



Tax Justice Coalition - Ghana

Press Statement

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GOVERNMENT SHOULD CONSIDER REVERSAL OF THE COMMUNICATION SERVICE TAX INCREMENT TO REDUCE HARDSHIP ON GHANAISANS

The Tax Justice Coalition - Ghana wishes to resubmit earlier suggestions made to the Ministry of Finance during the 2020 Budget Stakeholder Meeting convened by the Ministry on 29th August 2019. We together with other CSOs urged Government to consider reversing the increment that had been made on the Communication Service Tax (CST) from 6% to 9%. Our request was based on the additional financial burden the increment will have on Ghanaians and the fact that it will lead to exclusion of low income households and communities from ICT networks. This will most likely result in the neutralization of the strategic utility of mobile connectivity aimed at ensuring improved livelihoods, high incomes and inclusive development.

The TJC Ghana's call for the reversal of the increment was particularly relevant at that time as it is today since its implementation. Ghana's continued reliance on consumer-based taxes overburdens the ordinary citizen. The Coalition therefore proposes that the Government looks at other little-tapped sources for additional revenue such as placing a more serious focus on property taxation and further exploring the untapped opportunities in the informal sector. The GRA also needs to intensify its efforts at mobilising more direct taxes by pursuing professionals who claim to belong to the informal sector just because they have failed or refused to register their businesses with the relevant authorities including the GRA itself.

The GRA's own information shows that even though the informal sector constitutes about 70% of operators in the economy, its contribution to domestic revenue is only about 2%. Here, we also want to see GRA's plans for a full roll-out of the Integrated Tax Application and Preparation System (ITAPS) digital platform for tax collection.

Regressive taxes like the CST impose hardship on the poor and vulnerable groups and communities, as all persons (rich and poor) are charged the same tax relative to the incomes no matter their actual incomes. Though the CST is one of the easiest means of collecting revenues by Government, its impact on the poor and further exclusion of them from the opportunities and advantages that access to ICT provides for them to escape poverty, are far more costly to the society than the convenience it affords Government and its revenue agency.



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The CST increment is a Government policy being implemented by the Telecommunication Companies (Telcos) which they are not responsible for. The hardship it imposes can, therefore, be mainly corrected by Government. Section 2 (1) of Act 864 states under “Persons liable to pay the tax” that “The tax shall be paid together with the electronic communications service charge payable to the service provider by the user of the service.” Thus, the law places the tax burden on service users.

The TJC Ghana recognizes that Government has expressed concern about the hardship that this increment and the reaction of the Telcos are causing Ghanaians and has directed the Telcos to take steps to rectify the situation. However, from our analysis, it is clear that there is very little the Telcos can do to reduce the effect of the tax on citizens except for another show of their magnanimity to further absorb the additional 3% tax. This is discretionary for the Telcos and they should not be blamed if they refuse to. The telcos probably considered the 6% insignificant and agreed to absorb it but as it goes up they may not be willing to do that again, especially as they are not sure this is the last increment.

With regards to sending SMS messages to users, it is only fair that customers know how much they are paying. After all, VAT receipts display the same information. The Telcos should, therefore, not be portrayed as sabotaging the government.

As the problem was created by Government, it is only the government that can adequately address the citizens’ concerns by reversing the increment. This will enable us return to the situation before, where the Telcos were ungrudgingly absorbing the 6% CST.

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