclusion as cost of living skyrockets. The mobile money tax unfairly punishes Cameroonian poorest people”. On her part, Rebecca Enonchong, a leader in African Tech Ecosystem submits:

“Can you imagine being charged a tax to withdraw your own cash out of your account?

For millions of Cameroonians who hold their money in mobile money wallets, this became a reality on Jan. 1. This tax is regressive and will slow financial inclusion”.

In almost the same words as those of Arrey Ntui, Enonchong adds that: “the new mobile money tax will especially hit the poorest, unbaked segments of the Cameroon society....”

3. Implications of mobile money tax

This move by the Cameroon Government to tax Cameroon users of MTN and Orange MoMo transaction services have some consequences on the government, citizens (mobile money users), MTN and Orange Cameroon (network service providers).

To the Cameroon government, this new tax on mobile money users would undoubtedly generate significant revenue. The revenue generated by this tax might be used to pay defence expenditures, government operations, public infrastructure, scientific research, public insurance, and state and government employee wages. These may seem to be reasonable, but one of the primary reasons some Cameroonians oppose this new tax legislation is because they are discouraged and lack faith in the government when it comes to utilising taxpayers' money for the purposes for which the taxes are imposed. The issue is how it can be accepted when the government's track record on project/financial management is well-known. Accepting this would imply that the public is aiding an embezzlement conspiracy.

To a cross-section of the Cameroonian citizenry (mobile money users), the new tax represents a significant increase in general hardship and prompting generalised outrage from people who were already used to or becoming accustomed to the digital means of keeping and distributing monies. One might settle debts or order and pay for products and services from significant distances at very minimised costs. However, with the addition of a tax, it seems to be unattainable for the poor and discouraging for the wealthy. This additional tax strips many a Cameroonian citizen of their meagre salaries and wages. It complicates life especially for already-struggling students who rely on immediate assistance from friends and family to survive. It may indirectly contribute to a rise in crime, since the procedure incurs a twofold charge; as a result, the predicted quantity of money decreases by 0.4% and is no longer sufficient to meet anticipated demands. In other words, tax incurred from the transfer (0.2%), and another tax of 0.2% to withdraw the requested amount of money, sums up to a 0.4% tax, excluding traditional charges. This simply means the struggling student will need to raise an extra 0.4% to augment for what was lost as tax.

The situation would further discourage customers from MoMo transactions, which were quick and relatively cheaper, before the imposition of the tax towards the traditional money transfer agencies like the Express Union and Express Exchange, which had almost been abandoned and forgotten by many a Cameroonian. Though the entire banking sector has been touched (banks operating mobile money services), normal charges for Express Union and Express Exchange money transfers and withdrawals excluding the 0.2% tax for instance is relatively cheaper, as compared to MTN and Orange Cameroon's normal charges with the 0.2% tax inclusive? Express Union's traditional withdrawal and transfers are for example relatively cheaper, if we have to compare the differences with those of MTN. Assuming a parent wants to transfer money, say 80.000FCFA to his/ her son/ daughter who is a university student, for school fees, registration and other basic needs. Using Express Union, the student will need 1400FCFA to withdraw. Now, assuming they use MTN to carry out the transaction, instead of using 1400 FCFA to withdraw, MTN charges 1800frs.

Table No 3: Part table for Express Union traditional money withdrawal charge

From	To	Withdrawal Charge
50.001	80.000	1400

Source: CAMERTECHTRENDS (2017)

To MTN and Orange Cameroon, this means that they will lose a significant portion of their market share to other low-cost money transfer providers such as Express Exchange, Express Union, and Money Gram, as well as to banks such as the United Bank of Africa (UBA). Assuming we do need to get down and discuss this, what is the best course of action given the foregoing analysis?

4.Recommendations

- The government **can** start by completely wiping out the tax option. Paying charges for withdrawals and transfers to a network company and also paying taxes to the government for the same service is double taxation and exorbitant.
- Alternatively, the government **can** reduce the tax option from 0.2% to 0.1%, but with MTN and Orange Cameroon adjusting to a reduction of their charge rates.
- Why not look at it from this perspective? paying the normal charges, and then paying a 0.1% tax for *either* a receiving or sending.
- Another suitable way the government can raise funds and free the citizens from this tax policy is completely wipe out the new tax law (0.2%) and in turn place a heavy tax on harmful goods like crude/ locally made whisky, non-biodegradable plastics and materials. This will really help out.
- Cameroon is very rich, with Billions of dollars stocked in private pockets and foreign-hidden bank accounts. Can the system be ameliorated to weed- out embezzlers? At least we can also think of this. One very good way to stamp out embezzlement is through the introduction of crypto currency as the legal tender. With this, every transaction made is tracked automatically, void of human assistance. At least this can be one of the measures.

5. Possible outcomes from recommendations

- The masses may regain trust in the government, in making ethical decisions
- MTN and Orange Cameroon will not have to lose their market shares, but instead, gain more customers to use their money transaction services.
- Struggling students will not have to “rob Peter to pay Paul” because they need to augment fees chopped by “some taxes”.
- The rich will not get richer at the expense of the poor. That is to say the rich-poor gap will be narrowed than widened.

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