

Tax justice in Ghana

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A new tax haven created by the West African state of Ghana could attract tax dodgers and drug traders seeking to launder money unless safeguards are introduced, warns a report launched today.

The report, *Taxation and Development in Ghana*, co-funded by Christian Aid Ghana, says the potential detrimental effects of the International Financial Services Centre (IFSC) could be felt across the region. The centre has been set up with the help of Barclays bank.

â€śâ€²The risk of illicit funds finding their way into the offshore financial centre is particularly acute given the extensive cocaine trade in the country and the massive flows from oil that are expected in the near future', says the report. Large oilfields were recently discovered off Ghana's coast.

If the Ghanaian government is committed to the IFSC becoming fully operational, the report argues that it should first produce and disseminate credible, well-researched evidence about the potential benefits and risks for Ghana. In addition, officials working in the Central Bank, Registrar General and tax agencies should be extremely well versed in the relevant laws and should work closely together to minimise the risks.

Furthermore, the Government should introduce special methods to monitor inflows of funds from regional oil producing states, potentially in conjunction with the Extractive Industries Transparency Initiative, because such funds are of notoriously questionable origin.

The report goes on to warn that unless Ghana co-operates in the global fight against financial crime, it is at risk of being added to the tax haven blacklist set up recently by the Organisation for Co-Operation and Development.[\[i\]](#)

Other sections of the report are devoted to Ghana's sources of tax revenue and the need to increase them in order to reduce the country's dependence on foreign aid.

The report estimates that Ghana currently loses around 50 per cent of the corporate tax revenues it is due each year (that is, it loses some £109 million /125 million Euros) to tax dodging by multinational companies. A major part of the problem, it says, is that most tax officials lack a thorough understanding of companies' complex tax avoidance schemes.

Mining companies are highlighted as a particular problem, in that they impose major environmental costs but contribute very little to Ghana's tax revenues, despite their large profits in recent years. For instance, the report states that between 2002 and 2006, mining firms as a group paid a maximum of 2 per cent of their turnover in corporation tax, and a minimum of 0.5 per cent.

The report blames the low contribution of mining on a combination of tax evasion by some firms and their expatriate employees and on the failure of tax officials to properly enforce existing law, some of which they say is too complex.

Another problem highlighted by the report is the failure of Ghana's tax collection agencies publicly to disclose (and even, perhaps, to evaluate) the effects of the generous tax incentives the country offers foreign investors.

Asked recently about the haven's potential for abuse, Barclays Bank said: 'Barclays has been operating in Ghana for more than 90 years. During this time, we have earned a reputation for partnering with Ghana's government to extend access to banking services, build a culture of saving amongst the Ghanaian population and promote the development of the Ghanaian economy.'

'The creation of the IFSC is another landmark achievement in developing Ghana's financial services sector and Barclays is proud to have been able to partner with the Ghanaian government in this initiative. We adhere to the highest and most stringent levels of international regulation, rules and industry guidance for the financial services sector.'

The report is being launched today (Monday 14 September) at the offices of the British Council in Accra, to mark the start of Ghana's Tax Week, organised by the country's Chartered Taxation Institute. The study was commissioned by Christian Aid Ghana from Tax Justice Network Africa.

The report is available at:

<http://www.christianaid.org.uk/images/taxation-and-development-in-ghana.pdf>