



Tax Justice Coalition - Ghana

Press Statement

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THE AGYAPA ROYALTIES DEAL IS A TAX AVOIDANCE SCHEME

The Tax Justice Coalition-Ghana has followed with keen interest government's move to establish a Special Purpose Vehicle (SPV); Agyapa Royalties which have a controversial clause above the Ghana tax laws with the view to enhance national revenues for development. We, the Tax Justice Coalition support the call by the Alliance of CSOs working on Extractives, anti-Corruption and good Governance for the immediate withdrawal of this deal.

It is unfortunate that at the time when global effort is against financial secrecy, particularly in the interest of developing countries, our Government is seeking to glorify offshore transactions in order to profit from the opacity.

Tax haven activities feeds into the larger problem of illicit financial flows from Africa and the AU together with all African governments must stand against them. Jersey is one of the world's entrenched tax havens, a financial secrecy jurisdiction which ranks 16th in the Tax Justice Network-UK's 2020 Global financial secrecy index. Again, Jersey with population of just about 100,000 is home to about £1 trillion (\$1.3 trillion) in assets and with all the associated potential taxes locked away from developing countries such as Ghana.

These moneys are usually locked away from regular government taxes but have usually been generated from these same developing countries through supper normal profits and base erosion of our production systems. Developing countries generally have suffered from this phenomenon in **tax havens** and unfortunately our government by this opaque deal, seeks to glorify a perennial injustice.

The Tax Justice Coalition Ghana particularly listened with dismay, the admission by the Chairman of the Finance Committee of Parliament, Hon. Dr. Osei Assibey Yeboah on GBC's 'Behind the News' radio programme on Tuesday 25th August, 2020 where he reiterated that, the reason why the Government chose to register Agyapa Royalties in Jersey is to avoid paying taxes. It must be noted that governments exist on taxes and any government that engages in tax avoidance schemes is repugnant. As a member of Parliament, Hon. Dr. Osei Assibey



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Yeboah presided over many tax waivers in Parliament and must know that, it is an anti-government act for any person to seek to hide away from taxes.

The Government's operations hinge on taxes and any government that engages in a transaction in order to evade taxes would not be worth the taxes they collect from the people.

Revenues for Development

The primary duty of any government is to raise tax revenues for development. Any borrowing, no matter how or what, must still be paid for by taxes of State. So, taxes ultimately underwrite all borrowing irrespective of where or how the money is procured. With the Agyapa Royalties deal, the Government seeks to raise about \$500 million for development, but this attempt to bypass Ghana's debt accounts on another balance sheet would have its own toll on the country's financial outlook because it could be counter-productive for other borrowing.

There is always a tacit relationship between a country's revenue base and debt. Any future borrowing from the international market is not going to be immune from the national asset portfolio which includes mineral royalties. In other words, the market is not going to be oblivious of Ghana's reduced consolidated revenues. Hence, Ghana's Debt servicing potential is invariably going to be lower without accruing these mineral royalties in the consolidated Government's accounts.

Conclusion

Financial transparency is an integral part of the development process and as a Tax advocacy body, the Tax Justice Coalition's mission is to seek greater financial integrity and transparency in Government operations that should inure to the benefit of all citizens. We therefore stand by the call for Government to stand down on this opaque Agyapa deal for further review, and also not to send the wrong signals to citizens that it is okay to seek to hide one's taxes from Government through a **tax haven**.

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