

IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA

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REPORT OF THE

FINANCE COMMITTEE

ON THE

2017 ANNUAL BUDGET ESTIMATES

OF THE

GHANA REVENUE AUTHORITY (GRA)

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1.0 INTRODUCTION

The Annual Estimates for the Ghana Revenue Authority was laid in the House and referred to the Finance Committee for consideration and report, in accordance with Article 179 of the Constitution and Standing Orders of the House. This follows the presentation of the Budget Statement and Economic Policy of the Government by the Minister of Finance Hon. Ken Ofori-Atta for the year ending 31st December 2017.

The Committee met with the Chief Director, Mr Patrick Nomo, the three Commissioners of the Ghana Revenue Authority, Officials from the Ministry of Finance and technical team from the Ghana Revenue Authority and reports as follows:

1.1 REFERENCE DOCUMENTS

1. The 1992 Constitution of the Republic of Ghana
2. The Standing Orders of the House
3. The Budget Statement and Economic Policy of the Government for the 2017 financial year

2.0 BACKGROUND

The Ghana Revenue Authority (GRA) was established by the Ghana Revenue Act, 2009 (Act 791) as a single semi-autonomous public organization to replace the Internal Revenue Service (IRS), Custom, Excise and Preventive Service (CEPS) and the Value Added Tax Service (VAT) to centralized, co-ordinate and integrate the assessment, collection, accounting and administration of tax and customs revenue in Ghana.

2.1 GOALS AND OBJECTIVES

The Objectives of the Authority include the following:

- 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.
- ensure greater accountability to Government for the professional management of tax administration.
- 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 education and compliance. The Authority is further required to combat tax fraud and evasion and to co-operate with competent law enforcement and revenue agencies in other countries.

3.0 2016 PERFORMANCE

3.1 2016 Revenue Collection Performance

Revenue collected by GRA for the period 1st January to 31st December 2016 was **Gh¢ 27,780.84 million** as against a target of **Gh¢ 29,201.34 million**, resulting in a negative deviation of 4.9%.

Total Retention for 2016 was Gh¢ 876.04 million, out of which Gh¢ 769.42 million was received giving a negative variance of Gh¢ 106.62 million.

3.2 2016 EXPENDITURE PERFORMANCE OUTTURN

For the year under review, **Eight Hundred and Seventeen Million, Seven Hundred and Forty Thousand, Forty Hundred and Thirty-Six Ghana Cedis (GH¢817,740,436)** was allocated for the implementation of the various programs and activities of the Ghana Revenue Authority. Out of this amount, only **Seven Hundred and Seventy-Five Million, Seven Hundred**

and Ninety-Four Thousand, Nine Hundred and Seventy Ghana Cedis (GH¢775,794,970) was actually released for the year as shown in Table 1.

Table 1

	Budgeted (A)	Actual (B)	Variance (A-B)
Compensation for employees	458,935,760.00	462,947,670.00	-4,011,910.00
Goods and Services	277,492,166.00	227,629,690.00	49,862,476.00
Non-Current Assets	81,312,510.00	85,217,310.00	-3,904,800.00
Total	817,740,436.00	775,794,670.00	41,945,766.00

4.0 2017 ANNUAL ESTIMATES FOR THE GHANA REVENUE AUTHORITY

For the year 2017, the Authority proposed a budget of **Nine Hundred and Sixty Three Million, Seventy Thousand, Six Hundred and Fifty Ghana Cedis and Twenty Nine pesewas (GH¢963, 070,650.29)** to finance its proposed programs and activities for the year. The Ministry of Finance however gave the Authority a budget ceiling amounting to **Five Hundred and Fifty-Three Million, Six Hundred and Forty-Five Thousand, Nine and Twenty Ghana Cedis (GH¢ 553,645 920)**.

Details of the breakdown is shown in table 2:

Table 2 – Proposed Budget and Budget Ceiling for 2017

	Proposed Budget Gh¢ m	Budget Ceiling Gh¢ m	Variance Gh¢ m
Compensation for employees	559,529,667.94	553, 645, 920	5,883,747.94
Goods and Services	253,247,670.70	-	253,247,670.70
Non-Current Assets	150,293,161.36	-	150,293,161.36
	963, 070, 650.29	553, 645,920	409,424,580.00

5.0 OUTLOOK FOR 2017

The 2017 expenditure budget for GRA is expected to be driven by the programs and projects that have been planned to enhance operations and thereby improve revenue mobilization for the year.

The Authority intends to

- Recruit Three Hundred and Fifty (350) additional staff in various grades in 2017 to fill positions created through retirements, death, resignation etc.
- Embark on massive tax education to improve voluntary compliance.
- Pay allowances in accordance with the collective Bargaining Agreement (CBA) approved in 2016 as well as the Conditions of Service for Management.
- Widen the tax net through identification and registration of new and eligible tax payers using the GIS device.

The GRA intends to operationalize the Electronic Point of sale device within the year

6.0 GENERAL OBSERVATIONS

6.1 Over-Expenditure

The Committee observed that total expenditure recorded for 2016 amounted to Eight Hundred and Seventeen Million, Seven Hundred and Forty Thousand, and Forty Hundred and Thirty-Six Ghana Cedis (GHC 817,740,436). This amount was higher by Forty One Million, Nine Hundred and Forty Five Thousand, Seven Hundred and Sixty Six Cedis (GH¢ 41,945,766) than the budgeted amount of Seven Hundred and Seventy-Five Million, Seven Hundred and Ninety-Four Thousand, Nine Hundred and Seventy Ghana Cedis (GH¢775,794,970).

The technical team explained that the variance was as a result of expenditure payments made in 2016 which were in respect of 2015, even though the expenditure was incurred in 2015.

6.2 Revenue measures

The Committee observed that the provisional revenue target for 2017 is GH¢34, 792.26 million as against actual collection of GH¢27, 780.84 million for 2016. This represents a growth rate of 25.24%.

The technical team informed the Committee that in order to realize this revenue target, the Authority would be implementing a number of revenue mobilization measures. These include:

- Streamlining the existing tax exemption regime
- Undertaking special tax audits on entities such as the Free Zones companies and warehouses
- Transfer pricing audits
- Plugging existing loopholes
- Undertaking payroll audits, and
- Broaden the tax base and
- Operationalizing the electronic point of sale devices

The Authority has also set up a Special Taskforce at the ports to augment efforts to monitor declarations and payment of import duties.

The Committee was made aware that apart from these measures, the Authority expects improvement in corporate tax collections as a result of the improvement in the energy supply and improved oil receipts. It was explained that last year both receipts from corporate taxes and oil fell due to the challenges that the sectors experienced.

6.3 Retention Amount

The Committee noted that under Act 791, the GRA could retain up to three percent of the revenues collected annually. Since its establishment in 2009, the Authority's retention has hovered around two (2) to three (3) percent of total revenue collected.

The technical team explained that the revenue retained is applied to the payment of emoluments and other operational activities of the Authority. The Authority's operational activities for 2017 was therefore expected to be financed from the retention which was estimated at a total amount of Nine Hundred and Sixty Three Million, Seventy Thousand, Six Hundred and Fifty Ghana Cedis and Twenty Nine pesewas (GH¢963, 070,650.29).

The Committee observed that an amount of **Five Hundred and Fifty-Three Million, Six Hundred and Forty-Five Thousand, Nine and Twenty Ghana Cedis (GH¢553, 645,920)** has been earmarked to the Ghana Revenue Authority. It was indicated to the Committee that this amount is based on the ceilings provided by Ministry of Finance. This represent 1.59% of the total revenue target for 2017.

It was further indicated that the ceiling can barely cover staff remuneration which amounts to Five Hundred and Fifty Nine Million, Five Hundred and Twenty Nine Thousand, Six Hundred and Sixty Seven Ghana Cedis and Ninety Four Pesewas (GH¢559, 529,667.94). No provision was also made for Goods and Services as well as Non-Current Assets which amounts to Four Hundred And Three Million, Five Hundred and Forty Thousand, Eight Hundred and Thirty Two Cedis (GH¢403, 540,832.06)

7.0 RECOMMENDATIONS

7.1 Retention Amount


The Committee noted that the revenue target of GH¢34, 792.26 million was very ambitious and would require a lot of effort from the Authority to attain the target. However, the non-provision for Goods and Services as well as non-Current Assets would impact negatively on their operations.

The Committee therefore recommends to the House to urge the Ministry of Finance to provide the necessary allocations to the Authority to ensure that they are able to undertake their operations and achieve the stated revenue target.

8.0 CONCLUSION

The Committee after critically examining the 2017 Annual Estimates of the Ghana Revenue Authority recommends that the House approves the sum of **Five Hundred and Fifty Three Million, Six Hundred and Forty Five Thousand Nine Hundred and Twenty Ghana Cedis (GH¢553, 645,920)** for the 2017 financial year.

Respectfully submitted.


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HON. MARK ASSIBEY-YEBOAH
(CHAIRMAN, Finance Committee)
Committee)


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