

**IN THE THIRD SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE FINANCE COMMITTEE ON
THE COMMUNICATION SERVICE TAX
(AMENDMENT) BILL, 2019**

1.0 INTRODUCTION

The **Communications Service Tax (Amendment) Bill, 2019** was *presented* to Parliament and *read the first time* in the House on Tuesday 30th July 2019 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister responsible for Finance. The Bill was subsequently *referred* to the Finance Committee for consideration and report in accordance with Article 174 of the 1992 Constitution of the Republic of Ghana and Order 169 of the Standing Orders of the House.

Hon. Deputy Ministers for Finance, Mr. Kwaku Kwarteng and Mrs. Abena Osei-Asare as well as officials from the Ministry of Finance and the Ghana Revenue Authority (GRA) attended upon and assisted the Committee in its deliberations on the Bill. Also in attendance at the Committee's deliberations were the Chief Executive Officer and other officials from the Youth Employment Agency (YEA).

The Committee is grateful to the Hon. Deputy Ministers and the officials for attending upon the Committee.

2.0 REFERENCES

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

- a. The 1992 Constitution of the Republic of Ghana.
- b. The Standing Orders of the Parliament of Ghana.
- c. The Communications Service Tax Act, 2008 (Act 754)
- d. Interpretation Act, 2009 (Act 792)
- e. The Youth Employment Agency Act, 2015 (Act 887)

2.1 URGENCY OF THE BILL

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

3.0 BACKGROUND

The Communication Service Tax was introduced in 2008 at an *ad valorem* rate of six percent. The tax is levied on charges payable by consumers for the use of communication services.

Government proposes to increase the tax to nine percent to develop the foundation for the creation of a viable technology ecosystem in the country. This will comprise, among others, establishing systems to identify and

combat cybercrime, protecting users of information technology and combating money laundering and other financial crimes.

4.0 PURPOSE OF THE BILL

The Bill seeks to amend the Communications Service Tax Act, 2008 (Act 754) to revise the rate for the Communication Service Tax.

5.0 CONTENT OF THE BILL

The Communications Service Tax (Amendment) Bill, 2019 contains two clauses.

Clause 1 seeks to amend section 3 of Act 754 to increase the rate of tax from six percent (6%) to nine percent (9%) of the charge for the use of the communication service.

Clause 2 seeks to amend section 5 of Act 754 to adjust the sharing ratio by providing for at least twenty percent of six percentage points of the tax to be used to finance the National Youth Employment Programme.

6.0 OBSERVATIONS

6.1 Earmarking of the Increase

The Committee noted that the increase in the tax will not be earmarked. However, the sharing ratio will be adjusted in such a manner that the National Youth Employment Programmes continue to receive the same proportions as they are currently receiving.

6.2 Fiscal Impact

As to how much revenue will be impacted by the passage of the Bill, the Committee was informed that the passage of the Bill would lead to an estimated additional revenue of approximately *Eighty-Eight Million Ghana Cedis (GH¢88,000,000.00)* for the period August to December, 2019.

7.0 AMENDMENTS PROPOSED

The Committee respectfully recommends the following amendments to the Bill:

- i. **Clause 2 – Amendment Proposed – *delete***
- ii. **New clause – Amendment Proposed – *Add*** the following new Clause:

'Section 16 of Act 754 Amended

2. The principal enactment is amended in section 16 by the substitution for the interpretation of **"charge for electronic communications service usage"** of

"charge for electronic communications service usage" means

- (a) the amount chargeable by a service provider for electronic communications service usage other than the amount for Value Added Tax, the Ghana Education Trust Fund Levy and the National Health Insurance Levy;

- (b) where the charge for electronic communications service usage is for money consideration, the amount of the consideration but excluding the amount of Value Added Tax, the Ghana Education Trust Fund Levy and the National Health Insurance Levy;
- (c) where the charge for electronic communications service usage is partly for money consideration, the open market value excluding the Value Added Tax, the Ghana Education Trust Fund Levy and the National Health Insurance Levy; and
- (d) in the case of promotion, protocol, personal use, bonus, gift and similar supplies, the charge shall be the open market value excluding Value Added Tax, the Ghana Education Trust Fund Levy and the National Health Insurance Levy;”

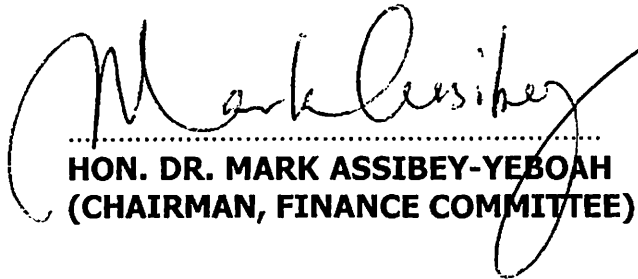
8.0 CONCLUSION

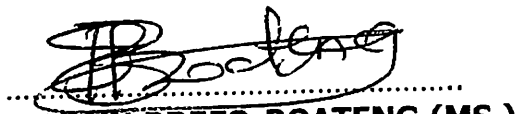
The Committee after carefully examining the Bill, finds that its passage would help raise additional revenue for national development.

The Committee therefore recommends to the House to adopt this report and pass the **Communications Service Tax (Amendment) Bill, 2019** 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. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)


.....
EVELYN BREFO-BOATENG (MS.)
(CLERK, FINANCE COMMITTEE)

31ST JULY, 2019

