Tax Update
July, 2019

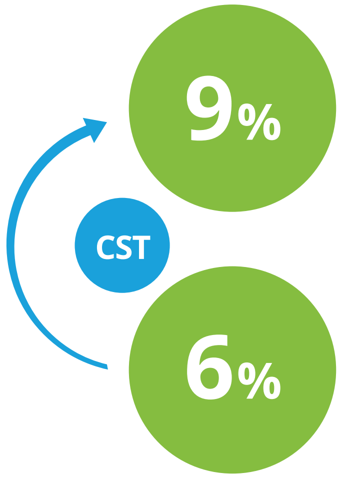
Highlights of 2019 Mid-year Fiscal Policy Review

The Minister of Finance presented a Mid-Year Fiscal Policy Review of the 2019 Budget Statement to the Parliament of Ghana on Monday, 29 July, 2019.

A number of fiscal policy reviews were proposed to shore up tax revenue. In this publication, we provide highlights of the tax proposals contained in the Minister's mid-year review statement.

1. Increase in Communication Service Tax

Government has proposed to increase the rate of communications service tax (CST) from the current 6% to 9%. CST is currently levied at a rate of 6% on charges payable by users of electronic communication services other than for private use. The Minister of Finance has noted that the aim of the increase in the tax rate is to enable Government develop a foundation for the creation of a viable technology ecosystem to boost its efforts in identifying and fighting cybercrime, protecting users of information technology and combating money laundering and other financial crimes.



The proposed increase will also lead to an increase in the VAT amount payable on electronic communications services provided in Ghana as CST forms part of the taxable base for VAT charges.

Although no effective date was announced in the fiscal policy review statement, ongoing proceedings in Ghana's Parliament suggest that an amendment to the CST Act is already underway to operationalize the CST rate increase very soon - likely in August, 2019.

2. Abolishment of Luxury Vehicle Levy

Government in 2018 introduced the Luxury Vehicle Levy to be levied on vehicles with engine capacity of 2,950cc and above with exceptions for commercial goods vehicles, passenger vehicles carrying more than ten (10) persons, tractors, and ambulances.

Following well-documented concerns about the application of the Luxury Vehicle Levy, the Minister of Finance has now announced that the levy will be fully abolished. Again, no effective date was announced in the fiscal review statement but the repeal of the Luxury Vehicle Tax Act, 2018 (Act 969) is expected to be passed soon to make the abolishment effective.

3. Approval of tax incentive framework for 1D1F companies

The Minister has also announced that Government has obtained Parliamentary approval for tax incentive packages for its flagship One-District-One-Factory (1D1F) policy. The 1D1F policy is a government industrialization policy targeted at accelerating industrial growth across the country.

To incentivize investments into the 1D1F program, Government in May, 2019 obtained Parliamentary approval for a tax incentive framework covering various tax exemptions for companies seeking to operate under the 1D1F program. The approved tax incentives broadly cover the following:

- five-year tax holiday;
- waiver from import duties and taxes on equipment, machinery and parts;
- waiver from payment of duties and levies on raw materials;
- waiver from the payment of withholding taxes;
- assurance for the repatriation of dividends;
- guarantee against nationalization; and
- Expatriate worker quotas.

Importantly, it should be noted that companies seeking to benefit from the above tax incentives would be required to submit to application processes of the Ministries of Trade and Industry and Finance to obtain specific Parliamentary approval for each project.

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