

2021 Government of Ghana Budget Statement and Economic Policy

Summary of budget statement & Deloitte views

March 2021

Towards recovery

- Seizing opportunities in adversity

The Ghanaian economy, like other economies in the world, has been adversely affected by the COVID-19 pandemic. Although the global economy is not out of the woods yet, most governments are already taking steps towards recovery from the pandemic.

The Government of Ghana (the "Government" or "GoG") has over the period of the pandemic, focused on supporting businesses and households through the provision of incentives, interventions and reliefs. This commitment has been reiterated in the 2021 Budget Statement and Economic Policy (the "2021 Budget Statement") under the theme: "Economic Revitalisation, through Completion, Consolidation and Continuity". As expected, the 2021 Budget Statement's policy proposals included significant focus on mobilising revenue to support Government's increasing expenditure and supporting sectors mostly affected by the pandemic through reliefs and government interventions.

We at Deloitte, through our shared values, endeavour to lead the way towards recovery, take care of our clients and stakeholders and collaborate for measurable impact as we forge ahead to build a strong new world of business post the pandemic.

This Budget Highlights document provides summary of key policies of the 2021 Budget Statement and our analysis of how the policies could affect businesses, the economy and society at large. We hope this document provides sufficient insights into the various policy measures set out in the 2021 Budget Statement and help kick start conversations around how we navigate challenges to thrive.

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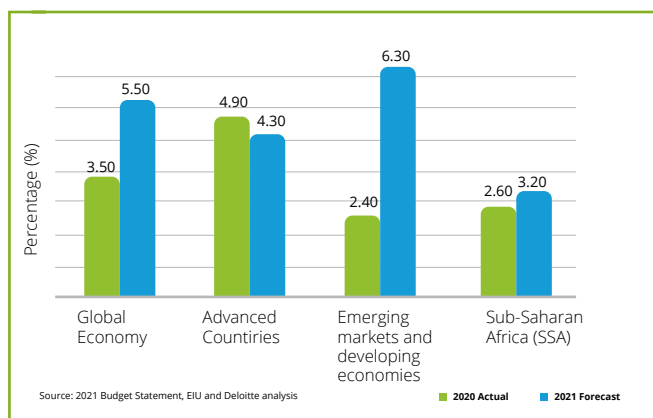
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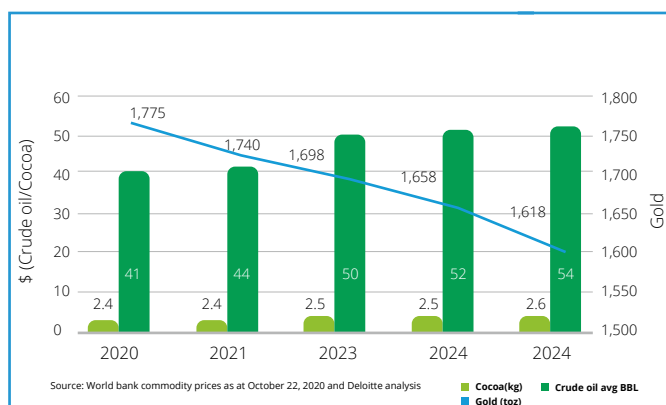
Global economy

Global and regional developments

GDP growth: Global vs. major markets (%)



Changes in commodity prices per products



African Continental Free Trade Area ("AfCFTA" or the "Agreement")

was established with the aim of bringing together over 55 African countries to accelerate economic integration and significantly expand intra-continental trade. On 7th July, 2019, Ghana was granted the honour to host the Secretariat of AfCFTA in Accra. The Agreement became operational from 1st January, 2021. To ensure effective implementation of the Agreement, the Government, through the Ministry of Trade and Industry, has undertaken the following measures:

Deloitte Comments

AfCFTA provides opportunity for the private sector to access wider African markets by scaling up their operations and exporting their goods and services to other African countries. In order for businesses in Ghana to fully benefit from the AfCFTA, their products must be competitive in terms of price and quality. Government should support businesses, particularly in the manufacturing sector to produce quality and affordable goods for exports to other African countries. This support can be in the form of tax rebates, subsidies and other incentives for specific sectors of the economy.

Although lower than the growth achieved in 2020, the projected growth in 2021 for advanced economies presents good prospects for emerging and developing economies like Ghana as these advanced economies serve as major export markets for traditional commodities such as gold, cocoa and oil, which are key revenue drivers for Ghana.

In 2020, gold was seen by investors as a better store of value in the wake of the pandemic, which increased its demand resulting in an increase in global price by about 27%. This is expected to slowdown from 2021 as the impact of the pandemic eases. In sharp contrast, and also induced by the pandemic, oil prices dropped by 33% in 2020, but is expected to bounce back from 2021 as the impact of the pandemic eases. The price of cocoa is expected to increase progressively over the same period. Government should monitor the movement in prices of traditional exports and put in place measures to mitigate the adverse impact of price declines on Government revenue.

Effective AfCFTA implementation measures taken

1

Established a national AfCFTA office in Accra to coordinate the project.

2

Developed a national plan of action to boost Intra African Trade.

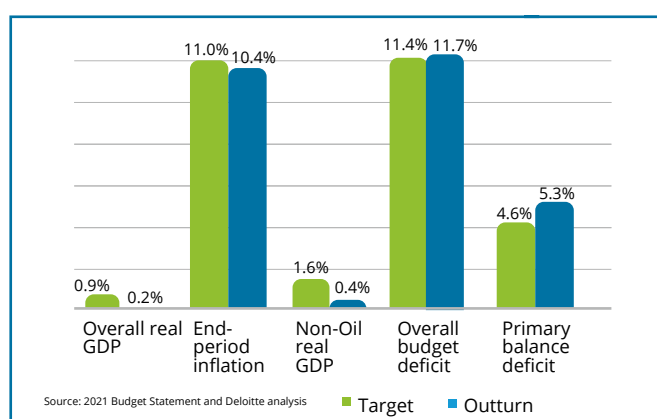
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Organized a series of stakeholder engagements and consultations to create awareness and to encourage people to take advantage of AfCFTA.

Economy of Ghana

Macroeconomic indicators

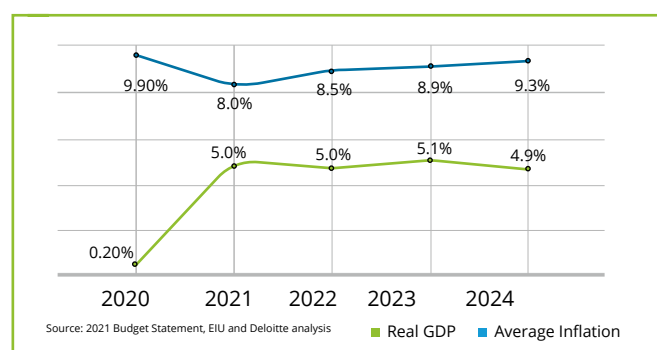
2020 macro-economic performance (target Vs outturn)



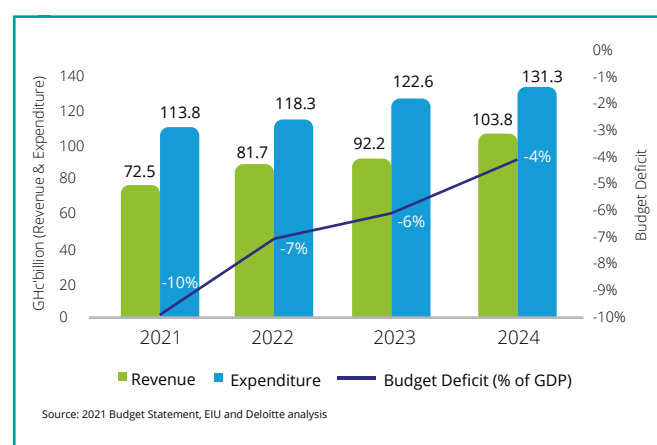
The lockdown measures enforced in the peak of the pandemic and the Covid-induced slowdown in economic activities forced the Government to revise initial projected GDP growth for 2020 from 6.8% to 0.9%. A number of measures were commenced in the middle of 2020 to stimulate economic growth and avoid a possible recession. The country appears to have missed the revised real GDP growth target based on the projected Outturn for 2020, which is estimated at 0.2%. Ghana also missed its projected budget deficit, returning an actual deficit of 11.7% against the revised target of 11.4%.

Government has projected real GDP growth to bounce back at 5.0% in 2021 and to stay within a range of 4.9% to 5.1% over the period 2021-2024. The projected growth is expected to be driven by improved demand for commodities globally as restrictions ease, with accompanying increases in global prices and increase in oil, cocoa and gold production. The private sector is also expected to bounce back as restrictions ease and Government's Covid-19 related programmes begin to take full effect in 2021. Government also projects to improve the Budget Deficit from 11.7% in 2020 to 4% by end of 2024.

Medium term targets-real GDP and average inflation



Projected revenue, expenditure and budget deficit (% of GDP)



Deloitte Comments

Ghana outperformed its revised inflation target for 2020 mainly due to a decline in demand for goods and services. The weakened demand resulted in a fall in food and oil prices, which impacted positively on inflation. The Country also missed its revised budget deficit target marginally, mainly due to pre-election and pandemic-related expenses against a decrease in revenue.

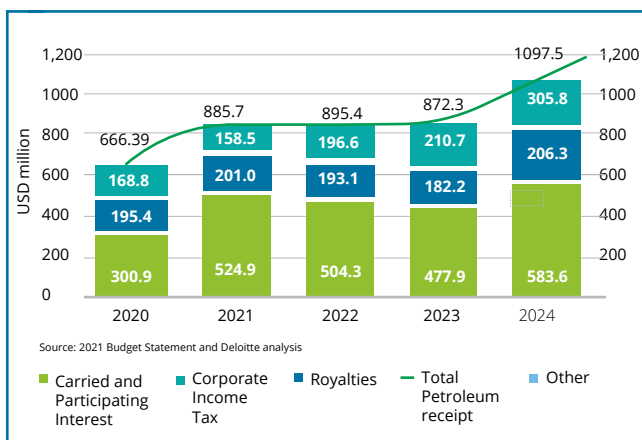
Whilst the outlook for the medium term (2021 – 2024) looks positive, achieving the set targets will ultimately depend on the effectiveness and efficiency with which these measures are implemented. Government must strengthen the institutions mandated to supervise the implementation of these measures to ensure constant monitoring and evaluation during implementation in order to minimise or eliminate avoidable implementation deficiencies. This will enable the country achieve a budget deficit of 4% by 2024 which is less than the 5% required under the Fiscal Responsibility Act (FRA)

Economy of Ghana

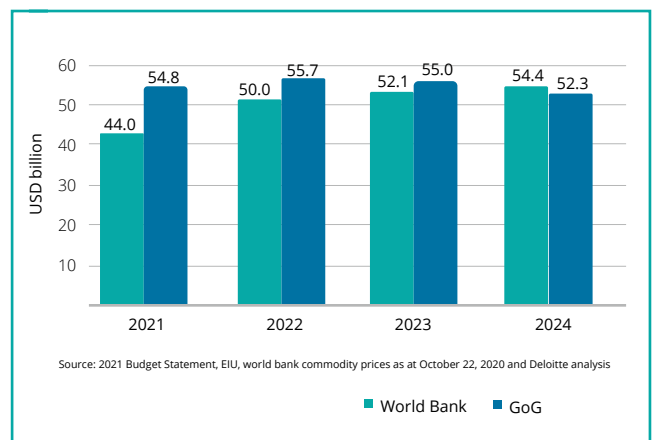
Petroleum revenue



Total petroleum receipts



Crude oil prices (GoG vs World Bank)



Revenue from petroleum receipts dropped sharply by 29% to USD666.4 million in 2020, mainly on account of the slump in oil prices globally. In 2021, the Government projects petroleum receipts to bounce back at an increase of 33% to USD885.7 million as demand picks up to drive oil prices upwards. The bulk of the petroleum receipts is expected to come from carried and participating interest, which accounts for about 59% of the total projected petroleum revenue for 2021 (2020: 45%). The same source is expected to account for an average of 55% of petroleum revenue annually over the period 2022 to 2024.

Out of the total petroleum revenue projected for 2021, about 32% has been allocated to the National Oil Company (NOC), whilst 48% and 20% have been allocated to the Annual Budget Funding Amount (ABFA) and the Ghana Petroleum Funds (GPFs) respectively.

Deloitte Comments

Comparing Government's projected average prices of oil per barrel in USD terms with that obtained from the World Bank's Commodities Price Forecast, Government's projected oil prices appear to be quite ambitious and there is risk that Government's projected revenue from petroleum may not be achieved. In particular, and as shown in the chart above, whilst Government projects an average crude oil price of US\$54.8/bbl in 2021, the World Bank projects it at US\$44.0/bbl, which is almost US\$11 lower than Government's projection. This suggests that, even if Government achieves its targeted production volumes and actual prices reflect the World Bank's projection, the actual petroleum revenue for 2021 will be 20% lower than projected.



2021 Budget at a Glance

Government Revenue

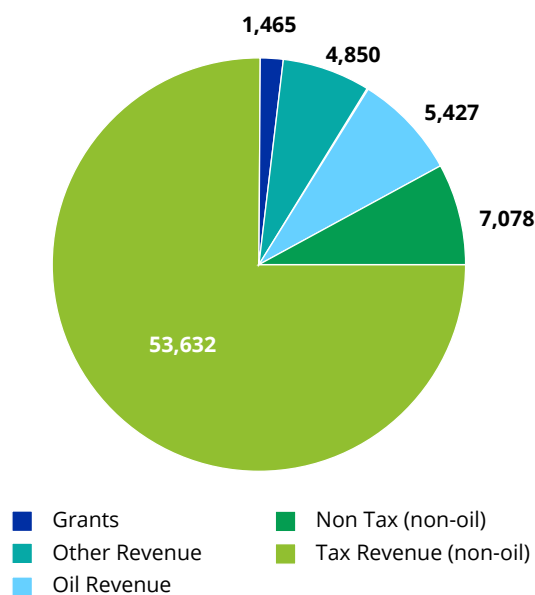
The impact of Covid-19 necessitated a downward revision of revenue by GH¢13.4 billion from the initial budget of GH¢67.1 billion to GH¢53.7 billion. However, Government exceeded the revised budget by GH¢1.5 billion largely due to upsurge of GH¢1.9 billion revenue from non-oil tax revenue. The increase in non-oil tax revenue is attributable to higher-than-expected revenue from international trade taxes due to the implementation of the Integrated Customs Management System (ICUM). Revenue from oil and gas on the other hand fell against the revised budget by GH¢240 million largely due to decline in crude oil prices as a result of Covid-19.

Total revenue is expected to increase from GH¢55.1 billion in 2020 to GH¢72.5 billion in 2021 and further up year-on-year to reach GH¢103.8 billion in 2024. The projected increase in 2021 is to be driven largely by non-oil tax revenue which is expected to increase to GH¢53.6 billion in 2021 from GH¢42.6 billion in 2020.

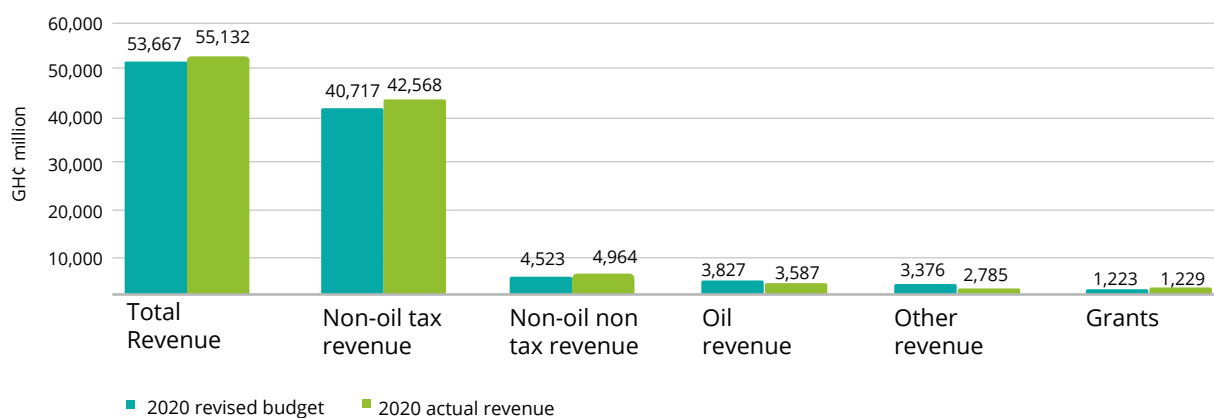
In this regard, Government intends to introduce a:

- Covid-19 health levy (1% point increase in National Health Insurance Levy and 1% point increase in the VAT flat rate),
- Sanitation and pollution levy (GH¢0.1 on the price per litre of petrol/diesel under the Energy Sector Levies Act) and
- Energy sector recovery levy (GH¢0.20 per litre of petrol/diesel).

**Revenue mobilisation for 2021
(GH¢ millions)**



2020 revised budget vs actual revenue

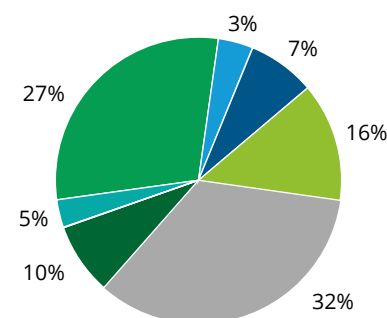


Government Expenditure

The total estimated expenditure for 2021 is GH¢113.8 billion which is 16.4% higher than the revised 2020 budgeted expenditure. The main drivers of the increase in budgeted expenditure are interest payments, wage bill, COVID-19 expenditures, security and funding of Government's flagship programmes.

Actual expenditure for 2020 was GH¢97.8 billion, which is higher than the revised budgeted expenditure of GH¢97.7 billion for 2020. The difference in budgeted and actual expenditure is mainly due to high capital expenditure (CAPEX) and employment costs. Actual capital expenditure was GH¢2.8 billion higher than the budgeted CAPEX expenditure and compensation of employees was GH¢1.2 billion higher than budgeted.

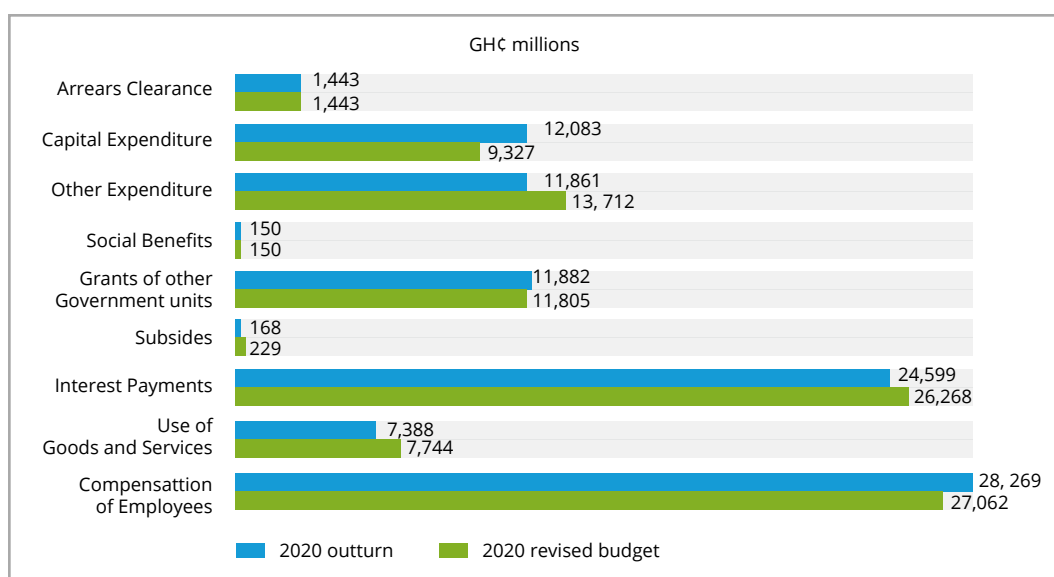
Revenue utilisation for 2021 (GH¢million)



■ Arrears Clearance
 ■ Capital Expenditure
 ■ Other Expenditures
 ■ Goods and Services
 ■ Grants of other Govt units
 ■ Interest Payments
 ■ Compensation

Revised Expenditure Budget (2020)
GH¢ 97.7 billion

2020 Expenditure Outturn GH¢ 97.8 billion



Deloitte Comments

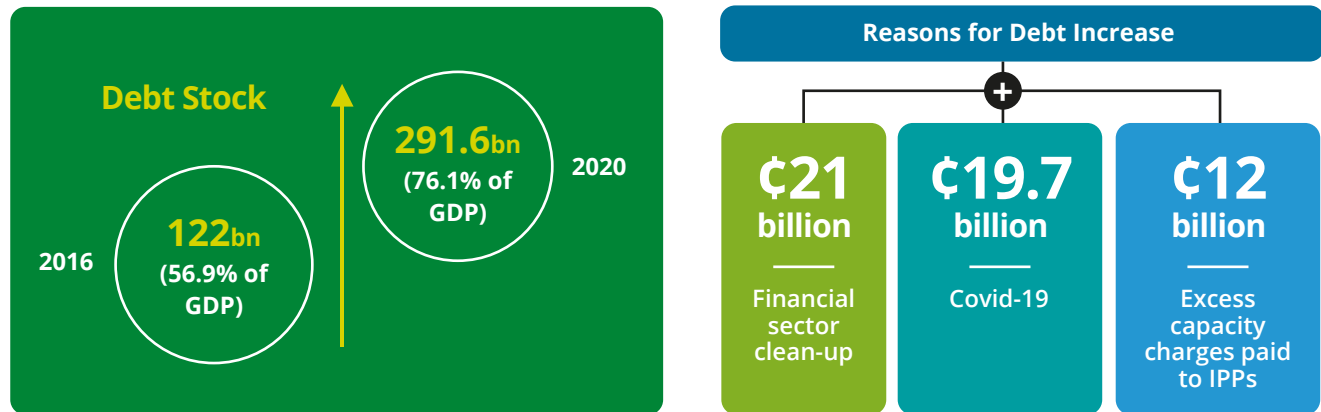
As the global economy recovers from the Covid-19 pandemic, the Ghana economy is expected to bounce back on the back of increased demand for export-driven commodities such as cocoa, gold, oil and gas. Though gold price is expected to decline in the medium term, demand for cocoa, oil and gas are expected to offset the adverse impact of projected decline in gold price.

Whilst the levies being introduced may be necessary, particularly for funding some of the Covid-19 related expenses, it is likely to have a toll on the finances of individuals and businesses. In addition, businesses are likely to pass on these levies to customers through increased prices, ultimately threatening our chances of meeting the target inflation for the short to medium term.

Interest payment is budgeted to increase significantly in 2021 (from GH¢26.3 billion in 2020 to GH¢35.9 billion) as a result of increase in debt levels. Budgeted interest payments was the second highest expenditure item in the 2020 revised budget but is projected to be the highest expenditure item for 2021.

Public Debt & Debt Management Strategy

Trend in Public Debt Growth (2016-2020)



Medium-Term Debt Management Strategy (MTDS)



Deloitte Comments

Government intends to borrow an amount of about GH¢41.3 billion in 2021, to support the 2021 budget. About GHS25.4 billion (62%) of the total amount to be borrowed is expected to be contracted locally. Local borrowing by GoG may lead to crowding out of the private sector. This could potentially increase the lending rate and reduce available credit funds for the private sector. Borrowing from the International Capital

Markets (ICMs) is relatively expensive and has led to increases in GoG expenditure on interest payment. Government should diversify sources of borrowing by seeking concessionary facilities from developing partners. In addition, Government should take advantage of the recent Debt Suspension Initiative ("DSI") introduced by the G20 countries. The DSI will help Government restructure existing debt and reduce the debt burden in the short to medium term.



Impact of COVID-19

General impact of COVID-19 on Ghana

Health impact of COVID-19

Total infections since mid-March 2020 to mid-March 2021.

	Ghana	Global
Deaths	698	2.67 million
Cases	88,228	121 million

Economic impact of COVID-19

According to The COVID-19 Business Tracker Survey jointly published by the Ghana Statistical Service (GSS), the United Nations Development Programme (UNDP), and the World Bank, some of the adverse impact of COVID-19 are as follows:

Reduction in Wages	Employees laid-off	Reduction in Working hours
nearly 26% of the total workforce	about 42,000 employees	close to 700,000 workers



Hospitality & Tourism

- The services sector contracted by 2.6%, while the hotels and restaurants sub-sector recorded contractions of 74.9%, representing 0.8% of GDP.
- As of June, last year, the tourism and hospitality sector was reported to have incurred losses running into US\$171 million as a result of the pandemic.



Agriculture

- Average monthly food inflation increased from 8.4% in March 2020 to 13.7% in July 2020 and declined to 10.4% in December 2020.
- According to the Chamber of Agribusiness Ghana (CAG), the average monthly revenue of agribusiness firms decreased by 61.2%, with small scale agribusinesses reporting average monthly revenue shortfalls of 77.4%.



Transportation

Operations and Payroll support

Metro Mass Transit (March – December 2020)	GH¢ 13.98 million
Intercity STC (as of January 2021)	GH¢ 6.34 million
Ghana Civil Aviation Authority, PSC Tema Shipyard and others	GH¢ 47.12 million
Total	GH¢ 67.44 million

Due to major revenue shortfalls resulting from lockdowns and reduced economic activities, Government spent over GH¢ 67million as operations and payroll support to Metro Mass Transit, Intercity STC, Ghana Civil Aviation Authority, PSC Tema Shipyard and Dry-Dock, Ghana Airports Company Limited, and Ghana Post Company Limited



Oil and Gas

- Capital Investment decisions were deferred especially in the exploration sub-sector.
- Virtual negotiations began with companies requesting a review of the fiscal terms due to the impact of the pandemic on the sector.
- The planned second open oil licensing round scheduled for 2020 was also postponed.

Measures to mitigate the impact of the pandemic

GhanaCARES (OBAATAN PA) Programme

The Ghana COVID-19 Alleviation and Revitalization of Enterprises Support (GhanaCARES - “Obaatan pa”) Programme was launched to mitigate the impact of the pandemic and provide the framework to recover quickly with a stronger and more resilient economy.

The key projects include:

- Support commercial farming and attract educated youth into agriculture;
- Build Ghana's light manufacturing sector;
- Build engineering & technology capabilities;
- Fast track digitalization;
- Develop Ghana's Housing & Construction Industry;
- Establish Ghana as a Regional Hub;
- Optimize implementation of Government Flagships programmes; and
- Establish the Development Bank of Ghana

National COVID-19 Emergency Preparedness and Response Plan (EPRP)

The EPRP was largely funded with US\$100million from the World Bank. Given the successful implementation of the EPRP and considering the lasting impact of the pandemic, Government rolled-out another plan dubbed 'National Strategic COVID-19 Response Plan: July 2020 - December 2024' (NSCRP). As part of the funding requirements, an additional financing of US\$130 million was secured from the World Bank. The NSCRP focuses on better case containment and management.

It prioritizes;

- Timely release of test results
- Funding of isolation and quarantine facilities.

COVID-19 Private Sector Fund

The Fund received donations amounting to GH¢44.34million from individuals and corporate organizations, including GH¢6.8million from the COVID-19 National Trust Fund as of October 2020. The amount comprises GH¢42.51million and GH¢1.83million cash and in-kind donations, respectively. An amount of GH¢40.20million was invested in various activities, including the construction of a 100-bed National Infectious Disease Centre in Accra. In addition, 10,000 test kits were donated to the Noguchi Memorial Institute and 468,770 Personal Protective Equipment (PPE) to various Treatment Centres. The Fund also supported the training of doctors, nurses, and biomedical scientists.

COVID-19 National Trust Fund

The COVID-19 National Trust Fund Act was passed in April 2020. As of 31st December 2020, the Fund had mobilised GH¢57.13million. Out of this, GH¢45.21million had been utilized as of 31st December 2020 to support supplies of PPE, food items for the aged, vulnerable and needy persons, vehicles and medical supplies for key institutions such as hospitals, isolation centres, laboratories, testing centres and COVID-19 central care management team.

Deloitte Comments

The second phase of the GhanaCARES (“OBAATAN PA”) programme appears comprehensive and sustainable as it has been designed to focus on almost all sectors considered as critical for the planned recovery and economic transformation. Key amongst the sectors targeted are health, manufacturing, technology, financial services, housing and agriculture. Given that 70% of the funding is expected from the private sector towards implementing the various activities, Government should consider targeted incentives to high-end productive sectors and/or focus on sectors that have benefitted from the pandemic i.e. the mining sector, ICT etc. This will be key to the success of the Programme. In addition, Government should implement proper accountability structures and effective stewardship to minimise or prevent implementation deficiencies.

Infrastructure Projects



“Keeping the lights”

- 1 Completion of phase 1b of the Early Power Project to increase installed capacity
- 2 Completion of the 30kV A4BSP (Pokuase Bulk Supply Point)
- 3 Completion of Lot 1 (Kumasi-Kintampo Component) of Kumasi-Bolgatanga Transmission line project
- 4 Feasibility studies for the 330kv Accra Kumasi Transmission Line Project
- 5 161kV Volta – Achimota-Mallam Transmission Line upgrade
- 6 Repair of T3 Gas Turbines
- 7 Implementation of Pwalugu Multi purpose Dam
- 8 Continuation of ongoing PPA Renegotiations



Year of roads agenda

Total government expenditure of GH¢ 4.9 billion was released for the first “year of roads” (2020) – exceeding twice the average amount (GH¢ 2.1bn) spent three years prior to the initiative. Government aims to sustain this progress in the road sector in 2021 by carrying out the underlisted projects.



GH¢ 4.9bn

Road infrastructure under the Government Flagship programmes is estimated to cost

GH¢ 952.5m

Review of existing road tolls aligning them with current market rates.

3

The dualisation of the Accra- Kumasi and Accra-Cape Coast -Takoradi roads

2

Reconstruction and upgrading of the Accra-Tema motorway

1

4

Rehabilitation and upgrading of selected streets in Northern, North East and Savannah Regions.

Connecting Ghana Projects

The Connecting Ghana initiative aligns with the objective of the Year of roads agenda - to connect all regional capitals, major economic and industrial zones nationwide and develop a systematic, expansive and sustainable railway network. The Railways infrastructure cost under the Government Flagship Program amounts to GH¢136.3m in 2021. Below are the railway projects expected to commence or be completed in 2021;

Projects to be completed in 2021

Kojokrom to Manso Section of the Western Railway Line – 22km

\$500m

Tema to Mpakadan Section of the Ghana-Burkina Faso Railway Line – 97.7km

\$230m

Projects expected to commence in 2021

Construction of **Eduadin to Obuasi** Railway Line – 51km

\$419m

Construction of **Kumasi (Adum) to Eduadin** (18km) Railway Line

Construction of **Manso to Huni Valley** Railway Line – 58km

\$597m

Strategic initiatives and social interventions

Cost of Free SHS programme in the Government Flagship program for 2021

**GH¢
2billion**

Number of Free SHS beneficiaries enrolled 2019/2020 academic year

**1.3m
students**

The implementation of the Free SHS initiative has become an essential part of Ghana's education system with increasing demand for secondary education.

With Government's commitment to investing in educational infrastructure to accommodate the increasing demand of students, the future of the Free SHS initiative looks promising and likely to have long term benefits for Ghana's Education Programme. This also supports the education sector's goals of ensuring no child is denied access to education.

Deloitte Comments on Infrastructure

The "Keeping the lights " initiative is expected to replace obsolete lighting equipment over the past 30 years. This will ensure efficiency in the transmission of power, lower repair and maintenance costs, thereby making provision of power cheaper for consumers. There are about eight (8) priority transmission projects underway including the Pwalugu Multipurpose Dam and Irrigation project (which cost \$993 million) to be delivered by December 2023. This is expected to improve the livelihood of Ghanaians and stabilize power for businesses.

Government intends to continue some of its flagship social intervention policies such as Free SHS, special development initiatives and school feeding programme. We advise Government to put in place effective management and monitoring measures to ensure that these initiatives yield the expected results for the country. In addition, the total cost of Government flagship programmes is estimated at GH¢ 7 billion. Without a clear financing plan for these projects, there is a risk that some of these initiatives will widen the budget deficit and potentially increase the debt burden.



Key Tax and Regulatory Policy Issues

Revenue mobilization measures

Increase in National Health Insurance Levy (NHIL)

Government has proposed the introduction of a COVID-19 Health Levy to fund the Government's increased health spending in the fight against the pandemic. In view of that, government has proposed to increase the NHIL by one percentage point from 2.5% to 3.5% to serve as a source of funding for the various measures targeted at addressing the pandemic health issues.

The levies component of Ghana's VAT system cannot be claimed through the VAT input-output system hence the proposed increase of NHIL from 2.5% to 3.5% will result in a direct increase in the cost of standard rated taxable purchases to entities and individuals.

Again, given that the NHIL forms part of the taxable base for standard rated VAT, implementation of this proposal will result in an increase in the VAT charged on standard-rated supplies and effectively, an increase in the general prices of taxable goods and services. Under the current regime, the effective standard VAT and levies rate is 18.125%. The proposed increment will result in an increase in the effective standard VAT and levies rate to 19.25%. We have illustrated the effect of the proposed increment using an assumed service charge of GHS 1,000 in the table below.

This proposal would require an amendment to the National Health Insurance Act, 2012 (Act 852) by Parliament to become operational hence the effective date will be known once the amendment is passed.

	Old Rate		New Rate		Change	
	%	GHC	%	GHC	%	GHC
Service Fee		1,000		1,000	-	
NHIL	2.50%	25	3.50%	35	1.00%	10.00
GETFL	2.50%	25	2.50%	25	0.00%	-
Taxable base for VAT		1,050		1,060		10.00
VAT	12.50%	131.25	12.50%	132	0.00%	1.25
Invoice Amount		1,181.25		1,192.50		11.25
Effective VAT Rate (VAT & Levies)	18.125%	181.25	19.250%	192.50	1.125%	11.25



Increase in VAT flat rate

Currently, wholesalers and retailers of goods charge VAT at a flat rate of 3%. As part of measures to provide additional funding sources for the COVID-19 health measures, the government has proposed to also increase the VAT flat rate by one percentage point from 3% to 4%.

Like the increase in the NHIL, this increment will also result in an increase in the total price of goods charged by wholesalers and retailers of goods. It is expected that government will submit an Amendment Act to the Value Added Tax Act, 2013 (Act 870) for Parliament's approval for the proposed increase to become effective.

We recommend that taxable suppliers that will be affected by the changes in NHIL and/or VAT flat rate should initiate steps to recalibrate their invoicing systems to reflect the proposed changes to ensure that they are ready once the effective date is announced.

Introduction of Sanitation and Pollution Levy (SPL)

Government has proposed to introduce a 10 pesewa per liter sanitation levy on the price of petrol and diesel. The Budget Statement notes that the purpose for this levy is to provide funding for government's investments to address sanitation and pollution challenges in both rural and urban communities in Ghana.

The introduction of the SPL will increase the price per litre of petrol and diesel at the pumps and likely have a cascading effect on the price of goods and services in the country.

Introduction of Energy Sector Recovery Levy (ESRL)

The Minister also announced Government's intention to introduce an Energy Sector Recovery Levy (ESRL) to support funding of excess capacity charges in the energy sector. Accordingly, the Government is proposing to impose a 20 pesewas ESRL on the price per litre of petrol and diesel.

Like the SPL, the ESRL is expected to increase the price of fuel charged at the pumps which has its attendant effect of increasing pricing of goods and services in the country.

Introduction of financial sector clean-up levy

The Government has proposed to introduce a 5% financial sector clean-up levy to be imposed on all banks. The Budget Statement indicated that this levy is to help government defray any outstanding obligations in relation to the cost of the financial sector clean-up exercise embarked on by the Bank of Ghana (BoG) in 2017. The financial sector clean-up levy will be charged on the accounting profit before tax of the banks until 2024.

The proposed levy is likely to run side-by-side with the existing National Fiscal Stabilisation Levy (NFSL) which is also 5% on the accounting profit before tax of banks. With the potential of total levies on profit-before tax increasing to 10%, banks may pass on the cost to consumers through increases in the cost of financial services such as lending rates. It is currently unclear whether rural and community banks would also be required to pay the 5% financial sector clean-up levy unlike the NFSL which exempts rural and community banks. Government should also consider widening the coverage of the NFSL as an alternative in the short-to-medium term to reduce the fiscal burden on the banks (and other specified businesses) with the introduction of this new levy.

Intensified tax audits in the extractive (petroleum and minerals) industry

The Ghana Revenue Authority (GRA) to intensify its tax audits efforts with focus on players within the extractive industry as a way of mobilizing additional revenue. This is to address the issue of under-reporting of tax revenue and evasion of taxes by certain players within the industry.

We recommend that players within the extractive industry undertake tax health checks to identify possible tax exposures and take advantage of the proposed extension of waiver of interest and penalties on outstanding tax liabilities to report and pay any outstanding tax liabilities. We also expect this to significantly increase Government's tax revenue for 2021 fiscal year.

Targeted tax reliefs

30% rebate on Corporate Income Tax (CIT)

Government has proposed a 30% rebate on CIT for companies in the hotel and restaurant, education, arts and entertainment and travel and tour businesses for the 2nd to 4th quarters of the year 2021. To qualify, the entity must be duly registered with the Ghana Revenue Authority (GRA) and has fulfilled its 1st quarter CIT return filing and payment, if any, obligations.

The identified sectors are among the hardest hit by the ongoing COVID-19 pandemic. The proposal should reduce the tax burden for qualifying entities and enable them to plough back profits towards the recovery of businesses. Government should put in systems that will assess the profitability of most of these companies since some of these companies are already in a loss making position and may not benefit from this proposed tax rebate.

Suspension of quarterly income tax for small businesses

Government has also proposed to exempt small businesses in the informal sector that pay quarterly taxes through the tax stamps system from quarterly income tax instalments for the 2nd to 4th quarters of 2021.

We expect the suspension of the quarterly income tax as proposed by Government to result in an increase in the net income earned by owners of these small businesses. Examples of these businesses include artisans, masons, carpenters, welders, mechanics, hairdressers, tailors, seamstresses, 'chop bar' operators, cooked food sellers, market traders etc. It is worth noting that this relief is only available to businesses that have fulfilled their 1st quarter income tax payment obligation.

Capital gains tax exemption for listed securities

The Government has announced its decision to make capital gains tax exemption for securities listed on the Ghana Stock Exchange (GSE) permanent instead of the periodic renewal of exemptions when they expire.

The current tax exemption period for capital gains on listed securities was set to end on 31 December 2021. Implementation of this proposal will provide more certainty to investors as the exemption from tax on capital gains for listed securities will no longer have sunset clauses. We expect this to also increase investor participation in the GSE and effectively translate into improving the efficiency of Ghana's capital market.

Suspension of vehicle income tax (VIT)

VIT is chargeable on the income of commercial vehicle owners based on the number of passengers carried and/or the vehicle's tonnage. The tax is levied for each year of assessment and paid on a quarterly instalment basis on or before the 15th day of January, April, July and October of each year of assessment. The Government has proposed the suspension of the VIT for the 2nd to 4th quarters of 2021 for commercial vehicles - "Trotro and Taxi" owners to the extent that these owners are registered with the GRA and have paid their VIT for the 1st quarter of 2021.

The implementation of this proposal by the Government will imply that "Trotro and Taxi" drivers will not be required to purchase VIT stickers for their vehicles for the 2nd to 4th quarters of 2021. Although the Minister only mentioned that the proposed suspension will apply to "Trotro and Taxi" owners, other owners of commercial vehicles liable to pay the VIT would need to await the legislative approval to confirm whether the suspension will apply to them.

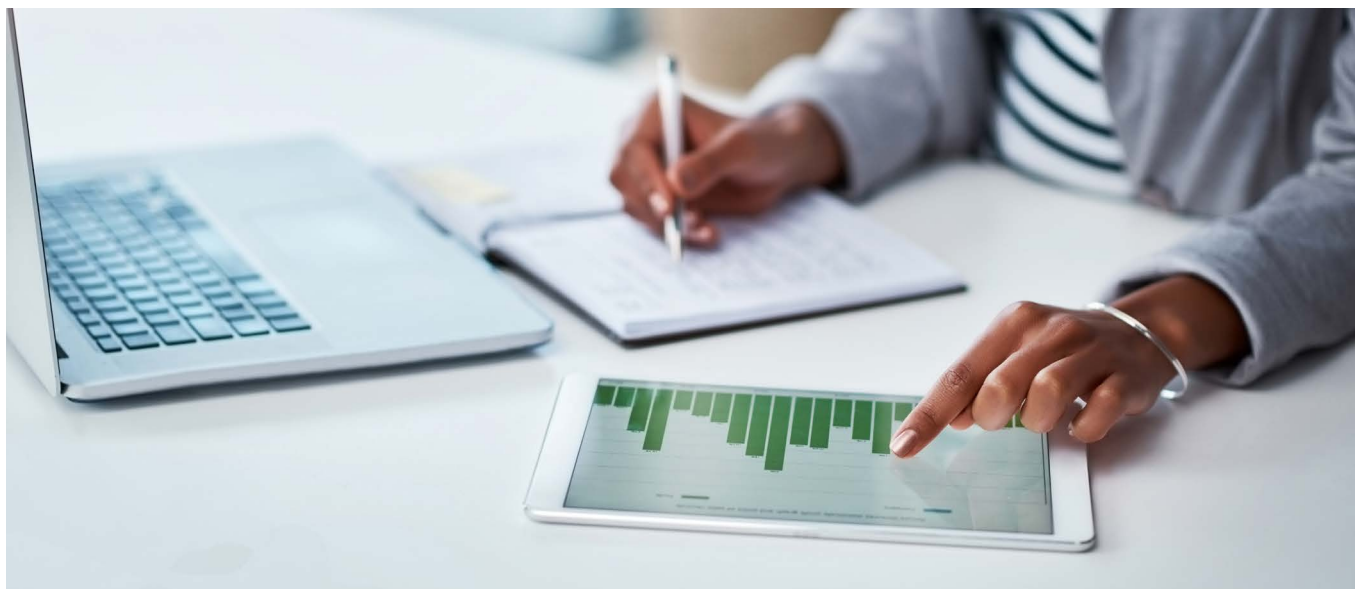
Extension of waiver of interest and penalties

In the bid to encourage payment of outstanding liabilities, Government has proposed to extend the waiver of penalty and interest on all outstanding tax liabilities up to December 2020 if taxpayers make arrangement with the GRA towards payment of principal amount by the end of September 2021. To be eligible to benefit from this relief, the Minister hinted that the taxpayers should have registered with the GRA and satisfied their tax obligations for the 1st quarter of 2021.

The waiver of the penalties and interest would provide a window to taxpayers having outstanding tax obligations to avoid penalty and interest charges. This will help taxpayers to voluntarily regularize their tax compliance status and effectively benefit from a reduction in the overall tax cost to be incurred by taxpayers in respect of outstanding tax liabilities.

Given this proposal, we recommend that taxpayers undertake a review of their tax affairs to identify any possible tax exposures and arrange with the GRA to settle these liabilities by the end of September 2021. We also recommend that the GRA undertakes a comprehensive education of taxpayers once legislative approval is given for the implementation of this proposal to ensure full dissemination of information on the policy especially to small and medium enterprises and informal sector operators so that the full benefits of the policy would be realized.

Tax Administration



Gaming Policy

The Minister also indicated Government's intention to formulate a comprehensive policy to regulate players within the gaming (and sports betting) industry in order to improve revenue mobilization.

We expect Government to initiate stakeholder consultations on this policy as soon as practicable since the industry can be a significant source of revenue given the increasing number of players within the industry.

Replacement of tax identification number (TIN) with Ghana card unique identification number (GUIN)

Government, as part of efforts to widen the tax net, has proposed to replace TIN with GUIN. This is expected to significantly increase the number of registered taxpayers, and effectively increase the Government's tax revenue.

From a tax administration perspective, this is a good initiative that will widen the tax net and ensure that more persons are roped into the tax pool. However, it is important for the GRA to be well resourced to map all the persons with the GUIN to the respective tax offices and proper follow ups undertaken by GRA officials to ensure that Government gets the needed revenue from implementation of this policy.

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