

The Finance Minister, Mr Seth Terkper, has expressed concern about the lack of capacity of the revenue collecting agencies to monitor tax players in the extractive industry appropriately. At the launch of the Ghana Extractive Industry Transparency Initiative reports (GHEITI) on the mining, oil and gas sector for 2012 and 2013 in Accra, Mr Terkper said, "Transfer pricing in the extractive sector is one major challenge that revenue institutions must overcome because of its negative effect on revenue collection."

"The issue of transfer pricing is sophisticated and complex in nature and it has the potential of seriously eroding the tax base. Most extractive companies operate internationally and have extended dealings with affiliated companies, which increases opportunities for transfer pricing and potentially lowers the tax liability," he said.

That, He said the complicated the task of tax administrators and created a challenge that required specific skills. He said the tax administrators, therefore, "need better training on how to recognise the transfer pricing opportunities in mining operations and stronger capacity to detect and respond to this problem."

GHEITI report

The launch of the two reports bring to 10 the total number published since Ghana acceded to the initiative in 2003 and it is published in conformity with the EITI standards adopted by the Sydney Global EITI conference in 2013. The initiative, therefore, seeks to improve transparency and accountability in countries dependent on revenues from oil, gas and mining and other natural resources.

The Chief Director at the Ministry of Finance, Major M.S.Tara (rtd), said the EITI was making a number of direct and indirect contributions to good governance with respect to natural resource revenues.

"EITI is about promoting transparency and accountability within the extractive sector in ways that support string development impact in the country and extractive communities. The EITI reports would, therefore, serve as a basis for discussions of the appropriate use of natural resource revenues to the benefit of the Ghanaian society as a whole, he said.

Findings on petroleum

The report observed that the award of oil blocks/licensing through an open door negotiated process by the Ministry of Energy and Petroleum was not an open process and may lead to awarding oil blocks to inefficient operators. It recommended that to ensure transparency and efficient management of the petroleum resources, the ministry should introduce licensing rounds, including bidding and also make available on its website details of contracts with operators. According to the report, there were discrepancies in both 2012 and 2013.

In 2012, there was a net discrepancy of GHS 3.16 million, whereas in 2013 the net discrepancy was GHS3.10 million. The unresolved discrepancies are 0.28 per cent and 0.7 per cent of total receipts by government agencies in 2012 and 2013 respectively. Corporate tax has also exceeded mineral royalty for three consecutive years and this may require further investigation and actions to ensure the sustainability of mining revenues.

The National Coordinator of the GHEITI, Mr Franklin Ashiadey, said the next challenge was to facilitate public engagements around those reports and that the GHEITI was poised to do so in the coming months.