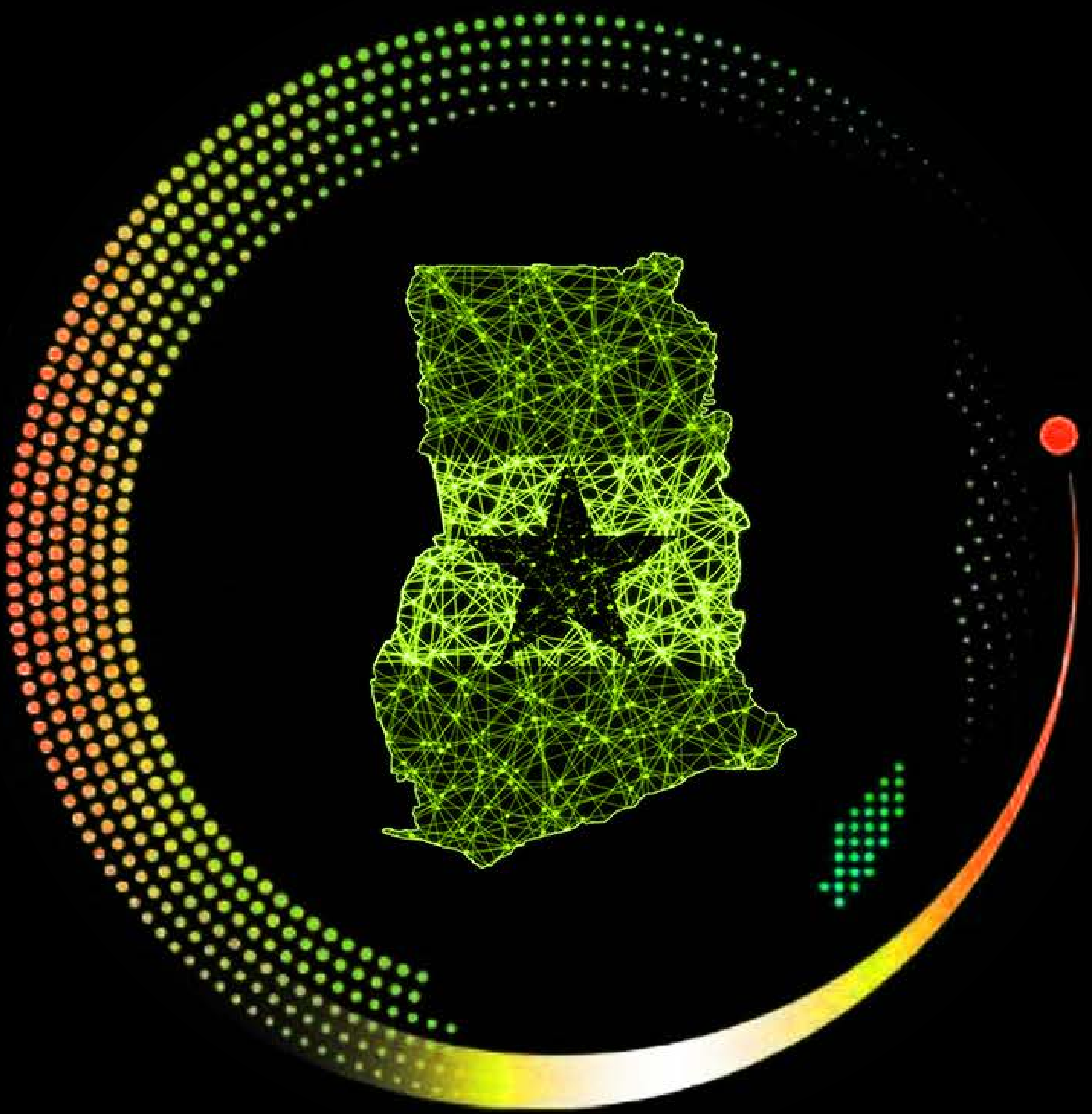

2025 Government Budget Statement and Economic Policy

Summary of Budget Statement & Deloitte Views

March 2025

Foreword by Country Managing Partner

The Government of Ghana ("Government"), through the Minister of Finance, has presented the Budget Statement and Economic Policy for 2025 financial year ("Budget Statement") to Parliament of Ghana on 11th March 2025 under the theme **"Resetting the Economy for the Ghana we want".**

The Ghanaian economy has undoubtedly experienced significant economic headwinds in recent years culminating from§ an IMF Extended Credit Facility (ECF) programme, aimed at restoring macroeconomic stability and ensuring debt sustainability. Despite the positive signs from 2024, the economy will require structural adjustments to put the country on the path to sustainable economic growth and debt levels.

To set the agenda towards building the desired economy, Government, in its 2025 Budget Statement, has proposed a number of domestic revenue mobilization measures and expenditure rationalization strategies aimed at stabilizing the economy and improving macroeconomic indicators.

A key highlight of the 2025 Budget Statement is the abolishment of a number of taxes and promised reform of the Value Added Tax (VAT) regime. The expected VAT reform would be much welcomed by the business community, and we look forward for this to be initiated and completed in this calendar year. The business community is also looking forward to "realignment" of import duties, especially on production inputs, to enable it grow and provide the necessary jobs in the economy.

We await specific details on the 24-Hour economy, using government procurement to spur local growth and the "Big Push" strategic infrastructural development programme, which aims to allocate US$10 billion to fund infrastructural development.

Last is the all-important matter of Ghana's current debt status and its impact on our overall development. Ghana already has the necessary legal framework for which we look forward to seeing tightening of fiscal responsibility rules to ensure debt sustainability. The current debt levels within the energy sector, especially in electricity generation and distribution, need to be resolved with the proposed comprehensive and concerted push.

At Deloitte, we are guided by our purpose of making an impact that matters, and in these times, we deliver on this purpose ensuring that our clients, the public and society are abreast of the economic happenings and their effects.

This publication therefore highlights the key aspects of the 2025 Budget Statement and provides an analysis of the outlook of Ghana's current economic standing, where we are headed in resetting the economy, and the key policies scheduled for implementation in the 2025 financial year.

Daniel Kwadwo Owusu

Country Managing Partner,
Deloitte Ghana

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Key Insights and Economic Analysis

Macroeconomic indicators

Indicators	2021	2022	2023	2024	2025
Overall GDP Growth (Real GDP)	5.1%	3.8%	3.1%	5.7%	4.0%
Non-oil GDP Growth	6.6%	4,7%	3.6%	6.0%	4.8%
Budget Deficit (Commitment)	11.7%	7.4%	3.1%	7.9%	3.1%
Primary Surplus/(Deficit) - Commitment	1.5%	(3.2%)	(4.3%)	(3.9%)	1.5%
Inflation	12.6%	54.1%	23.2%	23.8%	11.9%
Gross International Reserves (Months of Import)	4.3	2.9	2.7	4	3

Useful insights

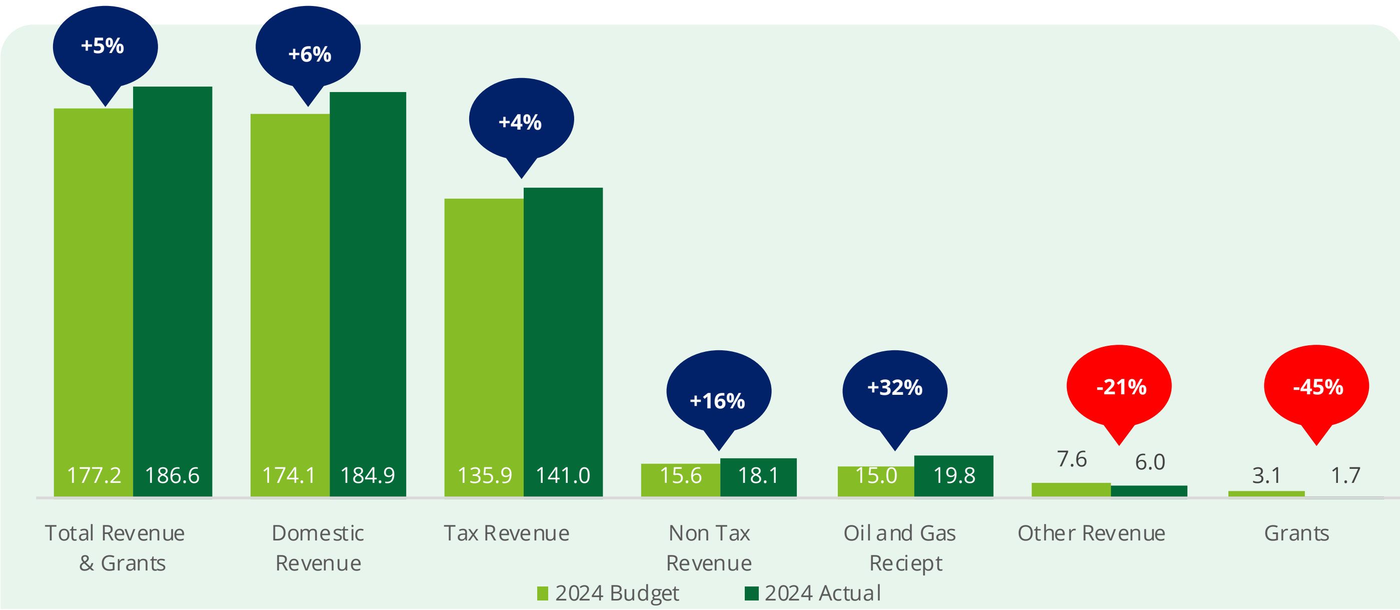
- Overall GDP is projected to grow by 4.0% in 2025, down from a 5.7% growth reported in 2024. Non-oil GDP is projected to grow at 4.8% in 2025 a slowdown from 6.0% recorded in 2024.
- The GDP growth reported in 2024 was largely driven by Information and communication, Construction, and Mining and Quarry sub-sectors.
- Primary balance on commitment basis is projected to record a surplus of 1.5% of GDP as against a reported deficit of 3.9% of GDP in 2024. The primary balance on commitment basis worsened from a deficit of 0.2% of GDP at the end of 2023 to a deficit of 3.9% of GDP at the end of 2024.
- Overall budget deficit on commitment basis is projected at 3.1% of GDP in 2025 relative to a reported deficit of 7.9% of GDP in 2024.
- Gross international reserves for 2025 is projected at 3 months of import cover, which is below the reported cover of 4 months in 2024.

Deloitte's view

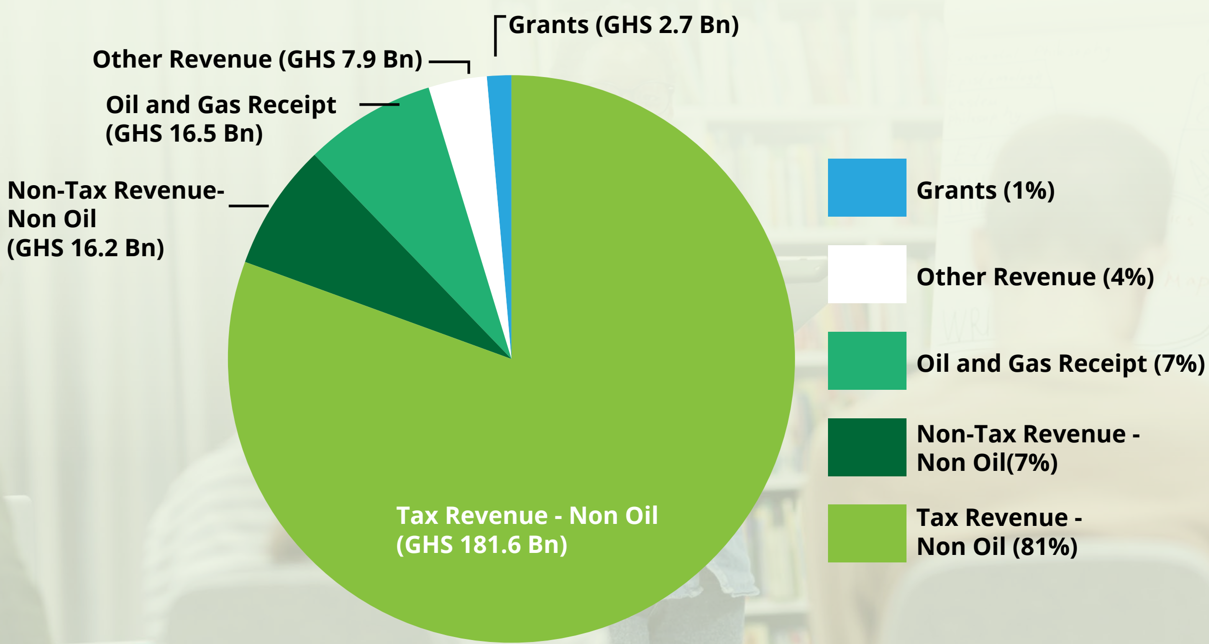
- Considering the overall real GDP growth of 5.7% recorded last year, the expected real GDP growth of 4.0% appears reasonable and achievable. The decline in real GDP growth can be attributed to government's fiscal tightening stance and aggressive expenditure cutting measures. These measures are expected to limit Government's ability to roll out some of its key policies and programs, which, in the short term, is likely to slow down economic growth, hence the projected decline in real GDP growth in 2025.
- Going forward, It is important for Government to reverse the trend of high levels of budget deficits (which averaged about 7.5% over the period 2021-2024) and primary balance deficits as these will increase budget arrears and debt burden amidst the recently constrained fiscal environment resulting from unsustainable debt levels. The projected deficit of 3.1% of GDP for 2025 sends a message of prudence on the part of the Government as it navigates through the IMF ECF program. We support government's resolve to be measured in its spending as this can facilitate restoration of investor confidence and overall macroeconomic stability.
- Notwithstanding the expected cuts in government spending, the need for government to facilitate economic growth has become even more critical as the expansion in the economy is required to address the mounting unemployment situation. In this regard, the plan to prioritize investments in selected sectors that can propel economic growth and create jobs is commendable; although it must be pointed out that achieving such a delicate balance can be very challenging. Given the moderate growth projection for 2025, we advise for expectations regarding job creation in 2025 to be measured as the government appears to be prioritizing macroeconomic stability, which is the required foundation for sustainable growth into the future.
- We have identified the growing Energy Sector debts and arrears (and the potential power sector crisis that may result from same if not swiftly addressed) as a major threat to the projected economic growth. This is primarily because the projected growth is expected to be driven by expansion in industry, which is powered by the energy sector. We recommend that government takes swift action to engage key players to agree on a roadmap for settling these debts to ensure sustainable and consistent power supply to spur the growth of the economy

Revenue

2024 Revenue Performance in GHS Billions



2025 Resource Mobilisation in GHS Billion



Useful insights

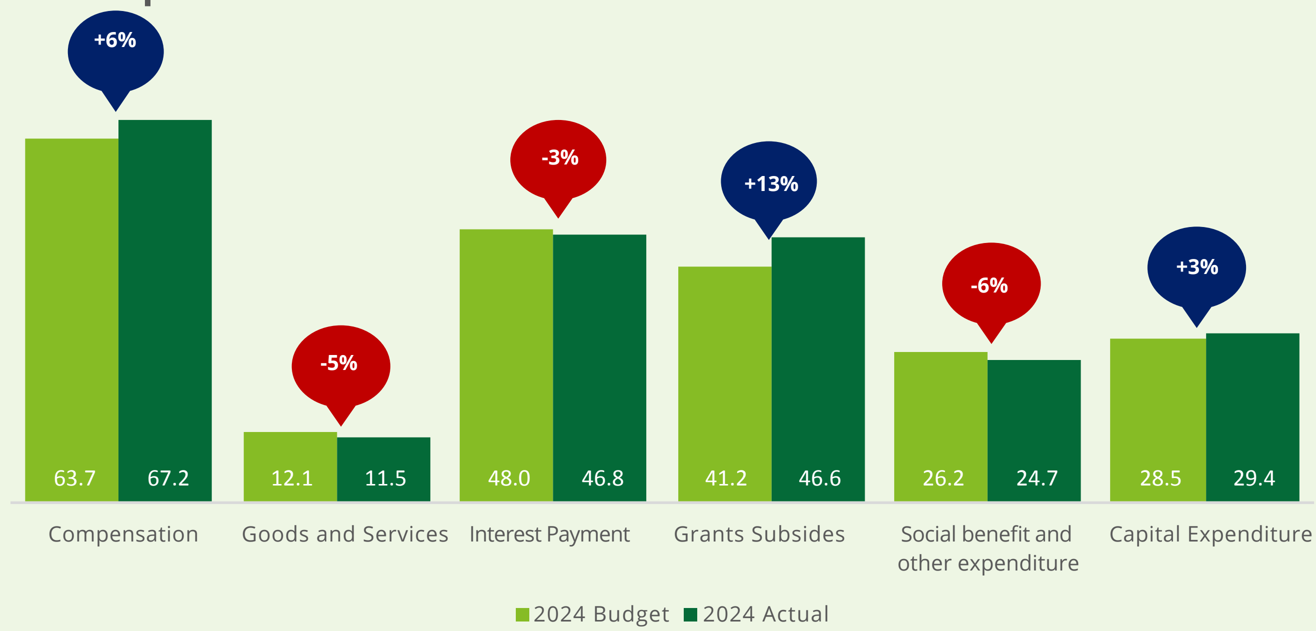
- Total Revenue and Grants for 2025 is projected at GHS 224.9 billion up from 2024 budget of GHS 186.6 billion reported in 2024. The projected revenue is underpinned by improved revenue measures which are expected to result in an increase equivalent to 0.6% of GDP. Tax revenue is estimated at GH¢181.6 billion for 2025 and constitutes about 80.7% of projected Total Revenue and Grants.
- For 2024, Total Revenue and Grants yielded GH¢186.6 billion which represents 5.3% above the revised target of GH¢177,220 million. The improved performance was driven primarily by the higher-than-programmed Oil and Gas receipts and higher Tax revenue outturn which outpaced shortfalls in Non-Tax Revenue, ESLA receipts, and Grants disbursements for the period.
- Government's proposed new measures to increase revenue in 2025 include an upward review of Growth & Sustainability Levy for mining companies (from 1% to 3%), reintroduction of road tolls and an extension of the Special Import Levy.

Deloitte's view

- The theme running through this year's budget statement is the need to strike a delicate balance between macroeconomic stability and economic growth. A key component of government's approach to achieving the desired macroeconomic stability is revenue mobilisation. This notwithstanding, the move by government to deliver on its promise to scrap certain nuisance taxes (e-levy, betting tax, emission levy) presents notable risk to its ability to achieve the set revenue target due to the revenue losses that will result from scrapping these tax handles.
- Whilst the revenue enhancing measures proposed to cover the potential shortfalls from the taxes to be scrapped are commendable, we recommend for an extensive stakeholder engagement with the businesses that will be impacted by these measures to ensure government obtains their buy-in and commitment ahead of implementation. For instance, analysts have begun to hint that the upward review of the growth and sustainability levy for mining companies, if not properly managed, can constrict growth in the sector.
- We have also noted government's plans to reintroduce road tolls with a tech-driven toll administration system to drive collection efficiency. Whilst the proposal to introduce technology to improve efficiency is commendable, we recommend for the reintroduction of the road tolls to be guided by a comprehensive cost-benefit analysis of same to ensure the revenue to be generated from the tolls will be worth the time and resources to be invested in administering same.
- Lastly, beyond the new measures proposed, we recommend for government to also prioritize the urgent need to expand the tax net to cover the informal sector as the sector holds significant untapped revenue potential. In this regard, we believe the use of technology, tax education and awareness creation and reforms to simplify compliance will be key for achieving this objective.

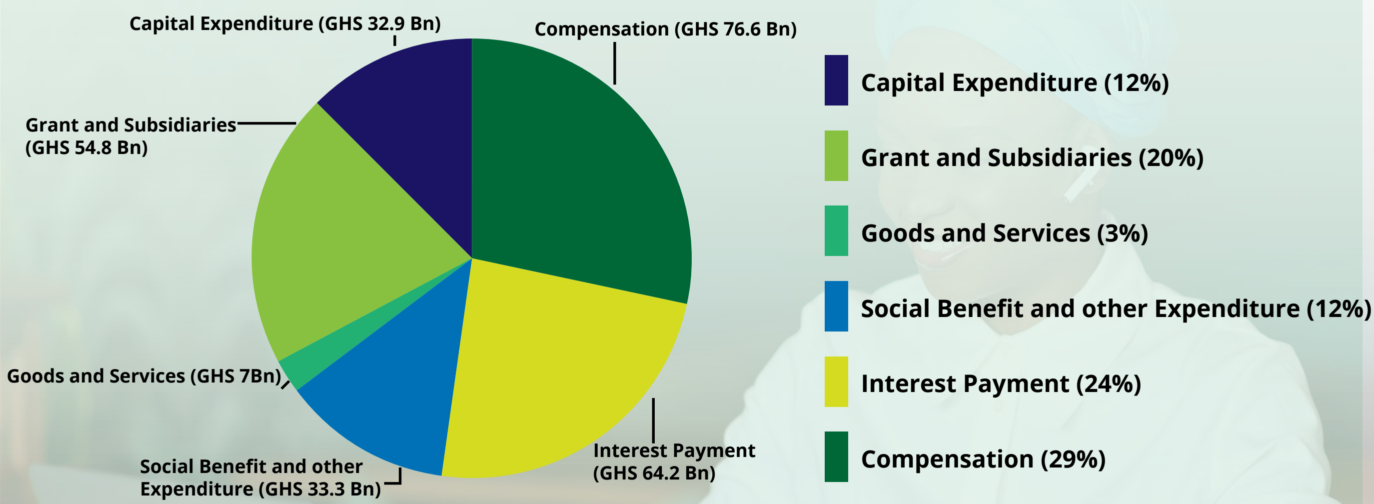
Expenditure

2024 Expenditure Performance in GHS billions



Source: 2025 Fiscal Policy Review and Deloitte Analysis

2025 Budgeted Expenditure in GHS Billion



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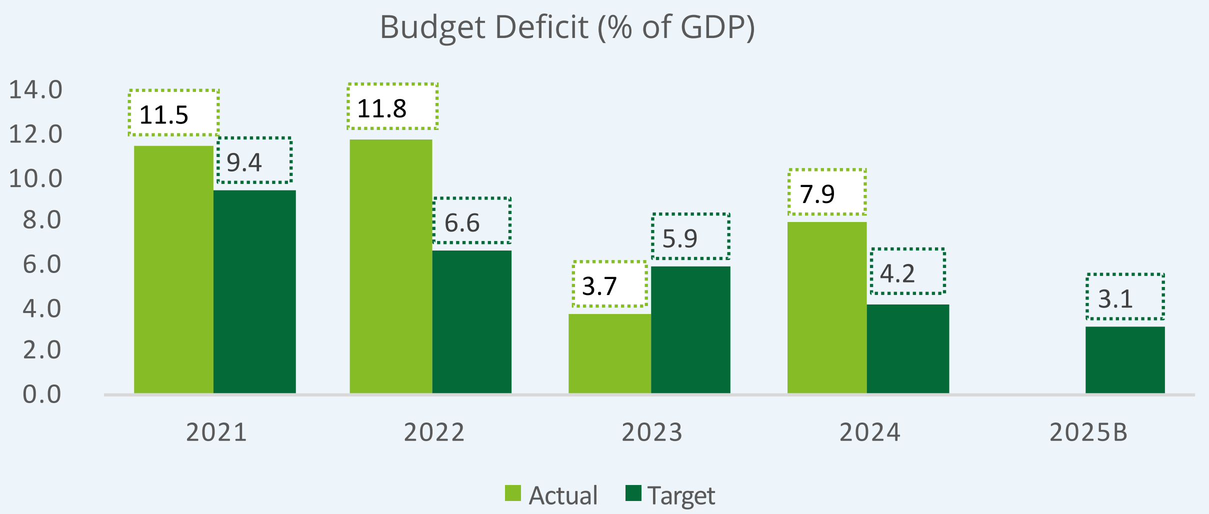
Useful insights

- Total expenditure for 2025 is projected at GHS 268.7 billion, an increase from GHS 226.2 billion outturn in 2024 (as noted in the expenditure breakdown included in Appendix 2C and Appendix 3C in the full budget statement).
- Primary expenditure is programmed for GHS 204.6 billion in 2025, an increase from GHS 179.5 billion recorded in 2024.
- Compensation of employees, comprising wages and salaries, pensions, gratuities, and social security has been programmed at GHS 76.6 billion. This reflects the 10% increase in the base pay granted to public servants on the Single Spine Salary Structure (SSSS).
- Of all the components of total expenditure, only goods and services was budgeted to decline from a GHS 11.5 billion in 2024 to GHS 7.0 billion in 2025, a reduction of 39% .

Deloitte's view

- As already indicated, government intends to prioritize fiscal discipline in its bid to stabilize the economy whilst achieving an appreciable level of growth. It is therefore commendable to see the adoption of some expenditure rationalization measures in the budget.
- Having already showed clear intention to contain government expenditure by reducing the number of ministers and ministries, it is refreshing to also note that the 2025 budget for the goods and services component of the expenditure budget reflects a 39% decrease from the 2024 actual amount. This further gives credence to the President's commitment to cut waste and prioritize cost efficiency going forward.
- Other expenditure rationalization measures such as government's resolve to enforce the Public Financial Management Act across all public entities, integrating the financial management systems and prioritizing value for money in public procurement can potentially increase transparency, reduce waste and curb corrupt practices in government spending.
- Whilst commending government for its expenditure rationalization commitments, it is important to note that, without strong controls and systems to accompany the implementation of these expenditure rationalization measures, we may be unable to achieve the set objectives. In this regard, we recommend for government to properly resource the Internal Audit Agency (IAA) to allow for it to adequately perform its mandated function of auditing the SOEs to ensure strict compliance to the proposed measures.
- Important note: Whilst the Minister's statement in paragraph 295 of the budget speech indicate expected decrease in total expenditure by 3.8% from GHS 279.2 billion in 2024 to GHS269.1 in 2025, the detailed breakdown of the expenditure, which was presented as Appendix 2C and 3C in the full budget statement, rather indicate expected increase in the total expenditure by 18.8% from provisional outturn GHS 226.2 billion in 2024 to GHS268.7 billion in 2025. It will be helpful for the Minister to provide clarification on this in his subsequent engagements using appropriate channels like parliament.

Budget Deficit



Source: 2025 Fiscal Policy Review and Deloitte Analysis

Useful insights

- Government projects a 2025 budget deficit on commitment basis at GHS43.8 billion, equivalent to 3.1% of GDP with corresponding primary balance on commitment basis set at a surplus of GHS20.3 billion, equivalent to 1.5% of GDP.
- Government plans to finance the budget deficit (cash basis) of GH¢56.9 billion from both foreign and domestic sources with foreign financing amounting to GHS21.4 billion which will be sourced from IMF-ECF programme disbursements of US$720 million and World Bank Development Policy Operation (DPO) funding of US$600 million. The residual domestic financing will be sourced from issuances of domestic debt.

Deloitte's view

- The projected decline in the budget deficit as a % of GDP from 7.9% in 2024 to 3.1% in 2025 reflects expectations of significant improvement in our fiscal balance in 2025. This is consistent with the indication given by the Government regarding its intention to prioritize fiscal discipline in pursuit of macroeconomic stability and must therefore be commended.
- The projected decline in the budget deficit to GDP ratio is also an indication of expected improvement in debt sustainability and is in line with government's resolve to target sectors with high growth potential in its spending even as it moderates expenditure and enhances revenue to improve our fiscal position by end of 2025.

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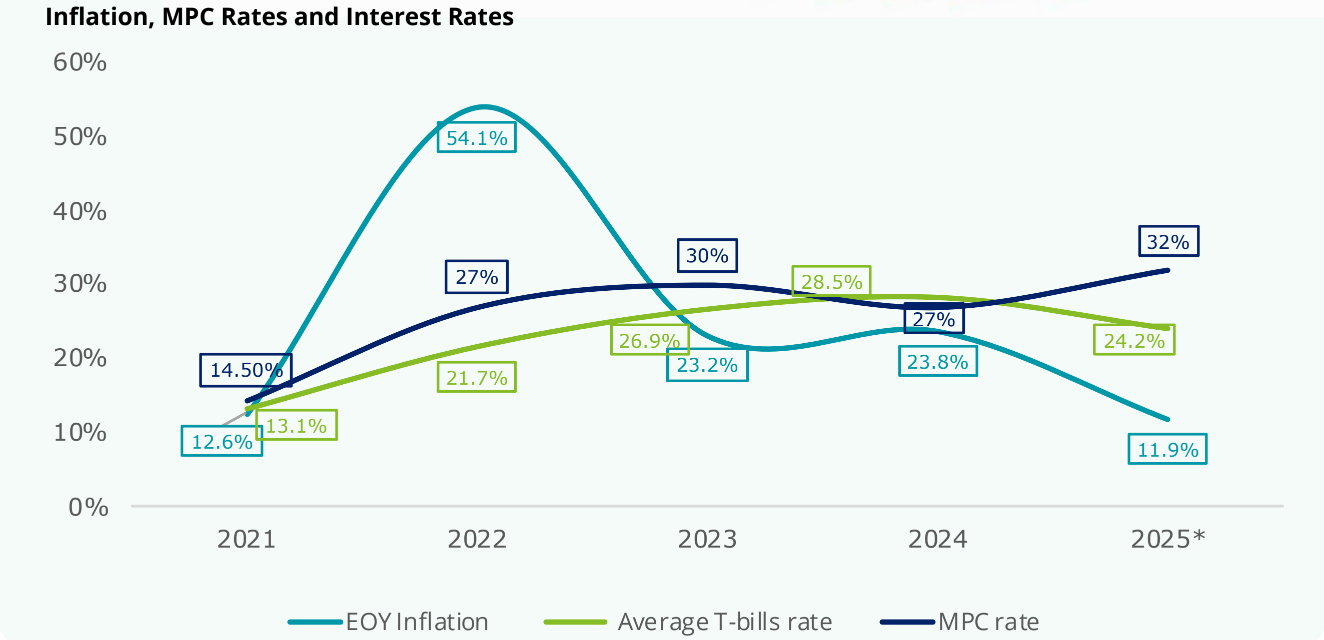
Inflation, Interest Rates and Exchange Rates



*2025 Average T-Bill and MPC Rates rate represent EIU forecast

* 2025 Inflation represents GoG's target for end of year

Inflation & Interest Rate

- Headline inflation increased marginally from 23.2% as at the end of 2023 to 23.8% in December 2024. The upward trend in inflation in 2024 was largely driven by a spike in food inflation over the period. The end of year inflation in 2024 exceeded the budget target of 15% and the IMF central target of 18%.
- The 2025 Inflation target is projected to end the year at 11.9% relative to inflation of 23.8% reported at the end of December 2024. Governments plans to curb inflation include the following:
  - Implementing an Agriculture for Economic Transformation Agenda that aims to increase food production and reduce food inflation;
  - Targeting large ticket items in the inflation basket such as transportation and utilities and implementing measures to slow down inflation rate, and
  - Leveraging appropriate monetary stance to support disinflation process.

Exchange Rate

- The Ghana cedi depreciated by 19.2%, 17.8%, and 13.7% against the Dollar, Pound, and Euro respectively as at the end of December 2024. According to EIU, the relative slow down in depreciation can be largely attributed to improved foreign-exchange liquidity and a strong and growing current-account surplus.
- Going forward, Government plans to implement the following measures to reduce pressure on the exchange rate:
  - Establishment of the Gold Board (“GoldBod”) to enhance the generation of forex;
  - Intensifying forward auction of forex to stabilize the exchange rate,
  - Fiscal consolidation that focuses on reducing public spending and budget deficit; and
  - Ramping up domestic production of key imports items to reduce pressure on the exchange rate.

Exchange Rate Movement (2021-2024)

Description	2021	2022	2023	2024
Cedi/Dollar	▼ -1.80%	▼ -53.80%	▼ -22.90%	▼ -19.20%
Cedi/Pound	▼ -0.80%	▼ -45.70%	▼ -24.10%	▼ -17.80%
Cedi/Euro	▲ 3.20%	▼ -46.90%	▼ -22.40%	▼ -13.70%

▼ Depreciation of the cedi ▲ Appreciation of the cedi

Source: 2025 Budget Statement and Deloitte Analysis

Deloitte’s view

- The projected decline in inflation by end of 2025 can be achieved if the Government can follow through with the various measures designed and intended to be deployed for addressing the issue of high inflation. In particular, the Agriculture for Transformation Agenda promises to address key inefficiencies along various food value chains, thereby spurring production and taming food inflation, which has been the main driver of the high inflationary pressures we have faced.
- We further recommend that government considers the impact of emerging geo-political risks in Europe, America and Russia and the potential trade wars that may result from these and, to the extent feasible, put in measures to address any excesses from these geo-political risks that may impact adversely on our pricing developments.
- Whilst we acknowledge the various policy interventions intended to mitigate our FX risks (i.e. streamlining gold sales through the GoldBod, intensifying forward FX auction, reducing public spending and budget deficit, and prioritizing import substitution), we have identified the declining cocoa production as a major issue that must be addressed to also help in boosting our forex reserves and reducing the FX demand pressure. Overall, we expect the slowdown in depreciation in recent times to continue for the rest of the year primarily due to the expected inflows of forex from the IMF programme and the World Bank Development Policy Operation (DPO) funding.

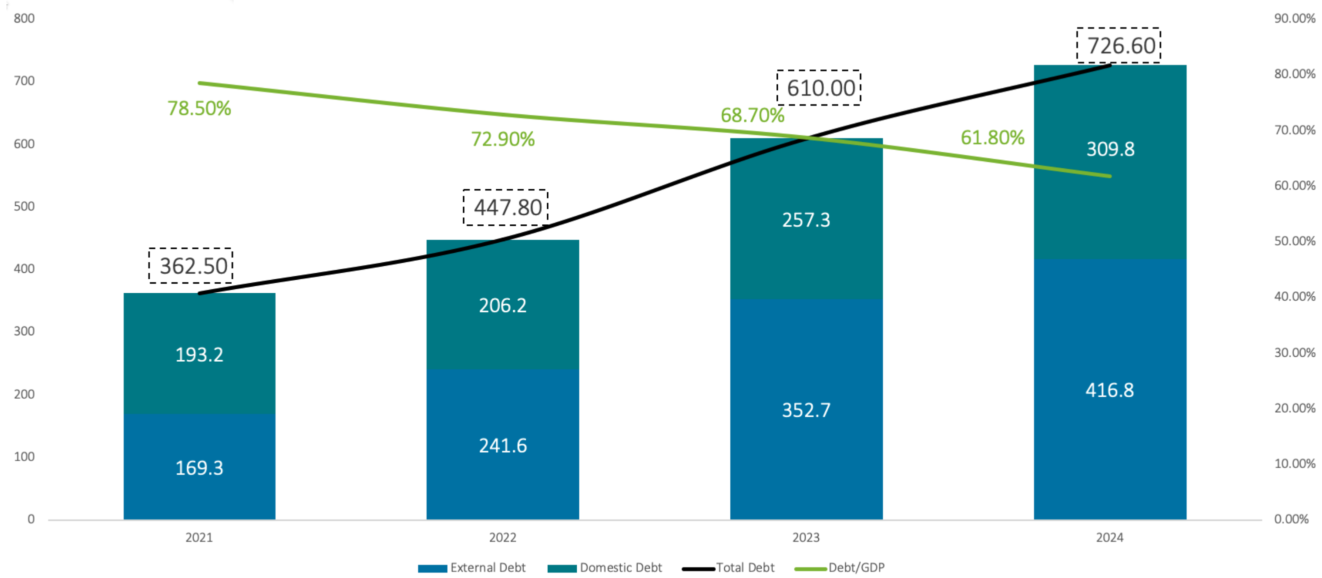
Public Debt

- As of the end of December 2024, total public debt reached GHS 726.7 billion, representing a 19.1% increase from the GHS 610.0 billion as of December 2023.
- During the same period, the gross public debt as a percentage of GDP decreased from 68.7% in December 2023 to 61.8% as of December 2024 primarily due to the outcome of the Eurobond debt restructuring.
- The public debt restructuring process is approximately 93% completed, which includes the exchange of US$20.3 billion domestic notes and bonds, US$13.1 billion Eurobonds, and US$5.1 billion in official bilateral debt. The remaining 7% relates to debt of US$2.7 billion owed to commercial creditors.

Public Debt to GDP Ratio (2021 - 2024)

Debt to GDP	2021	2022	2023	November 2024*
External Debt/GDP	36.8%	39.5%	39.7%	35.4%
Domestic Debt/GDP	39.4%	31.8%	29.0%	26.3%
Total Debt/GDP	78.5%	72.9%	68.7%	61.8%

Source: 2025 Budget Statement and Deloitte Analysis



Source: 2025 Budget Statement and Deloitte Analysis

Public Debt

19.1%

Dec 2024

Domestic debt grew by 20.4% from GHS 257.3 billion in December 2023 to GHS 309.8 billion as at December 2024 on account of additional borrowing from the local capital market.

External debt also increased by 18.2% from GHS 352.7 billion in December 2023 to GHS 416.8 billion as of December 2024 due to depreciation of the Ghana cedi.

Ghana Credit Ratings

Rating agency	Long-Term Foreign Currency	Long-Term Local Currency
Moody's	Caa2	Caa2
S&P Global	SD	CCC+
Fitch Rating	RD	CCC+

Source: 2025 Fiscal Policy Review and Deloitte Analysis

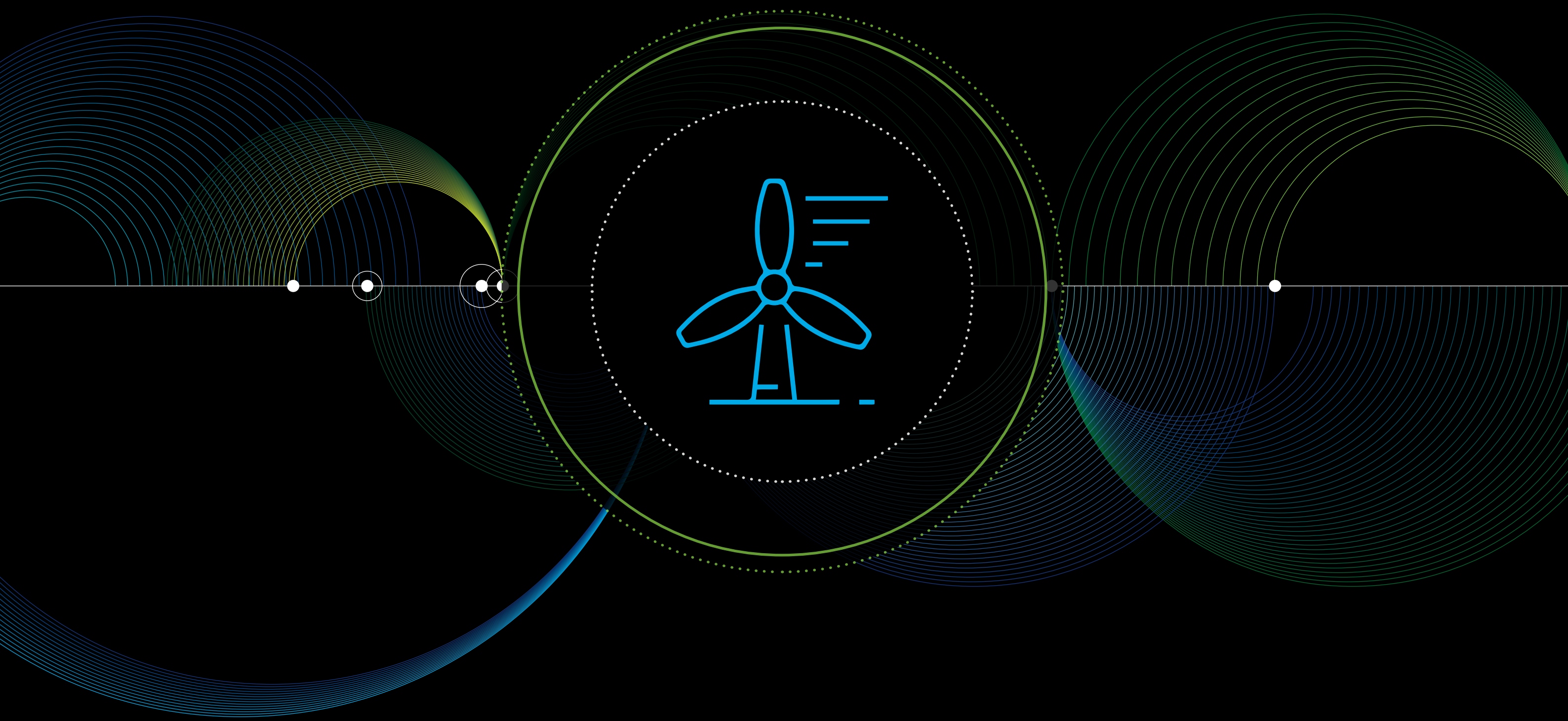
In October 2024, Moody's upgraded Ghana's long-term ratings for both foreign and local currency. Similarly, Fitch also upgraded Ghana's long-term local currency issuer default rating during this time. These upgrades follow a 37% reduction in the principal amount of the Eurobond components as part of the government's comprehensive debt restructuring program. The government expects the completion of this restructuring, which is currently about 93% complete, to lead to improved credit ratings and a more positive investor sentiment. Additionally, the Government plans to implement liability management operations to mitigate the risks associated with the Eurobond debt portfolio and to keep sufficient reserves in the sinking fund to manage public debt effectively.

Deloitte's view

- The consistent decline in debt to GDP ratio, having slid down from 78.5% as of December 2021 to 61.8% as of December 2024, reflects significant improvement in debt sustainability and major progress towards the medium-term target debt to GDP ratio of 55% by 2028 as agreed with the IMF. The improvement in debt sustainability is expected to induce improved ratings from the international credit rating agencies, which, in turn, will drive up investor confidence in our economy.

- Plans by the Government to extend its bonds maturity profile and improve activity of the secondary bonds market will create some breathing space for government by way of increased access to longer dated debt and reduced cost of issuances. This is also expected to provide relative predictability in Government's cash flow management and will help smoothen the redemption profile and mitigate refinancing /rollover risks associated with the debt portfolio.
  Plans to leverage the sinking fund, to build cash buffers for debt repayment purposes, is expected to increase government's debt repayment credibility and boost investor confidence. Whilst this can be regarded as a good strategy for prudent debt management, the commitment to build cash buffers will require high level of fiscal discipline if we are to achieve this goal.

- Lastly, the recent drop in T-bills rate, which has resulted from government's resolve to reject auction offers for T-bills above designated thresholds, connotes fiscal discipline and must be commended. We however advise the Finance Minister to work closely and in a coordinated manner with the Central Bank in the bid to advance government's fiscal objectives as certain government decisions, regardless of how well intended they may be, can have adverse impact on our monetary policy objectives. Overall improvement in the coordination between the monetary and fiscal policy authorities will greatly enhance our ability to achieve our economic goals.



Energy Resources and Industrials

Ghana Gold Board (GoldBod)

In line with the government increasingly relying on gold due to its safety and liquidity, the 2025 Budget Statement announced the establishment of GoldBod with objectives including purchase of gold and gold reserve accumulation. This means that the gold purchase program started under the previous government will continue in some form but under a new body. GoldBod is expected to be set up with a revolving capital of US$ 279 million to enable it purchase 3 tonnes of gold per week from small scale miners. As at December 2024, Ghana has accumulated total gold reserve of 30.5 tonnes,ranking as the number five African country in terms of gold reserves held. With full capital provided (and gold prices not rising significantly) GoldBod should be able to increase Ghana's gold reserves by an additional 156 tonnes.

Energy Sector reforms

The energy sector especially for energy generation and collection faces risks arising from factors including system distribution losses, non-cost reflective tariffs and collection inefficiencies. This has resulted in significant energy sector debts with the financing short-fall for the period 2023-2026 estimated at GHC145.8 billion (US$ 8.9 billion). The sector debt has increased significantly despite measures such as the "cash waterfall mechanism" and taxes/levies implemented over the years to resolve it. To this end, the current 2025 budget as presented by the Minister of Finance focused on the below;

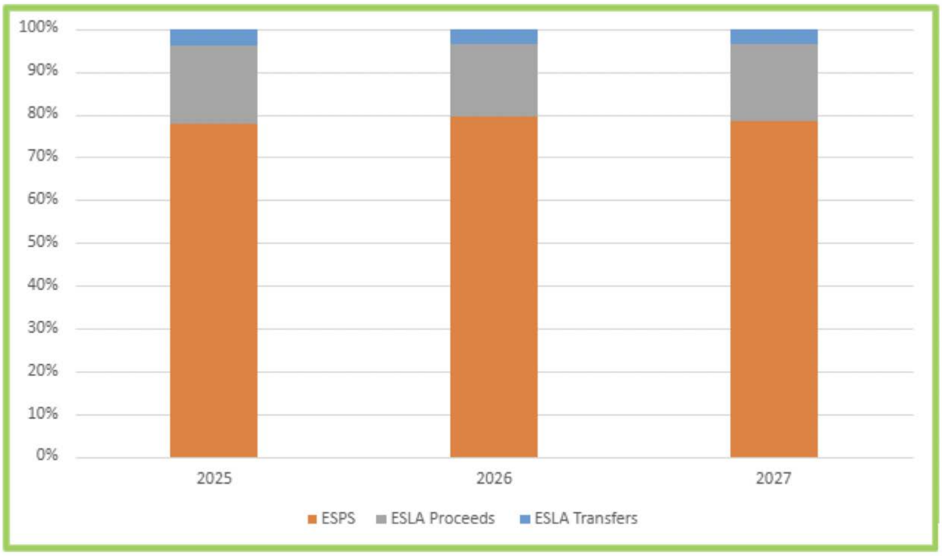
1. Energy Sector: reforms in power distribution (Private Sector Participation in ECG and NEDCo to be considered),
2. Renegotiation of Power Purchase Agreements with Independent Power Producers to reduce capacity charges,
3. Major tariff adjustments by Public Utility Regulatory Commission is expected in the fourth quarter of 2025,
4. Subsidies or discounts granted to companies through the Discounted Industrial Development Tariff (DIDT) will be reversed and
5. Consolidation of energy related levies to address shortfalls etc.

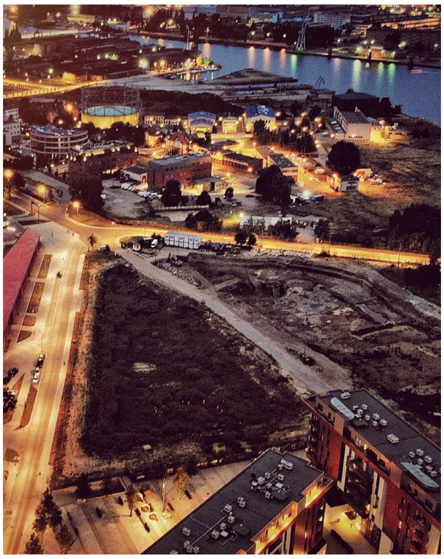
Some of the measures outlined in the budget as mentioned above should help close the gap between cost of generation and the price paid by consumers. Consolidation of the energy related levies and more importantly the specific energy funds being ring-fenced and used solely to pay energy sector debts should go a long way in restoring the financial health of the sector. However there is still a long way to go. As shown in the chart, per projections, government intends to subsidize electricity generation through payment of up to GHS 134 billion over the next four years. (GHS 29 billion - 2025, GHS 34 billion –2026, GHS 35 billion- 2027 and GHS 36 billion in 2028). This amount constitutes 2.1% of Ghana's GDP (for 2025) representing lost revenue which could have been used to expand infrastructure.

Suspension of the DIDT also follows earlier directives for it to be abolished. However in our view the problem for which the DIDT was supposed to cure is still around: high cost of energy for industries. Our view is that for Ghanaian businesses to become competitive , they need the cost of energy to be competitively priced . The overall aim of increasing industrialization through programmes such as 24-Hour economy will be best served if cost of energy is priced at a level comparable to industrial giants from East Asia.

As part of efforts to manage cost of energy, the Minister mentioned increasing renewable energy sources into the current mix of Ghana's energy generation. This is laudable and the hope is that the next IPP agreements to be signed by this government will focus on renewable energy to enable government meet its target installed electricity capacity from renewable sources. With renewable energy having a lower cost of generation, diversifying Ghana's energy mix should help in reducing the cost of energy paid by final consumers.

Payment towards energy sector debt obligations

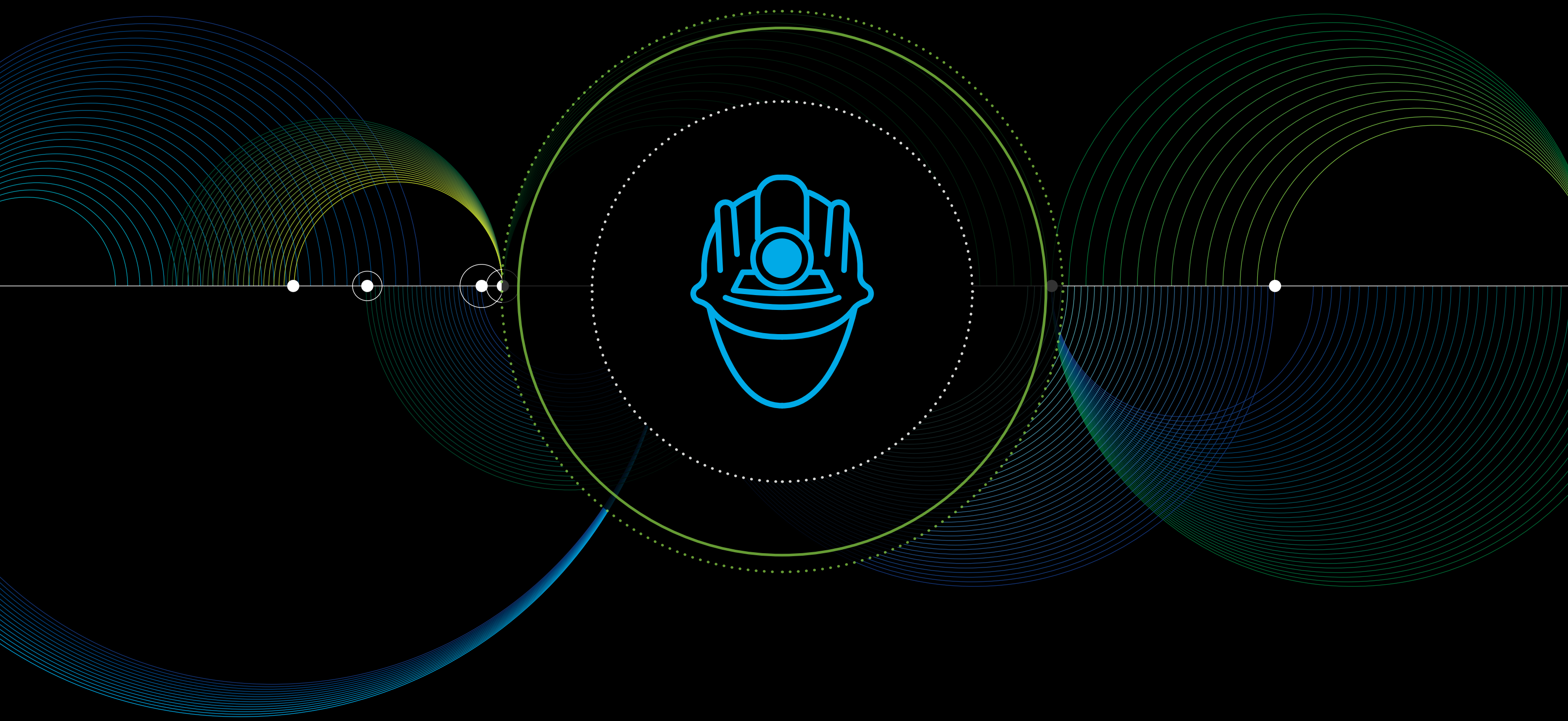




*ESPS-Energy Sector Payment Shortfall **ESLA Proceeds from which ESLA transfer is made

Energy related Programmes announced in the budget:

1. Accelerating Solar Action Programme (ASAP) in Ghana's clean energy transition –US$ 31.6 million
2. Ghana Scaling-up Renewable Energy Program (SREP), - deploying 12,000 net metered solar PV systems
3. Establishment of Renewable Energy Investment and Green Transition (REIGT) Fund



Fiscal Responsibility, Debt Management and Infrastructure Gap

Over the years, successful governments have been instituting measures in line with best practices to improve the country's public financial management. Various instruments, including the 1992 constitution provide guidance as to how the country's resources should be managed. In 2016, the parliament of Ghana approved the Public Financial Management (PFM) Act, 2016 (Act 921), which aims to strengthen public financial management and promote transparency and accountability. The act seeks to, among other things, enhance fiscal discipline and macroeconomic stability; improve budget management; strengthen accountability and transparency; enhance cash and asset management; as well as improve public debt management.

Several initiatives were undertaken by the previous government to reform public financial management within the ambit of the act. In the 2022 budget, the government introduced twelve policy measures which were expected to yield a minimum of 3 percent of GDP and more annually in the medium-term to enhance domestic resource mobilization, reduce the country's reliance on borrowing to fund development needs and improve fiscal consolidation. Yet in July 2022, the government had to request for a financial bailout from the International Monetary Fund(IMF). The government in the 2025 budget has introduced several measures to achieve the 2025 fiscal targets, which are consistent with the commitments made under the IMF-supported programme. The government also seeks to abolish five taxes which include the electronic levy (e-levy). To close the shortfall from these taxes, the government proposed several measures including the reduction of the ceiling on the tax refund from 6% to 4%, which is expected to close the revenue shortfall from e-levy and the betting tax. Although this specific measure is not an increment in tax revenue, the reduction provides fiscal space to enable government spend more on essential areas.

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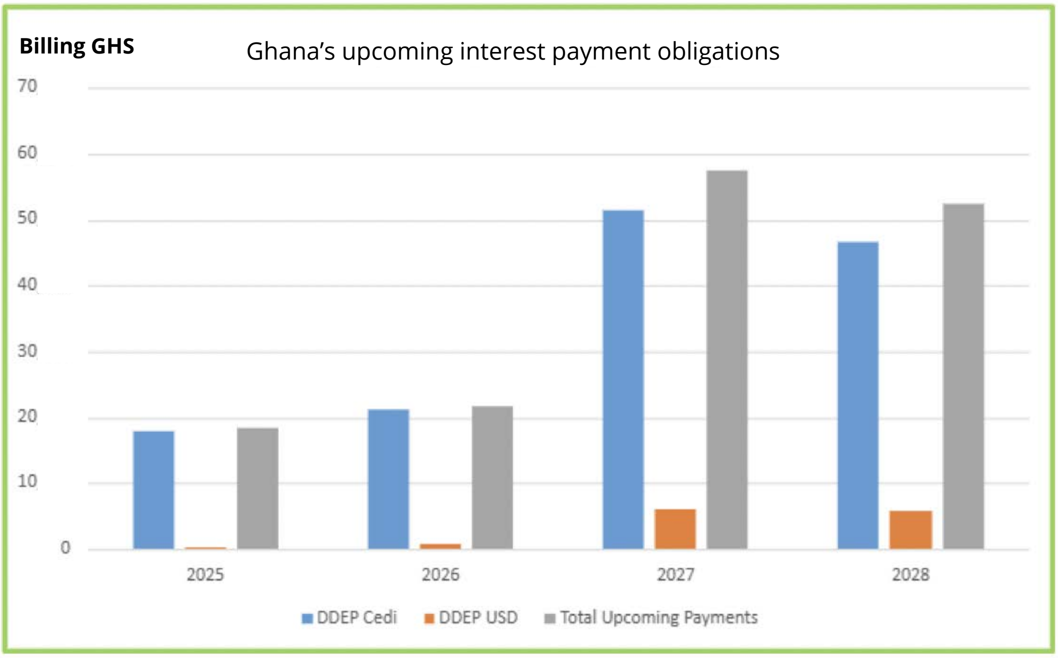
In line with various legislative instruments, including the PFM Act 921, governments over the years have put in measures to sustain the debt of the country. The 2021-2024 medium-term debt management strategy issued in line with the PFM Act provided for fiscal deficit to be moderate for the period of the strategy. The strategy also provided for reduction in fiscal deficit from 11.7 percent in 2020 to 9.5 percent in 2021 and finally to 4.5 percent by 2024. These were broadly achieved as budget deficits were 9.5 percent for 2021, 8.3 percent for 2022, 7.4 percent for 2023 and 3.9 percent for 2024. The 2025 budget statement has an estimated budget deficit of 3.1 percent. In line with the medium term debt strategy, the budget proposed the following:

1. Total limit for non-concessional external borrowing set at US$ 50 million.
2. Fiscal Responsibility Act (FRA) to be amended and incorpo rated in the PFM Act
3. Enforcement of sanctions in the (FRA)
4. Reopening of domestic bond market.

The introduction of the Fiscal Responsibility Act 2018 (Act 982) charges the government to ensure that the overall fiscal balance on a cash basis for a particular year does not exceed a deficit of 5 percent of the GDP for that year. The Act was suspended in 2020 due to the COVID-19 pandemic . Suspension of Act 982 has been blamed for the lack of fiscal discipline and excess deficits recorded over the last five years.

As at the end of 2024, the country's provisional debt stood at GH¢726. 7 billion, which is 61.8 percent of GDP in 2024. This reduction has been achieved through debt restructuring programme which resulted in "haircuts" for both domestic and external creditors. Re-introduction of the FRA coupled with strict fiscal discipline and enforcement of sanctions should ensure debt sustainability going forward and freeing up fiscal space for government to invest in other areas of the economy.



*Domestic Debt Exchange Programme (DDEP)

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As part of efforts to manage the country's current debt stock, the Minister also announced the reopening of the domestic bond market. This is intended to extend the maturity profile of debt stock; build sufficient cash buffers to support effective implementation of the liability management strategies as well as implement liability management operations to manage the risks imbedded in the Eurobond debt portfolio.

Infrastructure Gap

Ghana has a significant demand for infrastructure funding especially in sectors like road, energy, healthcare, water, and education, with an estimated $45 billion investment needed by 2040 to address these infrastructure needs. The last decade has seen critical infrastructure investment deficit due to fiscal constraints, rising debt and more recently, the country's inability to access international capital markets. Investments made by governments over the years in not encouraging as between 2021 to 2024 an average of 2.5 percent has been invested into the country's infrastructure. To support government investment into the infrastructure space, the Public-Private Partnership (PPP) Act, 2020 was enacted to foster a conducive environment for private sector participation.

Over the past four years, Ghana has actively utilized PPPs to fund critical infrastructure projects across various sectors. The minister of finance in the 2025 budget announced government's BIG PUSH programme with USD 10 billion earmarked for strategic infrastructural development. Further to this, he stated that government will:

1. Amend the Petroleum Revenue Management Act, 2011 (Act 815) (PRMA) to allocate all annual budget funding amount (ABFA) resources for infrastructure projects;
2. The Road Fund will receive full allocation under the Earmarked Funds Capping and Realignment Act, 2017 (Act 947);
3. Amend the Mineral Income and Investment Fund (MIIF) Act to ensure the 80% mineral royalties originally maintained by MIIF is transferred to the consolidated fund for infrastructure development.

These initiatives are expected to raise the needed financing to close the infrastructure gap the country is currently experiencing.

Consumer Industry

Agriculture and Agri-business sector

Implement Agriculture for Economic Transformation Agenda (AETA)

Government has allocated GHS 1.5 billion to agribusinesses to promote modernisation of agriculture and enhance food security. The primary areas of investment for the allocation will be irrigation expansion schemes; fertilizer and farm subsidies; and mechanisation and storage facilities. The AETA agenda will have the following sub-sectors:

- "Nkoko Nkitikiti" agenda: The Government aims to increase local poultry production to cut down on the country's dependence on imported poultry products. This will be done through investments in hatcheries, feed mills, processing, and distribution channels.

- Feed Ghana Programme (FGP): The scheme will focus on domestic food availability, improving crop productivity, supporting farmers and agricultural investments, and employing sustainable farming practices. The programme will also ensure participation of institutions such as schools, Faith-Based Organizations, security agencies, public institutions, and households in food production.

- Ghana grains development project: This will contribute to the development of the grains sector – maize, rice, millet, fonio and sorghum supply chains; support inclusion of Smallholder Farmers (SHF), and create jobs, with a focus on women and youth empowerment.

- Vegetable development project: this project will aim to enhance domestic vegetable production.

Implement Agriculture for Jobs programme

The programme aims at implementing innovative policies and strategic investments to modernise agriculture and make it attractive, thereby improving food security and creating jobs in the country.

Establish farmer service centres

Government will establish 50 units of Farmers' Service Centres, in all regions and strengthen the technical capacity of machinery operators to support farmers.This will be designed to create a one-stop hub for affordable agricultural services, machinery, equipment, and new technologies.

Establish farmer service centres

Ministry of Trade, Agribusiness and Industry under the AgriNext programme will facilitate access to land banks to young farmers, connect graduates with opportunities in the agricultural value chain and operationalise the institutional commercial farms of the National Service Scheme and Youth Employment Agency. The programme will also deploy mini processing plants to production enclaves to serve as markets for agricultural produce.

Launch 'Feed Industry" Programme

The programme is to boost production of local raw materials for reliable and sufficient supply of high-quality agricultural produce for industrial use.

Transport

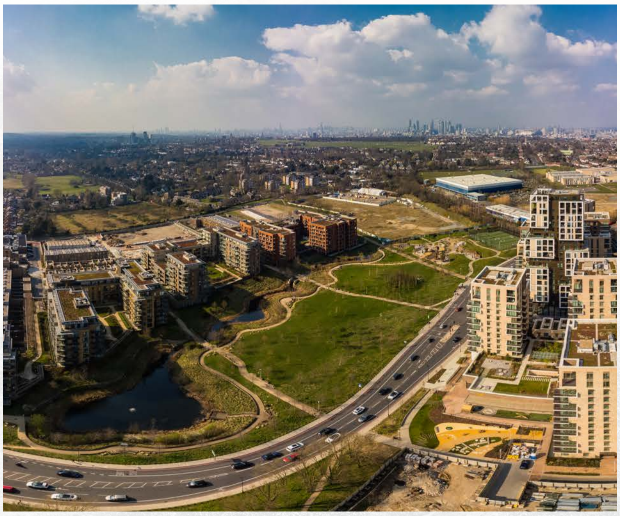
1. The Ministry of Roads and Highways will prioritise completion of projects under Transport Sector Improvement Project (TSIP). The project involves performance-based road contracting pilot to rehabilitate and maintain about 1,052km of trunk and feeder roads in the Bono East, Northern and Upper West Regions the completion of these projects in 2025.

2. Government will amend the Road Traffic Regulations, 2012 (L.I. 2180) to regularize the use of motorcycles and tricycles for fare-paying passengers for improved safety, job security, and welfare of riders.

3. Government will initiate operation of passenger services between Tema and Adome under the 97km standard gauge railway line from the Port of Tema to Mpakadan in the Asuogyaman District of the Eastern Region. The Government also plans to initiate studies for the development of the infrastructure on the Volta Lake to facilitate freight services between the Tema Port and Buipe as part of the Eastern corridor multi-modal transport system.

4. Government will also re-introduce tolls leveraging technological solutions in 2025 as part of the Big Push Programme, to mobilise revenue for road construction and maintenance.

5. The Ministry of Energy and Green Transition will continue pursuing policies including the deployment of electric vehicle charging stations, and promote the use of biofuel technologies intended to de-carbonise the transport sector.



Manufacturing

1. In 2025, the Ministry of Trade, Agribusiness and Industry will continue to support Ghanaian companies to obtain African Continental Free Trade Area Agreement (AfCFTA) Rules of Origin Certification AfCFTA certified. This is to continue similar government efforts in 2024 by supporting 19 Ghanaian companies manufacturing products to obtain certification.

2. The Ghana National Gas Company Limited (GNGC), having acquired ownership of the Ghana Cylinder Manufacturing Company Limited (GCMC), will invest to retool and refurbish GCMCs capacity to produce more cylinders to meet high demands while supporting transition to a low-carbon economy.

Deloitte's view

- The proposed initiatives under agriculture and agribusiness would serve as an incentive for agribusiness to boost production, as they will benefit from lower production costs and more readily available resources, innately increasing revenue. Also, agribusiness owners would benefit from increased exports of agriproducts due to minimized post-harvest losses, and subsidized costs, giving local businesses a greater competitive advantage in foreign markets if the programmes objectives are met.

- The schemes also seek to curb food inflation and importation, which has seen significant spikes in recent years due to insufficient and poor-quality domestic production. If well implemented, the deployments should help address the rising food inflation menace in the country and also create job opportunities for the youth, as the sector has the capacity to provide employment, particularly for members of the rural and agrarian population.

- The transport sector initiatives also seek to re-introduce road tolls for much needed revenue for road infrastructure. The railway operations and proposed investments should augment the country's infrastructure base to support economic growth and development.

- Importantly, government should develop solid interfaces between the proposed policies and ensure adequate infrastructure investment to achieve sustainable development in the agriculture, manufacturing and transport sectors as critical areas for economic development in Ghana.

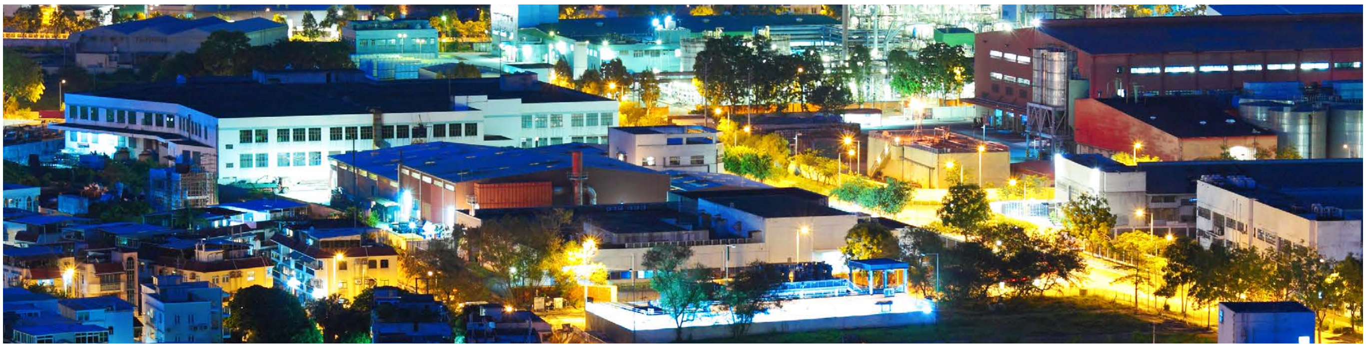
Key Tax and Regulatory Measures

General overview

The 2025 Budget Statement include significant tax policy proposals to abolish several taxes: electronic transfer levy, betting tax, emissions levy, and VAT on motor vehicle insurance premium. To close the expected gap in revenue, government has also proposed to increase the rate of Growth and Sustainability Levy on mining companies, extend the sunset clause for Special Import Levy to 2028, and reintroduce road tolls among other proposals.

Overall, while the Budget Statement reflects the government's promise not to introduce new taxes, there are extensions for various levies that had either expired or nearing expiration. The actual reforms to the VAT regime are yet to be determined but the objectives towards reversing the decoupling of levies from VAT and abolishing the flat rate are clear.

However, how government closes the shortfall in tax revenue from abolished taxes to raise the expected revenue from proposed measures will be critical in ensuring that it achieves its fiscal plan for the year. Businesses should also expect greater compliance scrutiny through tax audits and other compliance checks as government seeks to enhance tax collection amid proposals to review a number of statutes to enhance the business environment.



Business income tax

Amendment to the application of the Growth and Sustainability Levy (GSL)

The Government has proposed to extend expiration of GSL to the 2028 year of assessment from the initial sunset of 2025 year of assessment. In addition to this, the government has proposed to increase the GSL payable by mining companies from 1% to 3% of gross production.

Deloitte's view

- Government introduced GSL in 2023 to widen the covered entities for the National Fiscal Stabilisation Levy. The GSL was expected to be phased out by the end of the 2025 year of assessment. The levy will now be extended for three more years to the 2028 year of assessment for covered entities. Also, government proposes to increase the GSL rate for mining companies to 3% on gross production.

- For businesses, it is important to plan for the expected tax burden into their budgets for the extended years. The announcement of the increase in GSL from 1% to 3% of gross production is significant for mining companies who do not have fiscal stabilisation agreements with the Government and will therefore bear the burden of the proposed 200% increase in the rate of the GSL. Combined with the extension of the covered years to 2028, it would be important for government to assess the impact of the increase on the mining sector operations and future investments into the sector.

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Removal of the emission levy on industries and vehicles

The 2025 Budget Statement proposed to abolish emission levy on industries and vehicles as instituted in the Emissions Levy Act, 2023 (Act 1112) in 2023. The law was passed to impose an emissions levy on carbon dioxide equivalent emissions from specified sectors and internal combustion engine vehicle emissions but has remained inoperative to date.

Deloitte's view

- The introduction of emissions levy was indicative of a new direction to leverage fiscal policies to help tackle green-house gas emissions. The authorities did not institute mechanisms to implement the levy since Act 1112 was passed into law, while the infrastructure to persuade consumers to adopt eco-friendly vehicle options remained inadequate.
- Removal of this levy now means businesses and households would not incur the expected additional cost to comply with the requirement of Act 1112.

Removal of 1.5% withholding tax on proceeds from unprocessed gold by small-scale miners

The Government has proposed to remove the 1.5% withholding tax imposed on proceeds from unprocessed gold won by small-scale miners.

Deloitte's view

- The withholding tax on payments for unprocessed precious minerals located in or extracted from Ghana was reduced from 3% to 1.5% in 2021. The reduction in the rate was aimed at reducing the illegal trade in these unprocessed precious minerals.
- The policy to remove the 1.5% withholding tax appears to aim at discouraging illegal trade in unprocessed gold from small scale mining in the Ghana. This notwithstanding, small-scale miners must still fulfill their tax filing and payment obligations for income earned from mining operations. The Government should thus implement measures that ensures tax compliance as part of broader efforts to increase tax compliance within large informal sector in the country.

Personal income tax

Review of tax-free chargeable personal income tax band

The Budget Statement proposed a review of the income tax bands for resident individuals to align the current minimum wage to the tax-free income bracket. This proposal is to ensure that the income of individuals earning the current minimum wage would be subject to tax at 0%.

Deloitte's view

- The income tax band for resident individuals progressively taxes income from a rate of 0% to the maximum rate of 35%. Currently, monthly income up to GHS490 is tax-free.
- Following the agreement between the Government and the National Tripartite Committee to revise the national daily minimum wage to GHS 19.97, the proposed amendment is expected to increase the tax-free income band to ensure that the current minimum wage remains tax-free. This proposal however requires an amendment to the current income tax laws to be effective.

Removal of the 10%witholding tax on lottery winnings

The Budget Statement proposed the abolishment of the 10% withholding tax on lottery winnings, which is popularly known as the "Betting tax".

Deloitte's view

- In 2023, the government introduced a 10% withholding tax on winnings from lottery. After almost two years of lottery implementation, government has proposed to abolish the Betting tax with a potential revenue loss for government estimated at GHS180 million.
- The removal of the withholding tax should lessen the compliance cost on betting companies, who were required to act as withholding agents for the Ghana Revenue Authority (GRA). It is however important for the GRA to develop and implement policies aimed at ensuring that individuals generating income from lottery declare winnings in their tax returns and pay the appropriate taxes.

Indirect tax

Value Added Tax (VAT) Reforms

The Minister of Finance has indicated government's intention to undertake comprehensive VAT reforms with the aim to eliminate the distortions and cascading structure of the regime. The reform will comprise:
- Abolishing the COVID-19 Levy;
- Reversing the decoupling of GETFund and NHIL from VAT;
- Reducing the effective tax rate for households and businesses;
- Reversing the VAT flat rate regime;
- Upward adjustment of the VAT registration threshold to exempt micro and small businesses; and
- Improving compliance through enhanced public education and awareness

Deloitte's view

This Budget Statement announced that the relevant consultation and implementation is expected within 2025, with technical assistance from the Fiscal Affairs Department of IMF on VAT reforms.

The current VAT regime consists of a blend of VAT, (which is accounted for on an input-output basis) and three accompanying levies that act like sales tax. This means, VAT registered businesses are unable to recover levies incurred on inputs, thus adding to the cost of doing business. This distortion has adversely impacted the overall performance of VAT revenue, as indicated in the 2024 report on the Survey of Ghana's Tax System, jointly published by the Institute for Fiscal Studies, UK and the Ministry of Finance, Ghana.

The proposed reforms should streamline the VAT regime, restore the deductibility of the decoupled levies, and improve the performance of VAT revenue in the medium to long term.

Application of VAT on non-life insurance except for motor vehicles

The government has proposed to implement a 2023 amendment to the VAT Act that imposed VAT on non-life insurance, the implementation is proposed however to exclude motor vehicle insurance policies.

Deloitte's view

- Hitherto the 2023 amendment, non-life insurance was exempt from VAT. Since the passing of the amendment to bring non-life insurance into the scope of VAT, the Ghana Revenue Authority has not implemented this.
- The Government now intends to fully implement this measure in a bid to shore up VAT revenue. However, the proposal excludes motor vehicle insurance policies from the scope of VAT. This implies that VAT will be chargeable on all non-life insurance policies, except motor vehicle insurance policies.

Extension of the sunset clause in the Special Import Levy to 2028

The expiration date for Special Import Levy on all imports excluding specifically exempted goods is proposed to extend from 2024 to 2028.

Deloitte's view

- This extension represents the fourth of such extensions for a levy, which was originally scheduled to apply for a period of 3 years expiring 2015. The levy was first introduced in 2013 to generate additional revenue for fiscal stability and provide resources for investment in social services and infrastructure across the country. It has been further extended in 2015, 2017, 2019 and now the current proposal.
- The extension will add to the cost of doing business for businesses that have significant reliance on imported goods. Given that the levy appears to form an important part of government revenue, the Government may consider retaining the levy as a permanent tax on imports without the sunset clauses, to give certainty to the business community in their planning for tax costs going forward.

Rationalisation of port taxes, fees and charges

In a bid to reduce the cost of doing business at the ports, the government has proposed to conduct a review of all the taxes, fees and charges with the objective of removing those that are inimical to importers.

Deloitte's view

- The Budget Statement did not contain specific information on how the government intends to achieve this proposal. We therefore look forward to additional information to clarify the scope of tax items marked for removal and the timeframe within which this will be achieved.
- We also forsee the conflict between this proposal, which seeks to rationalise import-related taxes, and the proposal to extend the expiration of the Special Import Levy, another import-related levy by four years to 2028.

Consolidation of the Energy Debt Recovery Levy, Energy Sector Recovery Levy (Delta Fund) and Sanitation and Pollution Levy

The Budget Statement proposed a review of the Energy Sector Levies Act (ESLA) to consolidate the Energy Debt Recovery Levy (EDRL), Energy Sector Recovery Levy (ESRL), and Sanitation and Pollution Levy (SPL) into one levy and use the proceeds to cater for the energy sector shortfalls and debt service obligations.

Deloitte's view

- Currently, the Energy Sector Levies Act , 2015 (Act 899) as amended imposes EDRL of Ghp49 per litre on petrol and diesel products and Ghp41 per kg on liquified petroleum gas (LPG), the ESRL of Ghp20 per litre on petrol and diesel products and Ghp18 per kg of LPG, and SPL of Ghp10 per litre on petrol and diesel products.
- This proposal would reduce the number of taxing legislations in the energy sector. Streamlining of taxing legislations by way of consolidation may also provide an opportunity to identify and eliminate redundant provisions, as well as, resolve inconsistencies between different laws. It enhances tax administration and results in a coherent and consistent legal framework. As the reform is to consolidate the existing levies into a single levy, we do not expect any change in the burden on taxpayers.

Revenue administration and non-tax revenue

Reduction in the amount allocated to the tax refund account to 4% of total revenue from 6%.

The government has proposed an amendment to the Revenue Administration Act (RAA) to reduce the allocations to the tax refund account to 4% of total tax revenue from the current rate of 6%.Section 69 of the RAA requires for not more than 6% of total tax revenue for each year to be designated for meeting tax refund obligations. The proposed amendment is to reduce this allocation to 4% of total tax revenue.

Deloitte's view

- The Minister of Finance indicated that only 43% of the allocation made to the tax refund account in the last eight years was used for tax refunds hence the initiative to reduce the maximum allocation to align with anticipated tax refund obligations. The reduction in allocation is expected to free up funds towards meeting other expenditure obligations.
- In the interest of improving confidence in the tax system, it is important for the Government to ensure that the reduction in allocation does not affect ability to meet refund obligations. We propose that the Government keep this proposal under constant review to ensure the allocation for tax refunds is sufficient to meet legitimate refund claims from taxpayers, since it is an important indicator of confidence in the country's tax system for businesses.

Strengthening of the legal and regulatory regime for Non-Tax Revenue (NTR)

The Minister of Finance announced governments' intention to roll out a technology-driven solution to re-introduce road tolls in 2025 as part of government's strategic infrastructural development policy ("Big Push" Programme).

Deloitte's view

- While tax revenue is the conventional source of public finance, relying solely on it may not provide a sustainable approach to domestic revenue mobilisation, especially in economies characterized by high informality as Ghana's. The mobilisation of non-tax revenue has therefore been noted as an essential component of domestic revenue mobilisation drive.
- The government, in the medium term, intends to grow non-tax revenue to about 4% of GDP, and 20% of domestic revenue. This would involve maintaining oversight and coordination of NTR activities of covered and specific entities. The objective of government is to review and enhance the regulatory, administrative and legislative framework necessary for the collection of non-tax revenues.
- The key measures to achieve this include a) the development of a National NTR Strategic Policy manual; b) introduction of an overarching NTR legislation and amendment of existing relevant laws; c) the digitalisation/ enforcement of Treasury Single Account Policy; and d) a review of the property rate regime to widen the scope and improve administrative efficiency.

Business regulatory measures

Amendment to the GIPC Act and Labour Act and other enabling legislations

As part of government's plans to make Ghana the preferred investment destination, the government has proposed to review the GIPC, and Labour Acts.

Deloitte's view

- The proposed amendments and reviews are intended to stimulate economic growth by creating enabling environments for businesses and institutions. Whilst these amendments are to address current challenges, they are also expected to create jobs through a three-shift system.

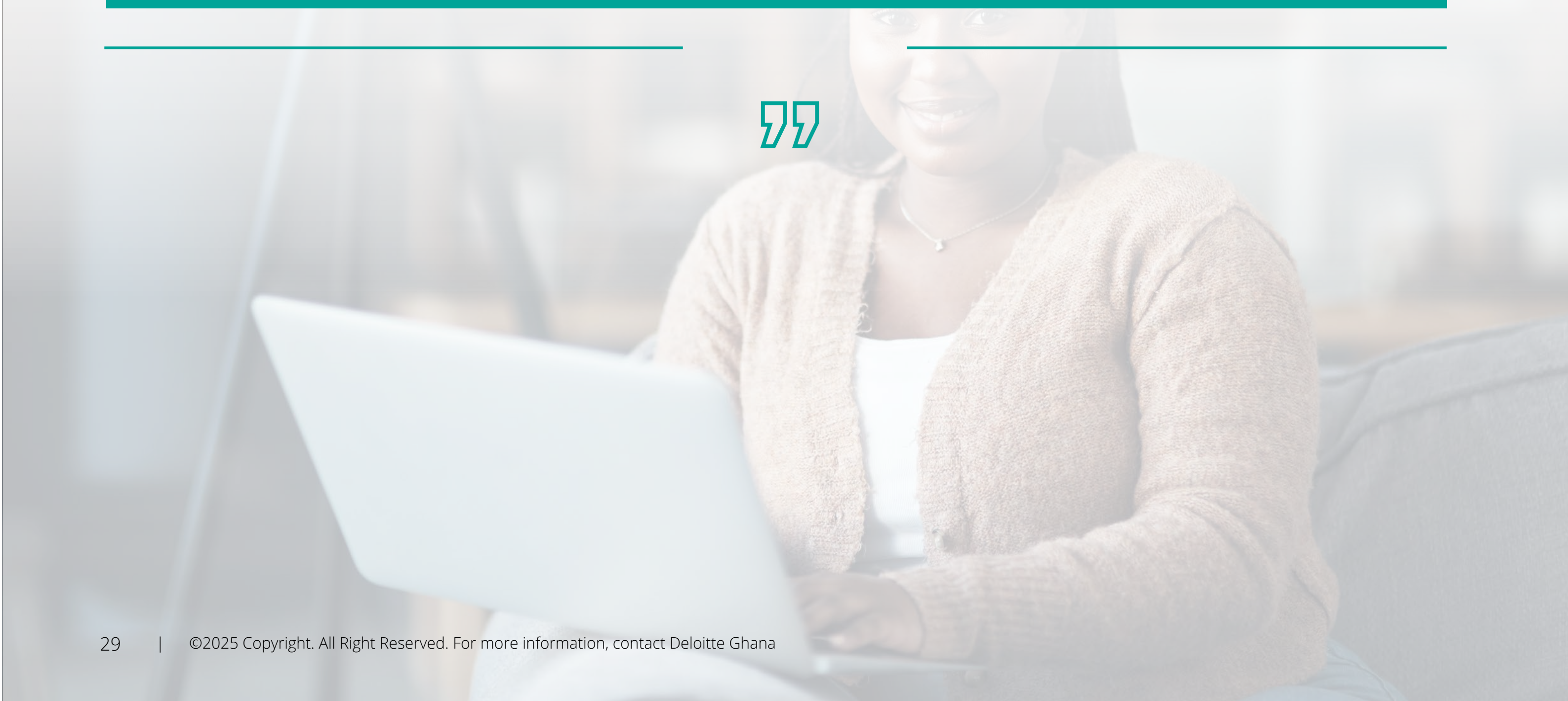
Introduction of Ghana labour export programme

The government intends to formalise the export of labour to other countries. This is expected to ensure a structured and beneficial system for Ghanaian workers seeking employment abroad. This will create a safe and legal pathway for Ghanaians to work in foreign countries while protecting their rights and welfare.

Deloitte's view

Deloitte's view

- We expect the Government to provide a framework to regulate the emigration of Ghanaian labour overseas. This may include government signing of treaties with other states to ensure a conducive environment for Ghanaian labour force abroad. Ultimately, the programme is intended to maximise the economic benefits of remittances and to boost Ghana's foreign exchange earnings.



Key Contacts

Daniel Owusu
Country Managing Partner
dowusu@deloitte.com.gh
+233 (0) 501 323 230

George Ankomah
Partner, Tax & Regulatory
gankomah@deloitte.com.gh
+233 (0) 501 320 895

Charlotte Forson
Partner, Audit
cforson@deloitte.com.gh
+233 (0) 501 320 902

Abena Biney
Partner, Audit
abiney@deloitte.com.gh
+233 (0) 501 320 903

Kofi Awuah
Partner, Risk Advisory
kawuah@deloitte.com.gh
+233 (0) 501 648 111

Emmanuel Martey
Partner, Audit
emartey@deloitte.com.gh
+233 (0) 501 320 897

Gloria Boye-Doku
Partner, Tax & Regulatory
gboyedoku@deloitte.com.gh
+233 (0) 501 320 915

Yaw Lartey
Partner, Financial Advisory
ylartey@deloitte.com.gh
+233 (0) 501 320 899

Kwabena Situ
Partner, Assurance
ksitu@deloitte.com.gh
+233 (0) 501 320 905

Roland Teye
Partner, Consulting
rteye@deloitte.com.gh
+233 (0) 501 576 056

Gideon Ayi-Owoo
Partner, Tax & Regulatory,
Deloitte Ghana
gayi-owoo@deloitte.com.gh
+233 509 810 823

Serwa Atiase Dzogbenuku
Partner, Consulting
satiasedzogbenuku@deloitte.com.gh
+233 (0) 208 110 302

Dorcas Sekum
Partner, Audit
dsekum@deloitte.com.gh
+233 (0) 501 320 907