

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

***REPORT OF THE FINANCE  
COMMITTEE***

***ON THE***

***SPECIAL PETROLEUM TAX  
(AMENDMENT) BILL, 2018***

February 2018

## **1.0 INTRODUCTION**

The **Special Petroleum Tax (Amendment) Bill, 2018** was presented to Parliament and *read the first time* on Wednesday 14<sup>th</sup> February, 2018. The Bill was subsequently *referred* to the Finance Committee for consideration and report in accordance with articles 103 and 106 of the 1992 Constitution and Order 169 of the Standing Orders of the House.

A Deputy Minister for Finance, Hon. Kwaku Kwarteng and officials from the Ministry of Finance, the Ghana Revenue Authority (GRA) and the National Petroleum Authority (NPA) attended upon and assisted the Committee in its deliberations on the Bill.

The Committee is grateful to the Hon. Deputy Minister and the officials from the Ministry of Finance, the GRA and the NPA for attending upon the Committee.

## **2.0 REFERENCES**

The Committee referred to the following documents *among others* during its deliberations on the Bill:

- a. The Constitution of the Republic of Ghana, 1992.
- b. The Standing Orders of the Parliament of Ghana (2000 Revised).
- c. Special Petroleum Tax Act, 2014 (Act 879)
- d. Ghana Revenue Authority Act, 2009 (Act 791)
- e. Revenue Administration Act, 2016 (Act 915)

### **3.0 URGENCY OF THE BILL**

Pursuant to Order 119 of the Standing Orders of the House, the Committee determined and hereby certifies that the Bill is of an urgent nature and should therefore be taken through all stages of passage in one day.

The Committee came to this determination having considered that the rising cost of petroleum products, or indeed anything impacting businesses negatively is deserving of an urgent response.

### **4.0 BACKGROUND**

Government has pledged to remove some taxes to provide relief to Ghanaians and to shift the focus of tax policy from the introduction of new taxes to improving tax compliance as a basis for revenue generation. To this end, Government has introduced this Bill to reduce the tax burden imposed on taxpayers by an unintended surge in the exchange rate and price of petroleum products.

### **5.0 PURPOSE OF THE BILL**

The object of the Bill is to amend the Special Petroleum Tax Act, 2014 (Act 879) and to provide for a change from an *ad valorem* rate to a specific tax rate on selected petroleum products.

### **6.0 CONTENTS OF THE BILL**

The Special Petroleum Tax (Amendment) Bill, 2018 contains two clauses.

*Clause 1* provides for the amendment of section 2 of Act 879 by providing the rate of tax on each of the selected petroleum

products specified in the First Column of the Schedule as the specific rate per litre or kilogramme corresponding in the Second Column of that Schedule.

*Clause 2* amends Act 879 by the substitution of a new Schedule for the Schedule to the Act.

## **7.0 OBSERVATIONS**

### **7.1 Fiscal Impact**

As to what the fiscal impact of the Bill would be if passed into law, the Committee was informed that it would result in an expected revenue loss to Government of GH¢47.90 million per annum, other things being equal.

### **7.2 Relief to Consumers**

The Committee noted that the Bill is in tandem with Government's aim of shifting the focus of tax policy from the introduction of new taxes to improving tax compliance as a basis for revenue generation. It is also part of moves to shift focus from taxation to production in order to stimulate economic growth and development.

### **7.3 Presentation of Bill after Budget Approval**

The Committee wanted to know why the Bill was not presented at the time of the consideration of the Budget and Economic Policy of Government for the 2018 Financial Year.

To this, a Deputy Minister for Finance, Hon. Kwaku Kwarteng explained that the introduction of the Bill in Parliament has

become “sudden” due to recent changes in the international prices of crude oil which developments were not anticipated at the time of the formulation of the 2018 Budget.

#### **7.4 Recent Street Protests**

As to whether the Government was reducing the taxes on petroleum products in response to pressure mounted on the government by a recent demonstration by some groups, the Deputy Minister for Finance stated that the Government was proud to be a listening Government even though the Bill was borne out of conversations that were already on-going within Government. He said it was a well known policy of Government to move from taxation to production in order to expand and develop the economy.

#### **7.5 Impact on Ex-Pump Prices**

Officials from the National Petroleum Authority (NPA) informed the Committee that effective 16<sup>th</sup> February, 2018 the prices of petrol and diesel are anticipated to go down by 1.39% and 2.6% respectively under the pricing mechanism that pertains now.

With the expected passage of the Bill, ex-pump price of petrol would go down by 3.39% whilst that of diesel would also go down by 4.14%.

In their estimation, upon the passage of the Bill into law, petrol price would reduce from the present GH¢4.67 per litre to GH¢4.51 per litre whilst diesel would sell at GH¢4.48 per litre instead of the current price of GH¢4.67 per litre.

The Committee noted that if the Bill is not assented to before the next pricing window of the 16<sup>th</sup> February, 2018, then the full impact of the price reduction will only be felt at the beginning of the next pricing window at the beginning of March, 2018.

The Officials of the NPA emphasized that Ghana now operates a deregulated market and therefore the price calculations done by the NPA only showed indicative ceilings and not necessarily the actual prices at each pump station since Oil Marketing Companies (OMCs) are free to sell competitively below the indicative ceiling.

#### **8.0 AMENDMENT PROPOSED**

The Committee respectfully recommends the following amendment to the Bill:

- i. **Long Title – Amendment Proposed – Lines 1 and 2, *delete***  
“to reduce the Special Petroleum Tax from fifteen percent to thirteen percent and”

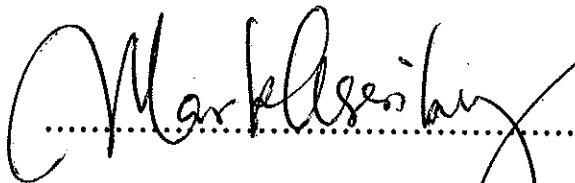
#### **8.0 CONCLUSION**

The Committee has thoroughly examined the Bill and finds that its passage would bring relief to consumers of petroleum products in the country.

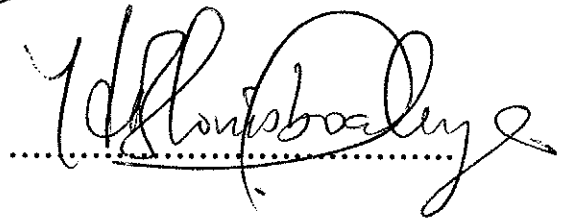
The Committee also finds that the Bill is of an urgent nature and should be taken through all stages of passage in one day.

In view of the foregoing, the Committee recommends to the House to adopt this report and pass the **Special Petroleum Tax (Amendment) Bill, 2018** into law *subject to the amendment proposed* in accordance with the 1992 Constitution and the Standing Orders of the House.

Respectfully Submitted.



HON. DR. MARK ASSIBEY-YEBOAH  
(CHAIRMAN, FINANCE COMMITTEE)



MR. LOUIS YIADOM BOAKYE  
(ASSISTANT CLERK)

14<sup>TH</sup> FEBRUARY, 2018

