

**REPORT OF THE FINANCE
COMMITTEE ON THE ELECTRONIC
TRANSFER LEVY BILL, 2021**

1.0 INTRODUCTION

The **Electronic Transfer Levy Bill, 2021** was *presented and read the first* time in the House on Thursday 16th December, 2021.

The Bill was subsequently *referred* to the Finance Committee for consideration and report in accordance with Article 103 of the 1992 Constitution and Order 169 of the Standing Orders of the House.

The Committee met and considered the Bill with the Minister for Finance, Hon. Ken Ofori-Atta, Minister for Communications, Hon. Ursula Owusu-Ekuful, Minister of State at the Ministry of Finance, Hon. Charles Adu-Boahen, Deputy Ministers for Finance, Hon. Abena Osei Asare and Hon. John Kumah as well as a team of officials from the Ministries of Finance and Communications, the Ghana Revenue Authority and the Attorney General's Department.

The Committee is grateful to the above-mentioned Hon. Ministers, Hon. Deputy Ministers and the team of officials for attending upon the Committee.

1.1 URGENCY OF THE BILL

The Minister for Finance, Hon. Ken Ofori-Atta requested the Committee to make a determination for the Bill to be considered under a certificate of urgency.

As the Committee could not reach consensus on the urgency of the Bill, a vote was taken subsequent to which a division was called and conducted in accordance with Order 211 of the Standing Orders of the House.

After the Clerk had collected the votes, the result of the division was duly declared by the Chairman as follows:

Number of Members voting for the AYES (that the Bill is of an urgent nature) = 12

Number of Members voting for the NOES (that the Bill is not of an urgent nature) = 12

The Chairman then gave a casting vote in favour of AYES.

The Committee thus determined and hereby certifies that the Bill is of an urgent nature and may be taken through all the stages of passage in one day in accordance with Article 106 (13) of the 1992 Constitution and Order 119 of the Standing Orders of the House.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Bill:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- Interpretation Act, 2009 (Act 792)
- Public Financial Management Act, 2016 (Act 921)
- Revenue Administration Act, 2016 (Act 915); and
- The Budget Statement and Economic Policy of the Government of Ghana for the 2022 Financial Year.

3.0 BACKGROUND INFORMATION

Recent economic data suggests that the overall tax to Gross Domestic Product (GDP) for Sub-Saharan Africa ((SSA) in 2018 was sixteen point five per cent (16.5 %) while the Tax to Gross Domestic Product (GDP) for Ghana in 2019 was estimated to be twelve point two per cent (12.2%) which is one of the lowest among Ghana's peer middle income countries.

As at August 2021, out of about eighteen million potential taxpayers, only two million, four hundred thousand persons, approximately eight per cent (8%) of the total population were

registered as personal income tax payers. Again, as at August 2021, forty-five thousand, one hundred and nine (45,109) entities were registered as corporate taxpayers while fifty-four thousand, three hundred and sixty-four (54,364) persons were registered as self-employed taxpayers.

Digital transactions have experienced a steady growth over the past five years but these are largely untaxed, and while the industry grows, several government tax revenue sources are experiencing a decline in growth. Revenue sources like Value Added Tax (VAT) and National Health Insurance Levy (NHIL) are directly impacted by the increasing use of digital payment systems which facilitate alternative shopping avenues that do not apply the Value Added Tax and National Health Insurance Levy.

Government is therefore resolved to take the needed steps to steadily improve domestic resource mobilisation and strengthen the competence of the Ghana Revenue Authority (GRA) in assessing electronic tax handles without compromising the pro-poor interventions of Government.

4.0 OBJECT OF THE BILL

The object of the Bill is to impose a levy on electronic transfers to enhance Government's drive for revenue mobilisation and broaden the tax base for enhanced national development

5.0 CONTENTS OF THE BILL

The Bill contains a total of nine (9) clauses and two (2) schedules.

Clause 1 imposes an electronic transaction levy of one point seventy-five percent on electronic transfers which is to be charged at the time of transfer by the entities listed in the First Schedule.

Clause 2 provides for the scope of the Levy. The Levy applies to mobile money transfers done between accounts on the same Electronic Money Issuer, mobile money transfers from accounts on one Electronic Money Issuer to a recipient on another Electronic Money Issuer, transfers from bank accounts to mobile money accounts done through direct transfer, Ghana Interbank Payments and Settlement System debit, or any other mode determined by the Minister in writing. Others include transfers from mobile money accounts to bank accounts done through direct transfer, Ghana Interbank Payments and Settlement System debit, or any other mode determined by the Minister in writing and bank transfers originating from a bank account belonging to an individual.

Clause 2 further spells out what the Levy does not apply to. The Levy does not apply to cumulative transfers of one hundred Ghana Cedis a day made by the same person, transfers between accounts owned by the same person, transfers for payment of

taxes, fees and charges on the Ghana.Gov.System, specified merchant payments and transfers between principal, agent and master- agent accounts.

Clauses 3 to 6 cover the administration, collection and recovery of the Levy. Clause 3 mandates the Commissioner-General to administer the Levy in accordance with the Revenue Administration Act, 2016 (Act 915).

Clause 4 mandates the Ghana Revenue Authority to collect the Levy whilst clause 5 directs the Commissioner-General to pay the amounts collected into the Consolidated Fund.

Clause 6 provides for the application of the provisions of the Revenue Administration Act, 2016 (Act 915) relating to collection and enforcement of the Levy.

Miscellaneous matters are dealt with under *clauses 7, 8 and 9*. *Clause 7* provides for the power of the Minister to make Regulations whilst *clause 8* empowers the Commissioner-General to issue administrative guidelines for the efficient and effective implementation of the Bill.

Clause 9 provides for the interpretation of words and expressions used in the Bill.

The FIRST SCHEDULE lists the entities that are required to charge the levy at the time of electronic transfer.

The SECOND SCHEDULE provides for the transfers to which the levy applies.

6.0 OBSERVATIONS

6.1 Fiscal Impact

The Committee noted that the Levy is expected to raise approximately **six billion, nine hundred and sixty-three million Ghana Cedis (GH¢6,963,000,000.00)** in 2022. Thus the levy is a key mechanism that the Government of Ghana will use to help ensure that more Ghanaians and the public contribute their fair share towards the development of the country. The proceeds will be used to tackle the intractable problems of rising debt, high youth unemployment, inadequate digital infrastructure and diminished entrepreneurship culture while maintaining the flagship programmes.

6.2 Consultations with Electronic Money Issuers

The Committee was informed that Government had held deep consultations with the Ghana Chamber of Telecommunications and its members on the need to lessen the impact on consumers.

As a result of these consultations, MTN and AirtelTigo have agreed to a downward revision of their P2P (person to person transfer) fees by up to 25%. Vodafone currently has no charges.

6.3 Proposal to Delete Clause 1 of the Bill

Clause 1 of the Bill provides as follows:

“(1) There is imposed by this Act, an Electronic Transfer Levy of 1.75% on electronic transfers.

(2) The Levy shall be charged on an electronic transfer at the time of transfer by the entities listed in the First Schedule”

Hon. Members of the Minority Caucus, led by the Hon. Ranking Member proposed an amendment to delete “1.75%” in subclause (1) and to replace same with “0.001%”

He was of the belief that this tax proposal is not only regressive and punitive, but most importantly, distortionary, and will create a lot of inefficiencies in the Ghanaian economy leading to deadweight losses.

He said there are only two kinds of taxes, namely, direct taxes or indirect taxes.

He found it sad that this E-Levy is neither a direct tax nor an indirect tax. It is rather a proposal that seeks to tax

- a. a medium of exchange
- b. capital
- c. savings
- d. pensions, and
- e. individual bank transfers

The motion *“that ‘1.75%’ be deleted and in its place ‘0.001%’ be inserted”* was thoroughly debated.

As the Committee could not reach consensus on this motion, a vote was taken subsequent to which a division was called and

conducted in accordance with Order 211 of the Standing Orders of the House.

The result of the division was as follows:

Number of Members voting for the AYES (for the motion) = 12

Number of Members voting for the NOES (against the motion) = 12.

The Chairman then gave a casting vote in favour of NOES.

The motion was thus defeated and Clause 1 thus remained unaltered.

Potential Negative Impact of the e-Levy

The Minority Caucus on the Committee led by the Hon. Ranking Member said his group was opposed to the Bill because the use of mobile services and individual electronic bank transfer is a choice. The demand for the service is, therefore, elastic. Any significant change in the cost of using the service as a medium of exchange, to them, will certainly reduce the demand for the service.

Therefore, to them, the e-levy, if passed, will reverse the gains made in the country's effort to build a cash-lite economy, and roll back gains Ghana has made using these services as a medium of economic transactions.

7.0 AMENDMENTS PROPOSED

The Committee respectfully proposes the following amendments to the Bill:

- i. **Clause 2 – Amendment Proposed** – Subclause (2) after paragraph (e), add a new paragraph as follows:
“(f) electronic clearing of cheques.”
- ii. **Clause 6 – Amendment Proposed – Add new subclauses as follows:**
“(2) The Commissioner-General shall not contract a private service provider to provide at a fee or commission any revenue monitoring or revenue assurance service for the purposes of this Act
(3) Subsection (1) does not preclude the Ghana Revenue Authority from requesting the conduct of a special audit on revenue accounting by any particular entity listed in the First Schedule”
- iii. **Clause 9 – Amendment Proposed – After the definition of “electronic money issuer”, insert a new definition as follows:**
““electronic transfer” means a transaction carried out electronically on the initiative of an originator through an institution or platform with a view to making available an amount of money to a beneficiary”
- iv. **Clause 9 – Amendment Proposed – Definition of “merchant”, line 2, delete “and” and insert “or”**

- v. **Clause 9 – Amendment Proposed** – Definition of “specified merchant payments”, line 3, *delete* “and” and insert “or”
- vi. **SECOND SCHEDULE – Amendment Proposed** – Paragraph 3 subparagraph (c) at end, *delete* “in writing” and *insert* “by Regulations”
- vii. **SECOND SCHEDULE – Amendment Proposed – paragraph 4 subparagraph (c)** at end, *delete* “in writing” and insert “by Regulations”

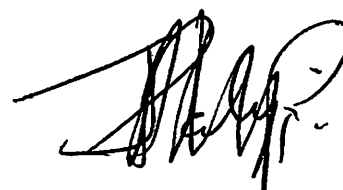
8.0 RECOMMENDATION AND CONCLUSION

The entire twelve Members of the Minority Caucus on the Committee declined recommending this to the House for passage. However, the Committee, *by a majority decision*, recommends to the House to adopt this Report and pass the **Electronic Transfer Levy Bill, 2021** into law, *subject to the amendments proposed*, in accordance with Article 106(13) of the 1992 Constitution and Order 119 of the Standing Orders of the House.

Respectfully Submitted.



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HON. KWAKU KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)



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MRS. JOANA A.S. ADJEI
(CLERK, FINANCE COMMITTEE)

20TH DECEMBER, 2021