

On point

Customs and Excise (Duties and Other Taxes) (Amendment) Bill

The Government of Ghana in its attempt to increase revenue generation has introduced five (5) new Bills before Parliament for deliberations and approval.

July 2013

The Customs and Excise (Duties and Other Taxes) (Amendment) Bill ("The Bill") is one of the Bills which has been approved by Parliament and is awaiting Presidential assent.

Purpose of the Bill

The Bill is to amend the Customs and Excise (Duties and Other Taxes) Act, 1996 (Act 512). The main objectives of the Bill are as follows:

- Imposition of import duty on telephone sets including mobile, cellular and satellite phones;
- Review of the environmental excise tax on plastic and plastic products; and
- Repeal of Tariff no. 6 of the Customs and Excise (Duties and Other taxes) Act, 2012 (Act 840). This Act imposed 15% excise duty on polythene bags and other plastic packaging materials.

Import duty on telephone sets

In 2008, the Government of Ghana removed import duties on telephone sets in an attempt to reduce prices (of telephone sets) and to encourage usage.

Contrary to Government's expectation, the prices of telephone sets have not reduced and

hence the need for Government to review its initial position.

With the passing of this Bill, Government is seeking to generate more revenues, protect local manufacturers of telephone sets against the influx of telephone sets from foreign competitors and eventually create employment opportunities in the country.

The approved Bill will impose 20% import duty on:

- ✓ telephone sets including telephone from cellular networks or for other wireless networks);
- ✓ other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless networks (such as a local or wide area network). Further details can be found under Tarrif number 85.17 of the Harmonised System and Customs Tarrif Schedules 2012 ("Harmonised Code").

It is likely that the final incidence of the 20% import duty may rest with users of telephone sets (general public) as importers (businesses) might want to push down the additional costs (duties) to the consumers.



Review of environmental excise tax on plastic and plastic products

According to The Bill, an ad-valorem duty at the rate of 5% of ex-factory price shall be levied as environmental excise tax on plastic and plastic products listed under chapters 39 and 63 of the Harmonised Code. This represents a 10% reduction on goods which are subject to environmental excise tax rate of 15% under Tariff No. 6 of the Customs and Excise (Duties and other Taxes) Act, 2012 (Act 840) ("referred to as existing Law").

The duty shall be computed on the Cost, Insurance and Freight ("CIF") value of imports and shall be paid at the point of importation.

The Bill has now expanded the tax base for environmental taxes by including all plastic and plastic products into the tax net. This implies that the following products which used to be exempt under the existing Law will now be subject to environmental tax: plastic packaging for sachet and bottled water; pet preform bottles, caps, sleeves/labels used by registered manufacturers for local production; plastic packaging for pharmaceutical products; and plastic sacks and other packages for agricultural purposes.

Impact of the Bill on Businesses

The imposition of 5% environmental tax on plastic and plastic products would boost tax revenues and would also deter businesses from using plastic packaging materials and therefore shift to the use of cheaper sources of non-plastic packaging materials in order to cut down on costs.

Consumers would be hoping that businesses who continue to use plastic products for production will not pass on additional costs

in the form of increased prices for their goods.

Further updates to the Bill

Our understanding from Parliamentary proceedings of 4 July 2013 is that the rate of the environmental excise tax has been increased from 5% to 10%.

Further, at least 50% of environmental taxes collected will be paid into a designated Plastic Waste Recycling Account. This fund will be used to for recycling of plastic waste; production of plastic waste bins and bags; and production and use of biodegradable plastics.

You need to know that...

The Bill has been approved by the Parliament of the Republic of Ghana. We are yet to confirm that the President has assented to this Bill and would inform you via email once we have the approval. However, it is important for taxpayers to begin planning for this tax changes by way of incorporating the impact in their forecasts/projections and pricing models.

How PwC can assist your business

PwC Ghana has built competencies in tax compliance and advisory services over the years; we can assist your business with compliance with the new taxes and levies once in force.

PwC also has the capacity to conduct training for your staff on both new and existing grey areas of tax compliance.

Please contact the under listed persons if you wish to discuss any of the matters contained in this publication or if you require our professional tax advice on any transactions.

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