

IN THE THIRD SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE FINANCE COMMITTEE

ON

THE CUSTOMS (AMENDMENT) BILL, 2015

DECEMBER 2015

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c. Customs Act, 2015, (Act 891)

3.0 **BACKGROUND**

The Common External Tariff is one of the instruments of harmonising ECOWAS Member States Protocols and strengthening its Common Market. Article 3 of the ECOWAS Revised Treaty enjoins the community to promote co-operation and integration, leading to the establishment of an economic union in West Africa. In order to achieve this, the community is to ensure, in stages, among others, the establishment of a common market through the adoption of a common external tariff and a common trade policy in dealing with countries outside the sub-region. To this end, the ECOWAS Authority of Heads of States and Governments established an ECOWAS Customs' Union. A common external tariff with a common nomenclature so that customs procedures are transparent, readily followed and delays at borders decreased, is a key stone in achieving this union.

Following this, the Authority of Heads of States and Governments of ECOWAS adopted in January 2006 in Niamey a decision establishing the ECOWAS-CET which draws on the basic UEMOA CET with a two-year transition period for the finalisation and eventual operationalisation of ECOWAS CET by member-states. It is therefore to operationalise the CET that an approval is being sought for an amendment to incorporate the revised Harmonised System as part of the Customs Act, (Act 891).

4.0 **PURPOSE OF THE BILL**

The Bill seeks to amend the Customs Act, 2015 (Act 891) to incorporate the revised Harmonised System as a schedule to the Act in line with CET tariff bands.

5.0 DIVISION OF THE BILL

The Bill has only 1 clause and seven schedules. The First Schedule made up of Chapters 1 to 97. Chapter 98 which is set in two parts A and B has been utilized for National Tariff Administration purposes as follows:

- PART A - Goods admissible at concessionary duty rates when imported by manufacturers approved by the Commissioner
- PART B - Goods admissible at concessionary duty rates when imported by enterprises under the Ghana Investment Promotion Center Act, (Act 478)

The Second Schedule contains the ECOWAS Preferential Rates, and is set out in three parts as follows:

- PART A - Unprocessed Product of ECOWAS origin which are exempted from Import Duties and Taxes
- PART B - Traditional Handicraft Products approved for full exemptions from Import Duties
- PART C - List of agreed Enterprises and Industrial Products.
(A comprehensive list is available in a separate compilation for goods admissible under the ECOWAS Trade Liberalization Scheme (ETLS).

The Third Schedule, which covers exemptions, is presented in three parts as follows:

- PART A - Import Exemptions for Government, privileged persons, Organizations and institutions
- PART B - General Exemptions
- PART C - Exemptions under the Value Added Tax Act, 2013 (Act 870) as amended. This further divided into four sub-parts:

- I. Exemptions for Government, privileged persons,

organisations and institutions

- II. Import Exemptions
- III. Zero-rated supplies for exports
- IV. Tax Treatment of shipping related services under the Value Added Tax Act, 2013 (Act 870)

The Fourth Schedule covers Export Duties and comes in two parts as follows:

PART A Export Duties on Domestic Goods (ie. Goods grown, produced or manufactured in Ghana)

PART B Export Duty Exemptions for privileged persons, organisations or Institutions

The Fifth Schedule covers Excise Duties, which is also in two parts:

PART A Goods liable to Excise Duties

PART B Exemptions from Excise Duties for privileged persons, Organizations or Institutions

The Sixth Schedule covers Import Prohibitions, which is also in two parts:

PART A Absolute Prohibitions

PART B Conditional Prohibitions

The Seventh Schedule covers Export Prohibitions

PART A Absolute Prohibitions

PART B Conditional Prohibitions

6.0 OBSERVATIONS

Legal basis for the issuance of the current Volume of the Tariff

The Committee noted that the legal authority for the issuance of this volume to conform with the Harmonized System is derived from Section 1 and 2 of the Customs Act, 2015, (ACT 891) and that this form of Tariff is based on the internationally accepted system of classification known as the Harmonised Commodity Description and Coding System – the Harmonised System or HS for short. The Committee further observed that this Nomenclature provides a systematic classification for all the goods of international trade and commerce, designed to ensure, with the aid of the General Interpretative Rules (GIR) and Notes to the Sections and chapters, that each article falls in one place and in one place only.

It was further observed that the Tariff is structured to show the various rules and rates applying to the specific commodities when imported, exported, manufactured or produced in Ghana. The issue also incorporates all the headings, subheadings, GIR and Notes and follows the numerical sequence of the Fifth Edition (2012) of the World Customs Organization (WCO) Harmonised Commodity Description and Coding System.

The volume thus covers the following:

- Incorporation of the ECOWAS Common External Tariff (CET)
- New commodity descriptions and codes
- Expansion of the scope of some headings
- Applicable taxes and rates
- Exemptions and
- Concessionary duty rating manufacturers and investment promotion

Urgency of the request

The Committee was informed that Ghana is about eleven (11) months behind the implementations period and there was an urgent need for the bill to be passed. Given the facts of the situation, the Deputy Minister for Finance indicated that the operational date for the implementation of the CET as recommended by the ECOWAS Ministers, was on

1 January 2015 and about eight (8) countries in the sub-region including Nigeria are implementing the CET.

The Deputy Minister explained that due to the significant impact the implementation would have on the economy and the country's finances, there was the need for thorough deliberations and broad stakeholder consultations. This, among others, the Deputy Minister stated accounts for the delay and late submission of the Bill to Parliament. The Deputy Minister was optimistic that with the broad consultations and the deliberations, the CET is set for smooth implementation if approved by Parliament.

Touching on the financial impact of the implementation of the CET, the Deputy Minister indicated based on the result of an impact assessment, The Ministry of Finance projected total revenue gains from the implementation of the CET at GH¢686 million for the 2015 financial year. The Deputy Minister indicated that the figure was estimated to be 1.4% of the total value of commodity imports in 2013. In all, the report forecasted total imports to be GH¢48.99 billion in 2015, with estimated revenue gain of GH¢686 million, representing over 3% increase of tax revenue. The Hon. Deputy however, indicated that with the new implementation date of 2nd January, 2016, the projected net revenue gain as captured in the 2016 Budget Statement and Economic Policy of Government is GH¢300 million. It was explained that the revised figure was arrived at after factoring in implementation challenges.

The Hon. Deputy Minister also mentioned that in additions to the above, the implementation of the CET would help address the problem of cross-border smuggling, combat dumping and also bring economic benefits to people of the sub-region.

Other key benefits of implementing the ECOWAS CET the Committee noted include consolidation of the regional market and reduced trade deflection resulting from tariffs harmonisation. Furthermore, CET would also be useful in levelling the competitive playing field and addressing the problem of re-exports, using preferential tariffs in one country to enter another country.

7.0 PROPOSED AMENDMENTS BY THE COMMITTEE

The Committee after a careful; perusal of the Bill recommends the following amendment for the consideration of the House:

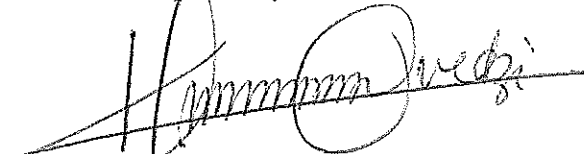
1. Long Title, **Amendment proposed** – line 1, after “2015” add “(Act 891)”

8.0 CONCLUSION

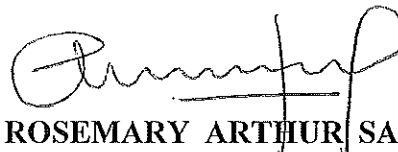
The Committee having carefully examined the Bill is of the view that, the passage of the Bill will promote trade in the sub region, reduce smuggling, promote industrialisation and ultimately increase revenue to the state.

The Committee therefore recommends to the House to adopt its report and pass the Customs (Amendment) Bill, 2015 into law in accordance with Article 106 of the Constitution and Orders 126 and 127 of the Standing Orders of the House.

Respectfully Submitted



**HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)**



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