

IN THE SECOND SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA

**REPORT OF THE
FINANCE COMMITTEE**

ON THE
2011 ANNUAL ESTIMATES

OF THE

**REVENUE AGENCIES
(GHANA REVENUE AUTHORITY)**

13TH DECEMBER, 2010.

1.0 INTRODUCTION

The **2011 Annual Estimates** of the **Revenue Agencies** were on Thursday 18th November, 2010 *referred* to the Finance Committee for consideration and report in accordance with Article 179 of the Constitution and Standing Orders 140(5) and 169. This followed the presentation of the Budget and Economic Policy Statement of the Government for the year ending 31st December 2011.

The Committee met and discussed the Estimates with the Deputy Minister of Finance and Economic Planning, Hon. Fifi Kwetey, Commissioner-General of the Ghana Revenue Authority (GRA), Mr. George Blankson, Commissioner in Charge of Support Services Division of the Authority, Mr. Anthony Minla, technical teams from the Ministry of Finance and Economic Planning and the Authority and hereby presents this report.

1.1 REFERENCE DOCUMENTS

In considering the Estimates of the Revenue Agencies, the Committee was guided by the following:

- I The 1992 Constitution of the Republic of Ghana
- II Standing Orders of the House
- III The Budget Statement and Economic Policy of the Government for the 2011 Financial Year
- IV. Ghana Revenue Authority Act, 2009 (Act 791)

2.0 BACKGROUND

The Ghana Revenue Authority (GRA) was established by the Ghana Revenue Authority Act, 2009 (Act 791) as a single semi-autonomous public organization to replace the Revenue Agencies Governing Board (RAGB), the Internal Revenue Service (IRS), Customs, Excise and Preventive Service (CEPS) and the Value Added Tax Service (VATS) for the assessment, collection, accounting and administration of tax and customs revenue.

The objects of the Authority include the following:

- To provide a holistic approach to tax and customs administration
- Reduce administrative and tax compliance cost and provide better service to taxpayers
- Promote efficient collection of revenue and the equitable distribution of tax burden and ensure greater transparency and integrity
- Ensure greater accountability to Government for the professional management of tax administration; and
- Provide a one-stop service for taxpayers for the submission of returns and payment of taxes.

In order to achieve the above objects, the Authority is required to assess and collect taxes, interest and penalties on taxes due to the Republic with optimum efficiency, and to promote tax compliance and tax education. The authority is further required to combat tax fraud and evasion and to cooperate to that effect with competent law enforcement agencies and revenue agencies in other countries.

The vision of the Authority is "to be a world class revenue administration recognized for professionalism, integrity and excellence".

2.1 REVENUE AGENCIES EXPENDITURE OUTTURN FOR 2010

An amount of **GH¢203,186,900** was allocated to Revenue Agencies for the 2010 financial year for the implementation of their programmes and activities.

The expenditure of the Agencies (now GRA) for the eight months ending 31st August, 2010 was GH¢128.88 million. Expenditure to the end of 2010 is projected at GH¢179.48 million. However, due to lower than anticipated revenue outturn, year-end retention revenue of the Agencies would amount to GH¢172.85 million, thus GH¢6.63 million less than the required amount to meet operational expenditure to the end of the year.

3.0 2011 EXPENDITURE ESTIMATES OF THE REVENUE AGENCIES (GRA)

A total amount of **GH¢187,259,779** has been allocated to Revenue Agencies for the 2011 financial year to be disbursed as follows:

Personnel Emoluments	-	GH¢116,813,552.99
Administration	-	GH¢40,174,204.15
Service	-	GH¢15,521,296.95
Investment	-	GH¢14,750,724.99
TOTAL	-	GH¢187,259,779.00

4.0 OBSERVATIONS

The Committee observed that the mission of the Ghana Revenue Authority (GRA) is to mobilize revenue for national development in a transparent, fair, effective and efficient manner. The Authority intends to achieve this mission through professional and friendly client services, promotion of voluntary compliance, application of modern technology, effective border protection and through well trained, disciplined and highly motivated staff.

Core values that underpin the operations of the Authority include integrity, fairness, teamwork, innovation and professionalism in service delivery.

In a bid to enhance revenue mobilization, the GRA will in the year 2011 resource its Preventive Department to become more effective in combating smuggling, under-valuation and under-declaration of imports. It will also enhance the training of staff to undertake specialized audits as well as strengthen the on-line monitoring of values assigned by the Destination Inspection Companies (DICs) which impact significantly on revenue.

As part of the Integration and Modernization programme, the GRA will establish its Headquarters Divisions and Departments and ensure the full implementation of the new organizational structure in the year 2011. It will also undertake staff rationalization, training and placement.

The Committee was informed by officials of the Ghana Revenue Authority (GRA) that the 2011 expenditure estimates of GH¢187,259,799

do not include some critical "*below the line items*" costing an amount of GH¢101.82 million.

These *below the line items* include:

GRA Integration and modernization	-	GH¢6.15 million
Establishment of Petroleum Unit of GRA-		GH¢29 million
Aflao Building Complex cost overruns	-	GH¢11.68 million
Customs Division outstanding Bills	-	GH¢5.59 million
E-government automation process	-	GH¢2.92 million
Voluntary retirement inducement package-		GH¢12.8 million
Customs ISO Certification costs	-	GH¢152,794.20
Refunds to Taxpayers	-	GH¢5.0 million
Reconstruction of Border Stations/posts-		GH¢10.5 million
Kaneshie Offices and other stations	-	GH¢5 million
GRA Head Office	-	GH¢12.0 million

Whilst the entire annual estimate of GH¢187,259,799 would be funded from 3% retention revenue, the Government of Ghana (GOG) is expected to fund the *below the line items* totaling GH¢101.82 million.

The provisional outturn of revenue collected by the revenue agencies for the eight months ending 31st August, 2010 is **GH¢3,590.45 million**. The estimated revenue collection for the period 1st September to 31st December, 2010 is GH¢2,171.29 million bringing the projected revenue for the year 2010 to GH¢5,761.74 million.

The Committee noted that total tax revenue expected to be collected by the Ghana Revenue Authority (GRA) for the year 2011 is **GH¢7,712,451,003**. This does not include expected oil revenue for the year 2011.

The Committee observed that during its tour of the Aflao Border Complex Rehabilitation and other Customs projects in the Volta Region earlier in the year 2010, it came across the Segbe Border Post which is virtually in the Middle of the Denu-Ho Highway. The Committee therefore appealed to the Ghana Revenue Authority to urgently work on

that particular boarder post so as to remove the persistent danger posed by cargo trucks that are made to park almost in the middle of the road for routine customs checks.

Officials from the Ghana Revenue Authority (GRA) informed the Committee that an amount of GH¢12.8 million would be needed annually from 2011 to 2012 to pay inducement package for staff who may wish to retire voluntarily during the period. A total of 800 staff with an average of 10 years service at an average monthly salary of US\$800 (GH¢1,152) are estimated to voluntarily retire from the Authority. The Committee entreated the GRA and the Ministry of Finance and Economic Planning to ensure that this retirement programme is carried out in a painless manner and that the staff who will voluntarily opt for the programme are paid all agreed entitlements before they leave the service of the Authority.

As to whether the Authority can achieve the 2011 revenue target of GH¢7,712,451,003 with the expenditure budget of GH¢187.3 million, the Commissioner-General assured the Committee that even though the expenditure allocation of GH¢187.3 million is indeed lower than 3% of the target tax revenue, the Authority is confident of achieving the revenue target whilst doing its best to remain under the expenditure ceiling of GH¢187.3 million representing about 2.6% of expected collection.

Some Members expressed concern about the fact that *allowances* paid to staff of the Authority from January to August 2010 totaled GH¢40,031,969.63 exceeding the substantive Personnel Emoluments for established posts for the same period which amounted to GH¢38,899,025.12.

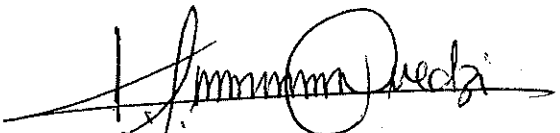
It was further observed that if Government does not raise the amount of GH¢101.82 required to cater for the *below the line items*, the Authority might not be able to perform as expected. The Committee therefore urges Government to give the matter a serious consideration.

The Committee wishes to urge all Ghanaians to declare their incomes honestly to the revenue agencies and to satisfy all tax obligations in accordance with article 41(j) of the 1992 Constitution.

5.0 CONCLUSION

The Committee, after carefully examining the 2011 Annual Estimates of the **Revenue Agencies (Ghana Revenue Authority)**, recommends to the House to approve the sum of *one hundred and eighty-seven million, two hundred and fifty-nine thousand, seven hundred and seventy-nine Ghana Cedis (GH¢187,259,779)* for the running of the Agencies for the financial year commencing 1st January and ending 31st December, 2011.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI
CHAIRMAN**



**PEACE A. FIAWOYIFE (MS.)
CLERK**

13TH DECEMBER, 2010