Executive summary

The Minister of Finance and Economic Planning (the Minister) presented the 2018 Budget Statement and Economic Policy (the Budget) for the Government of Ghana to Parliament on 15 November 2017. The theme of the Budget is “From stabilisation to growth, putting Ghana back to work.” According to the Minister, the Government is seeking to ignite the entrepreneurial spirit in Ghanaians and provide opportunities for Ghanaians to initiate projects of their own.

The Government reiterated its resolve to continue with its fiscal consolidation programs during the 2018 fiscal year. The Budget outlines the broad vision of the Government which includes the creation of a robust economy that supports a thriving private sector. In light of this, the Minister presented various strategies, policies and actions to be undertaken to achieve the vision of the Government.

Detailed discussion

Article 179 of the 1992 Constitution of Ghana requires that, at least one month before the end of the financial year, the President causes to be prepared and presented to Parliament, a budget for the following year.
The highlights of the 2018 Budget are presented below:

**ECOWAS Trade Liberalization Scheme (ETLS)**
The Minister indicated that 20 companies were granted approval under the ETLS in the third quarter of the year and it was anticipated that more approvals would be granted by the end of December 2017. Further, the Minister stated that recommendations made by the Task Force setup by the Authority of Heads of States and Government in 2016 to address the challenges that the ETLS had been fraught with, was being reviewed for implementation, where appropriate.

**Economic Partnership Agreement (EPA)**
The Minister stated that thirteen out of the sixteen West African countries had signed the West African-European Union Economic Partnership Agreement (WA-EU PA). As a requirement for the agreement to be approved by the two bodies, the three countries which had not yet signed – Nigeria, The Gambia and Mauritania - must sign in line with the modalities enshrined in the EPA negotiations.

**ECOWAS Common External Tariff (CET)**
The Minister said that Ghana was among one of the 13 West African countries which had started applying the ECOWAS Common External Tariff (CET) regime. According to the Minister, Ghana applied the Import Tax Adjustment (ITA) measures to 106 sensitive commodities in order to make them affordable and also give protection to certain sectors of the company. For this purpose, the Minister indicated that the Ministry of Finance was monitoring the impact of the CET regime on various sectors of the economy.

**Macro-economic performance**
The Minister highlighted some macro-economic indicators based on provisional data on economic performance for the period January–September 2017. These are provided below:

- Overall real GDP grew by 7.8% (6.6% in Quarter 1 and 9% in Quarter 2). Overall GDP growth is estimated at 7.9% at the end of the year
- Non-oil real GDP grew at an estimated 4% in the first half-year of 2017 compared to 5.9% in the same period in 2016. Non-oil GDP is estimated at 4.8% at the end of 2017
- End-period inflation was 11.6% at the end of October 2017, compared to 15.8% at the end of the same period in 2016
- The overall budget deficit on cash basis was 4.5% of GDP in September 2017 against a target of 4.8% of GDP, and an outturn of 6.4% in the same period in 2016
- The primary balance posted a surplus of 0.3% of GDP in September 2017, which is a significant improvement over the deficit of 1.6% realized in the same period of 2016
- The current account balance registered a deficit estimated at 0.2% of GDP in August 2017, compared with 2.6% in August 2016
- The country’s Gross International Reserves (including petroleum funds and encumbered assets), stood at US$6.9 billion at the end of September 2017, and is expected to cover 3.9 months of imports compared to the US$4.8 billion or 2.5 months import cover recorded in the same period of 2016

**Revenue**
In relation to the revenue performance for the year, the Minister indicated that delays in the implementation of tax compliance and administrative measures as well as slow real GDP growth in the non-oil sectors of the economy, particularly the services sector, contributed to the revenue shortfall for the period. As a result, tax on corporate profits and trade taxes which were expected to contribute about 31.3% of the total revenue and grant did not materialize.

According to the Minister, the Government will embark on the following measures to improve domestic resource mobilisation:

- **Broadening the tax base**: Government intends to broaden the tax base to include more taxpayers in the tax net. This will be achieved through implementation of the National Identification Scheme, the National Digital Addressing System, Tax Identification Number System and implementation of the presumptive tax system.
- **Improvement of tax compliance function**: Government is seeking to improve the tax compliance function through the review of the suspense regime, special audits, use of fiscal electronic devices, implementation of excise tax stamps, and implementation of common reporting standards for exchange of information, among others.
- **Improving property tax collection**: Government is planning to strengthen the design and administration of property taxes. To enhance efficiency in the revenue collection process, the Ghana Revenue Authority (GRA) will collaborate with the Ministry of Local Government and Rural Development to support Metropolitan, Municipal, and District assemblies in the collection and assessment of property taxes.
• **Rationalization of taxation of the mining sector:** According to the Minister, the Government intends to maintain its commitment to secure a level-playing field for investors. Thus, it plans tackling the problems associated with discretionary application of taxes that are not justified on economic terms.

• **Reviewing the Value Added Tax (VAT) System:** Government also plans to examine the design of the VAT system with the view to address any significant policy shortcomings that may be identified.

• **Overhauling the exemptions regime:** Government intends to overhaul the exemption system as part of its effort to curtail large revenue losses which occur due to special regimes, reduced tax rates, and other exemptions which do not serve social or economic purpose and are exploited by insiders.

The Minister stated that the Government had proposed the following tax initiatives to propel economic growth:

• **Granting of tax reliefs:** Government will grant relief from corporate income tax paid by privately-owned and managed universities. The relief will be granted on the assumption that profit earned by these private schools will be used to expand or maintain the school’s facilities.

• **Abolishing of income tax on minimum wage income earners:** Government is to review the current income tax threshold by pegging the tax-free threshold to the current minimum wage. Thus, all incomes which are not above the minimum wage shall not be taxed. This initiative is meant to protect low-income earners and to also ensure fairness in income tax administration in Ghana.

• **Granting of tax amnesty:** Government will seek approval from Parliament to exempt taxpayers who register and file returns within a targeted period from paying penalties and interest for late or non-submission of returns and late payments. This includes exemption from prosecution. The GRA will, after the amnesty period, wage an intense campaign to prosecute continuing defaulters and offenders.

• **Extension of National Fiscal Stabilization Levy (NFSL) and Special Import Levy (SIL):** Government proposes extending the NFSL and SIL to the end of the 2019 fiscal year. The extension of these levies, according to the Minister, will aid the Government to mobilize financial resources to continue carrying out its social intervention programs in the short-term.

• **Taxation of lottery:** Government plans to abolish the 7.5% income tax on commissions earned by lotto marketing companies and the 5% withholding tax on lotto prizes.

• **Tax incentives for young entrepreneurs:** Government will, through the National Entrepreneurship and Innovation Plan (NEIP), grant tax holidays to young Ghanaian entrepreneurs age 35 years and below who start their own businesses. The tax holidays shall be granted based on the number of persons employed by a start-up or early-stage business. A preferential tax rate of between 3 to 5 years will be granted after the tax holiday. Young entrepreneurs will also be allowed to carry forward losses for five years.

• **Alternative Dispute Resolution (ADR) in resolving tax disputes:** In order to instill confidence in investors, the Government will introduce an ADR mechanism to resolve tax disputes.
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