



Relating theory to practice - designing environmental taxes in Ghana

focusing on relevant considerations

*for the design of environmental tax
instruments and lessons learned*

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Introduction

The Environment Strategy

Fiscal measures

- Taxes and subsidies
- Grants and loans
- Carbon pricing mechanisms

Principles

- Proportionate
- Flexible
- Good fit
- Fairness
- Economic efficiency of collection
- Holistic package/shared outcomes

Constraints

- Resources (human, technical, financial)
- Legal and institutional alignment
- Urgency



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Strides taken by Ghana

- Development of a draft EFR Policy and implementation guidelines
- Development of a Strategic Environmental Assessment of the Policy
- Conducted environmental impact assessments and review of plastics and emissions
- Development of a draft Ghana Green Fund design document
- Development of a Ghana Green Fund Bill
- Most of all, the creation of a New Division/Department at the Ministry of Finance (Climate Division)

Review of environmental tax instruments in Ghana

Ghana is already implementing several EFRs across different sectors, spanning resource sectors, environmental taxation and fossil fuel subsidy reforms with varying degrees of success due to coordination problems

Taxes on natural resource use

- Forestry/Timber industry (timber rent taxes)
- Fisheries (fishery rents)
- Extractives (oil and gas, mining) rents

Taxes on products, pollutants, and emissions (environmentally-related taxes)

- Plastic excise tax
- Sanitation and pollution levy (SPL)
- Penalties on over-aged and higher engine vehicles (a proxy for CO2 taxation)
- Electronic waste levy
- Fossil fuel taxation and subsidy reform
- Emissions Levy

Charges and fees

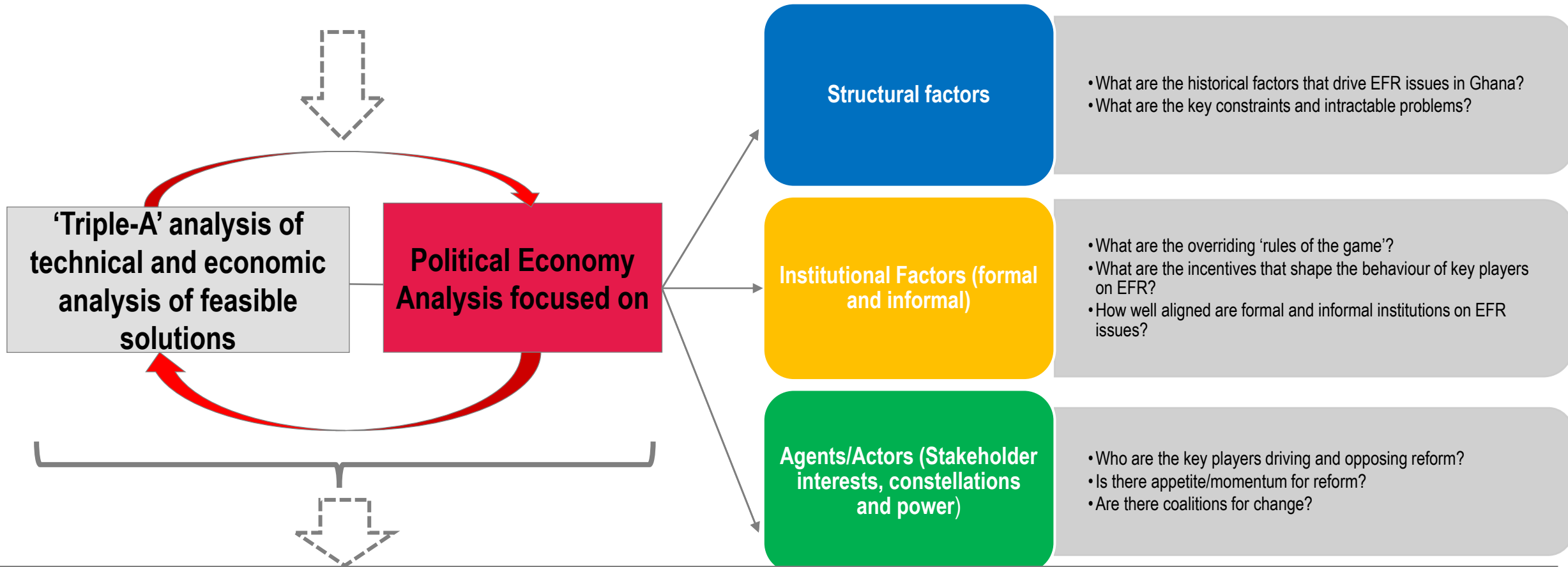
- Progressive increase in water tariffs reflects



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Ghana's EFR Context : Transform Ghana's fiscal (tax) system to protect the environment, and stimulate green economic growth and sustainable development



Implications: What can be done by way of environmental fiscal reform (EFR) to achieve the following objectives:

- Reform tax policies, public budgeting and expenditure systems to support sustainable development as aligned with the SDGs.
- Strengthen the implementation of the polluter pays, the user pays, the prevention and the precautionary principles
- Promote investment in green technological innovation for inclusive growth and climate resilient development

What are the pathways for change (change process and feasibility of the proposed changes given constraints and opportunities identified in the analysis) and how do they translate into viable reform entry points (considering timing, tailoring and sequencing of interventions)?

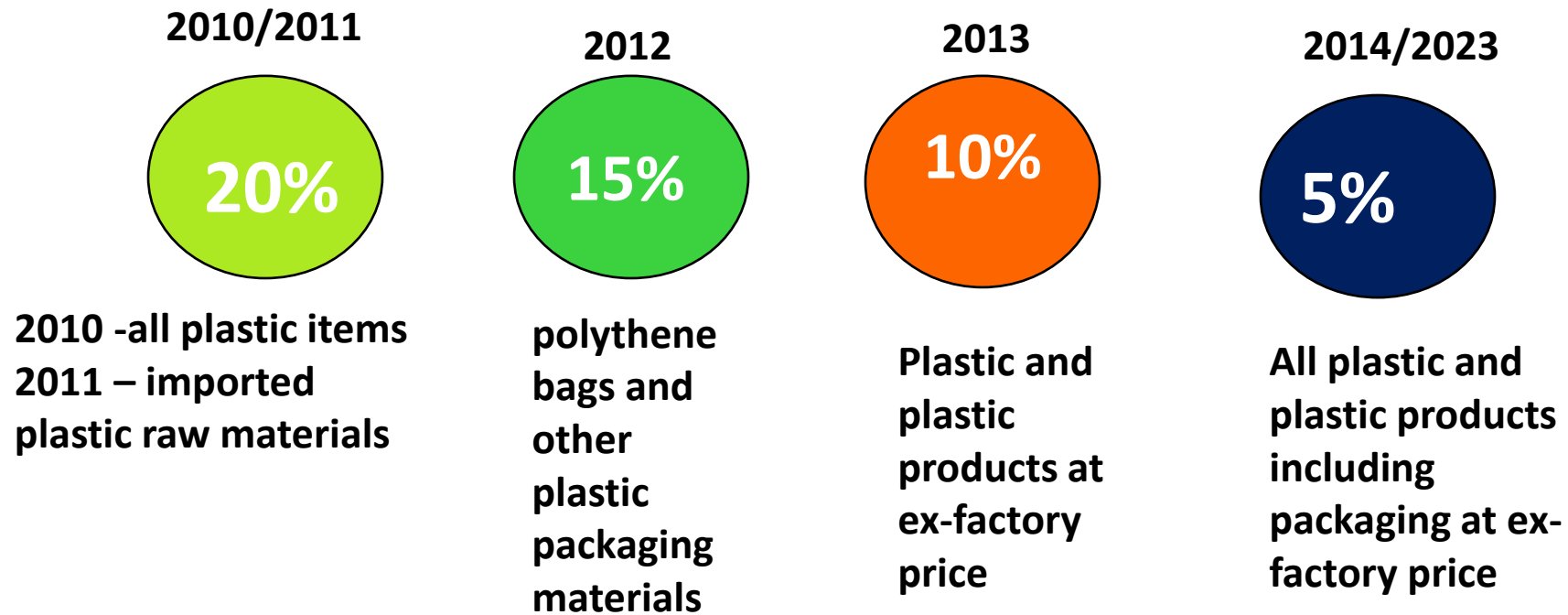


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Tax on Plastics - Chronology of events

- a) Customs and Excise (Duties and Other Taxes) (Amendment) Act, 2013 (Act 863)
- b) Excise Duty Act, 2014 (Act 878) amended in 2023



TAXES IMPOSED ON VEHICLES

Tax	Purpose & Earmarking
Import Duty	The Customs Act imposes import duty on vehicles based on engine capacity
Over-Age Penalties	The Schedule to the Customs Act imposes a tax on vehicles over the age of 10 years and trucks and buses over 15 years
Prohibition	The Customs Act also bans the importation of salvaged vehicles
Luxury Vehicle Levy	Introduced in 2018 but repealed later in the year imposed a charge on vehicles based on engine capacity

Taxes imposed on Fossil fuels

Tax	Purpose & Earmarking
Excise Duty	Customs and Excise (Petroleum Taxes and Petroleum Related Levies) Act, 2005 (Act 685) imposed several levies on petroleum products . The various levies were moved to the Energy Sector Levies Act and the Act repealed in 2017
Energy Sector Levies	The Energy Sector Levies Act, 2015 (Act 899) restructured, rationalised, and consolidated all of the energy sector levies which were scattered in different legislation into one legislation.
Special Petroleum Tax	Introduced in 2014 with the Special Petroleum Tax Act, 2014 (Act 879) as an alternative to VAT on fuel products. Initially ad-valorem but changed to specific in 2018

TAXES IMPOSED ON FOSSIL FUELS

Energy Sector Levies Act, 2015 (Act 899)

Tax	Legislation and Purpose
Energy Debt Recovery Levy	To facilitate debt recovery of TEMA oil refinery, downstream petroleum sector foreign exchange under recoveries, and power generation and infrastructure support.
Road Fund Levy	To finance the Road Fund for road maintenance.
Energy Fund Levy	Paid to the Energy Commission to support Energy Commission activities.
Price Stabilization and Recovery Levy	Buffer for under-recovery or subsidies to stabilise petroleum prices for the consumer (paid to Price Stabilisation and Recoveries Account).

TAXES IMPOSED ON FOSSIL FUELS,

Energy Sector Levies (Amendment) Act, 2021, (Act 1064)

Tax	Purpose & Earmarking
Energy Sector Recovery Levy	Financing the Energy Sector Recovery Account to support the payment of: capacity charges in the energy sector; and energy sector bills (i.e., fuel utilised by a power plant to generate or produce energy).
Sanitation and Pollution Levy	Sanitation and Pollution Account to be used to: improve air quality in urban areas; support for solid and liquid waste treatment and disposal facilities; sanitation facilities; support disinfection, disinfection and fumigation of public spaces, schools, lorry parks, health centres and markets; and support for the maintenance and management of major landfill sites and other waste treatment plants.

MTRS Interventions – Environmental Fiscal Reform

No.	Intervention	Impact	Timing
1.	Review stumpage and timber rights fees upwards by a minimum of 5% across all species.	+	MT
2.	Review upwards timber export taxes and levies from the current rate.	+	MT
3.	Introduce special and export premium levies for high-value timber species facing possible extinction.	+	MT
4.	Convert "Plastic tax" to "Plastic Product and Packaging Tax" and review the headline rate and expand the base to cover other plastics.	+	MT
5.	Introduce an Emissions Tax on pollution by companies engaged in activities that pollute the environment.	+	MT
6.	Revise upwards the fees charged for trawlers under the Sustainable fisheries partnership agreements (SFPA).	+	MT

Emissions Levy Act, 2023(Act 1112)

NO.	TYPE OF EMISSIONS	SECTOR/ MOTOR VEHICLE	RATE
1.	Carbon dioxide equivalent emissions from specific sectors	1. Construction sector 2. Manufacturing sector 3. Mining sector 4. Oil and Gas sector 5. Electricity & heating sector	GH¢ 100 per tonne of emissions per month
2.	Emissions from motor vehicles	Internal Combustion Engine Vehicles: 1. Motor Cycles and Tricycles 2. Motor vehicles, buses and coaches up to 3,000cc 3. Motor vehicles, buses and coaches above 3,000cc 4. cargo trucks and articulated trucks	GH¢75 per annum GH¢150 per annum GH¢300 per annum GH¢300 per annum

Emissions Levy Implementation Challenges

- The levy in respect of the emissions is the sum of the greenhouse gas emissions of a person expressed as the carbon dioxide equivalent of those greenhouse gas emissions resulting from fuel combustion and industrial processes, and fugitive emissions
- **Issues with implementation**
 - Development of Guidelines
 - Integration of systems
 - Inadequate information for implementation
 - Omission of a threshold for the various sectors in the Act
 - Development of an appropriate formula for the computation of emissions per sector



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Conclusion

- Environmental tax instruments offer Ghana a powerful tool to address environmental challenges while promoting sustainable development
- Collaborative efforts between policymakers, industries and civil society are crucial as in Ghana's case
- Conducting thorough economic and environmental impact assessments periodically aids effectiveness of environmental tax instruments
- Monitoring policy coherence and effectiveness and the review of greening of tax laws is key
- The Ghana Green Fund seeks to harmonise all environmental Funds in addressing environmental issues.



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