

REPORT OF THE FINANCE COMMITTEE
ON THE FINANCIAL SECTOR RECOVERY
LEVY BILL, 2021

PARLIAMENT OF GHANA LIBRARY

1.0 INTRODUCTION

The **Financial Sector Recovery Levy Bill, 2021** was *presented and read the first time* in the House on Friday 26th March, 2021 by the Hon. Minister of State responsible for the Ministry of Finance, Mr. Osei Kyei-Mensah-Bonsu.

The Bill was subsequently *referred* to the Finance Committee for consideration and report in accordance with Article 103 of the 1992 Constitution and Order 169 of the Standing Orders of the House.

The Committee met and considered the Bill with the President's representative at the Ministry of Finance, Hon. Charles Adu-Boahen, the Second Deputy Governor of the Bank of Ghana, Mrs. Elsie Addo-Awadzie and a team of officials from the Ministry of Finance, the Bank of Ghana, the Ghana Revenue Authority and the Attorney General's Department.

The Committee is grateful to the President's representative at the Ministry of Finance, the Second Deputy Governor of the Bank of Ghana and the team of officials for attending upon the Committee.

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1.1 URGENCY OF THE BILL

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

2.0 REFERENCES

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

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- Interpretation Act, 2009 (Act 792)
- Public Financial Management Act, 2016 (Act 921)
- Revenue Administration Act, 2016 (Act 915); and
- Income Tax Act, 2015 (Act 896)

3.0 BACKGROUND INFORMATION

Government began reforms in the Banking Sector from August 2017 to December 2018 with the object of cleaning up the Financial Sector, build resilience and promote the safety, soundness and stability of the financial system to support the economic growth agenda of Ghana.

The reforms were informed by the Asset Quality Review (AQR) exercise of the Bank of Ghana carried out in 2015 and 2016 on universal banks which revealed that some local banks had challenges in respect of inadequate capital, high levels of non-performing loans and weak corporate governance system.

It was further assessed that some of the banks, especially the indigenous banks, were challenged with legacy problems, poor risk management practices, related party transactions and regulatory non-compliance leading to a significant build-up of vulnerabilities which threatened to plunge the banking sector into a crisis state.

These challenges almost rendered these banks undercapitalised and highly insolvent. As a result, the Bank of Ghana intervened to revoke the licences of these banks bringing the total of licensed banks from a figure of thirty-six prior to the reforms in 2017 to twenty-three in August 2019.

Similarly, the specialised deposit-taking institution and the microfinance institution sectors were also plagued with acute liquidity and insolvency challenges. The continued existence of some of the specialised deposit-taking institutions and microfinance institutions posed severe risks to the stability of the financial system and depositors.

As a result, the licenses of fifteen savings and loans companies, eight finance house companies and three hundred and eighty-six microfinance institutions were revoked in order to safeguard the financial system against potential contagion effect which threatened to erode the gains made in the Banking Sector.

The interventions by the Bank of Ghana and the Securities and Exchange Commission saved over four million depositors and eighty-one thousand, seven hundred investors. With the support of Government, a bailout for depositors of the failed banking sector institutions has been completed while that of the asset management industry is ongoing.

4.0 OBJECT OF THE BILL

The object of the Bill is to impose a special levy to be known as the Financial Sector Recovery Levy on banks to raise revenue to defray outstanding commitments in the banking sector.

5.0 CONTENTS OF THE BILL

The Bill contains a total of Twelve (12) clauses.

Clauses 1 to 6 provide for the imposition of a Financial Sector Recovery Levy. *Clause 1* imposes a Financial Sector Recovery Levy of five per cent on the profit before tax of a bank for the purpose of the recovery of the Financial Sector.

Clause 2 provides for the application of the Levy. The Levy applies to a bank other than a rural bank or a community bank.

Clause 3 provides that for the purpose of ascertaining the chargeable income of a person under the Income Tax Act, 2015 (Act 896), the Levy is not an allowable deduction.

Clause 4 outlines the profits affected by the Levy.

Clause 5 provides for the assessment of the Levy payable. The *clause* requires a bank covered under the Bill to submit an estimate of the Levy for the year and the annual tax estimate of the bank to the Commissioner-General. The *clause* further empowers the Commissioner-General to make an assessment of the Levy payable by a bank.

Clause 6 specifies the dates on which the Levy assessed for a year of assessment is payable.

Clauses 7 to *10* cover the administration, collection and recovery of the Levy.

Clause 7 mandates the Commissioner-General to administer the Levy in accordance with the Revenue Administration Act, 2016 (Act 915).

Clause 8 mandates the Ghana Revenue Authority to be responsible for the collection of the Levy.

Clause 9 directs the Commissioner-General to pay the Levy into the Consolidated Fund.

Clause 10 provides for the application of the provisions of the Revenue Administration Act, 2016 (Act 915) and the Income Tax Act, 2015 (Act 896) relating to collection, enforcement, refund and penalties to the Levy.

Miscellaneous matters are dealt with under *clauses 11* to *12*.

Clause 11 provides for the power of the Minister to make Regulations whilst *clause 12* provides for the interpretation of words and expressions used in the Bill.

6.0 OBSERVATIONS

6.1 Outcome of the Reforms

The Committee observed that the Financial Sector reforms have led to a well-capitalised, solvent, liquid, profitable and resilient Financial Sector with improved financial soundness indicators in line with expectations.

The clean-up and the bailout for depositors and investors have further restored confidence in the financial sector and the hard-earned savings of millions of Ghanaians are protected.

6.2 Cost of the Intervention

The Committee noted that Government's intervention to provide bailout for depositors and investors of the affected financial institutions has come at a huge cost of over Twenty-One Billion Ghana Cedis (GH¢21,000,000,000) to Government.

6.3 Fiscal Impact

The Committee was informed that the Financial Sector Recovery Levy is being introduced to raise funds to recover the cost of the Banking Sector clean-up.

As to the fiscal impact of the Bill, the Committee was informed that Government expects to raise an estimated amount of Two Hundred and Nineteen Million and Nine Thousand Ghana Cedis (GH¢ 219,009,000) from the Levy in 2021.

6.4 Stability of the Financial Sector

The Committee was informed that the levy is a necessary part of measures aimed at maintaining the stability of the industry to enable the industry to stay stable, firm and to keep the confidence of the public.

The banks therefore understand that getting the sector stabilized and well-functioning is key to their future survival.

7.0 AMENDMENTS PROPOSED

The Committee respectfully proposes the following amendments to the Bill:

- i. **Clause 1 – Amendment Proposed** – Line 1, at end delete “profits” and insert “profit”
- ii. **Clause 4 – Amendment Proposed** – Subclause (1), *delete* and *insert* the following:
“(1) The Levy is payable in respect of profit before tax.”
- iii. **Clause 6 – Amendment Proposed** – Subclause (1), line 1, after “on” *insert* “or before”
- iv. **Clause 6 – Amendment Proposed** – Subclause (1), paragraph (a), *delete* and *insert* “31st March”
- v. **Clause 6 – Amendment Proposed** – Subclause (2), at the beginning of line 1 *insert* “Despite Subsection (1),” and at the end of line 2, *insert* “or before”
- vi. **Clause 10 – Amendment Proposed** – Line 1, *delete* “collection” and *insert* “payment”.

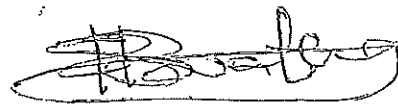
8.0 RECOMMENDATION AND CONCLUSION

The Committee recommends to the House to adopt this Report and pass the **Financial Sector Recovery Levy Bill, 2021** 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. KWAKU KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)



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

29TH MARCH, 2021