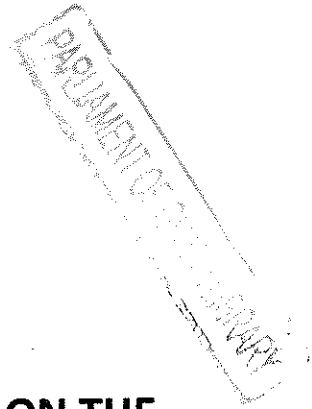


IN THE FIRST SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC

REPORT OF THE FINANCE COMMITTEE



ON THE

NATIONAL STABILISATION LEVY BILL



2ND JULY, 2013

Acc No # 1533 C5
Class No BR/MST/13

**REPORT OF THE FINANCE COMMITTEE ON THE NATIONAL FISCAL
STABILISATION LEVY BILL**

1.0 INTRODUCTION

The National Fiscal Stabilisation Levy Bill was presented to Parliament by the Hon. Minister for Finance and read for the first time on Friday, 28th June, 2013. The Bill was referred to the Finance Committee for consideration and report in accordance with Article 174(1) of the 1992 Constitution and Order 169 of the Standing Orders of the House. The Rt. Hon Speaker further directed the Committee to determine whether the Bill is of urgent nature to be taken through all the three stages of passage in a day in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Pursuant to the referral, the Committee met with the Hon. Minister for Finance, Mr. Seth E. Terkper, the Deputy Ministers for Finance, Mr. George Kweku Ricketts -Hagan and Mr. Cassiel Ato Forson, Officials from the Ministry of Finance, Attorney-General's Department and the Ghana Revenue Authority (GRA) and considered the referral.

The Committee is grateful to the Hon. Minister, Deputy Ministers and Officials from the Ministry, Attorney-General's Department and the GRA for the assistance during the deliberations.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana.
- The Standing Orders of the Parliament of Ghana.
- The Ghana Revenue Authority Act, 2009 (Act 791)

- Internal Revenue Act, 2000 (Act 592)
- Communications Service Tax Act, 2008 (Act 754)

3.0 BACKGROUND

The Government of Ghana in an attempt to ensure fiscal stability introduced The National Fiscal Stabilisation Act, 2009 (Act 785) in the second half of 2009 to raise funds for national development. Act 785 was repealed in late 2011 following recovery/stability of the economy. However, the implementation of the single spine salary scheme among others, have led to budget overruns in many sectors of the economy. Expenditure on the single spine salary scheme also threatens to crowd out investment in critical sectors of the economy. There is therefore, the need to re-impose the Levy to help generate revenues to support the shortfalls in the budget.

4.0 PURPOSE OF THE BILL

The Bill seeks to re-impose the National Fiscal Stabilisation Levy for a period of eighteen months to raise funds for fiscal stabilisation of the economy.

5.0 PROVISIONS OF THE BILL

The Bill is divided into eleven clauses as follows:

Clause 1 imposes a National Fiscal Stabilisation Levy of 5% on the profit before tax of the companies and institutions specified in the schedule.

Clause 2 deals with the scope of application of the Levy.

Clause 3 provides that the Levy payable is not an allowable deduction under the Internal Revenue Act, 2000 (Act 592).

Clause 4 limits the application of the Levy to the profit before tax for 2013 and 2014 years of assessment.

Clause 5 mandates the Commissioner General of the GRA to prepare a provisional assessment in respect of the companies and institutions liable to pay the tax.

Clases 6 and 7 respectively deal with the time for the payment of the Levy and the powers of the Ghana Revenue Authority to collect the Levy.

Clause 8 mandates the Commissioner-General of the GRA to pay all monies collected under the Act into the consolidated Fund.

Clause 9 applies the relevant provisions of the Internal Revenue Act, 2000 (Act 592) for purposes of recovery of the Levy.

Clause 10 amends the Schedules.

Clause 11 is on interpretations.

6.0 OBSERVATIONS

Urgency of the Bill

The Committee in its deliberations considered the Bill to be of an urgent nature and must be taken through all the stages in one day in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Expected Revenue

The Minister informed the Committee that the estimated revenue expected from the imposition of the levy within the specified period will amount to ***Eighty-eight Million Ghana Cedis (GH¢88,000,000.00)***. The Committee hopes that the revenues would be applied to the purpose for which it is intended.

Tax Rate

The Committee observed that a Stabilisation Levy of 5% is to be imposed on the profit before tax of selected companies and institution. Commenting on why the rate was purged at 5%, the Minister explained that though government hopes to get more revenue through taxation, it is not the intention of government to overburden businesses with high rates of taxes. According to the Minister, the economy is now recovering from effects of the water and energy crises and any higher tax rate is likely to adversely affect businesses

and eventually slow down the recovery of the economy. The 5% proposed levy seems reasonable under the circumstance.

The Committee holds the view that although the proposed tax is generally not high, the government could generate more revenue if other areas other than the “traditional sources” are explored. The Committee therefore calls on the Ministry to broaden the tax net to rope in other sectors of the economy.

7.0 AMENDMENT PROPOSED

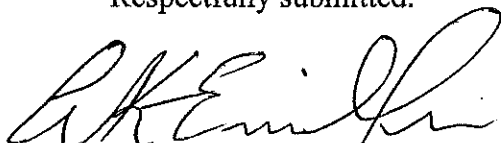
The Committee proposed the following amendment to the Bill

Long Title – Amendment proposed – lines 2 and 3, delete “in order”

8.0 CONCLUSION

The Committee has thoroughly examined of the Bill and has realized the urgent need for fiscal discipline and stability of the economy. The Committee therefore recommends to the House to adopt its report and take the National Fiscal Stabilisation Levy Bill through all the stages in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Respectfully submitted.


HON. GABRIEL KODWO ESSILFIE
(VICE CHAIRMAN, FINANCE COMMITTEE)


ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)

