



Government 2021 Budget and Economic Policy Highlights

Tax Measures and Business Outlook for 2021

April 2021



Agenda

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- 3 Highlights of Sector & Other Initiatives
- 4 Key risks and concluding comments





Key 2021 Budget Highlights



Priorities and Strategic Pillars of the 2021 Budget

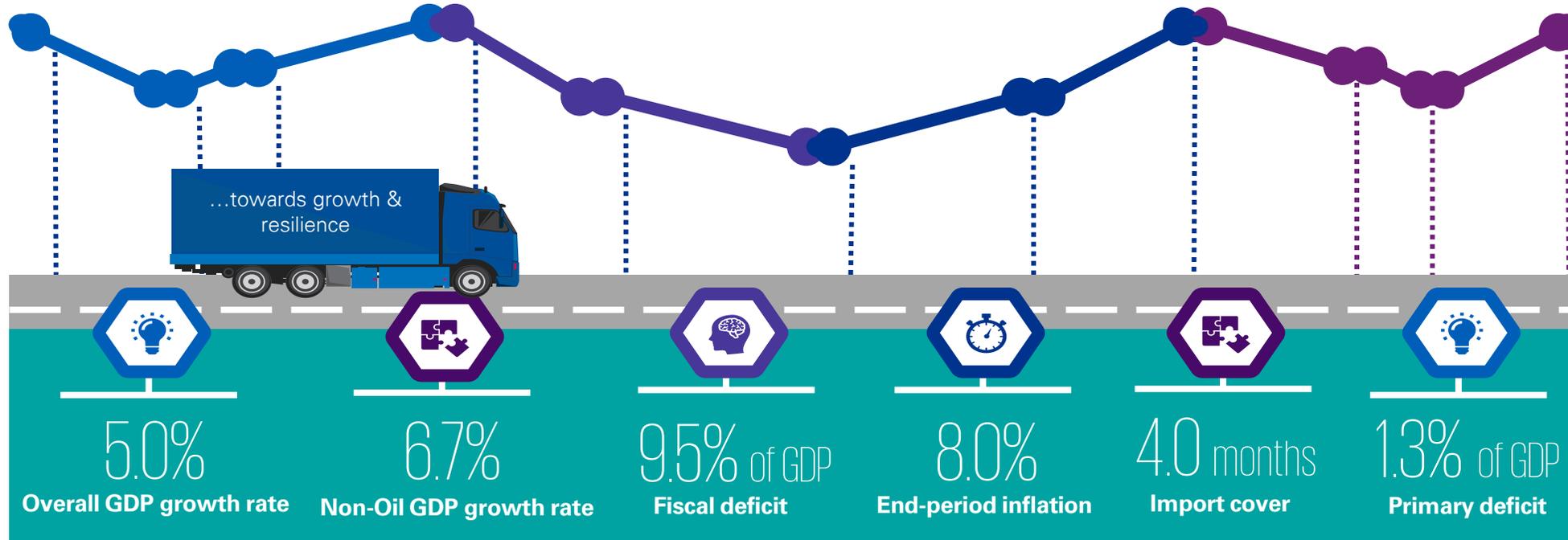
PRIORITIES

-  **COVID-19 Containment Measures & Vaccination**
-  **Creating and sustaining jobs**
-  **Implementation of the GhanaCARES Programme**
-  **Entrepreneurship and wealth creation**
-  **Consolidation and completion of existing programmes/projects**
-  **Security**
-  **Creation of fiscal space for implementation of priority programmes**

STRATEGIC PILLARS

-  **Restoring and sustaining macroeconomic stability with a focus on debt sustainability over the medium-term**
-  **Revitalising and transforming the economy through the implementation of the GhanaCARES Programme to ensure the socio-economic transformation that results in a modernised, competitive, and resilient economy to promote inclusive and sustainable growth**
-  **Building a robust financial services sector to support growth and development**
-  **Providing a supportive private sector environment for entrepreneurship, domestic businesses and Foreign Direct Investment (FDI) to thrive**
-  **Deepening structural reforms to make the machinery of Government work more efficiently and effectively to support socio-economic transformation. In particular, implement reforms to increase revenue mobilisation and the efficiency of public expenditures**

Targets for 2021



Revenue

GH¢ 72.5 billion

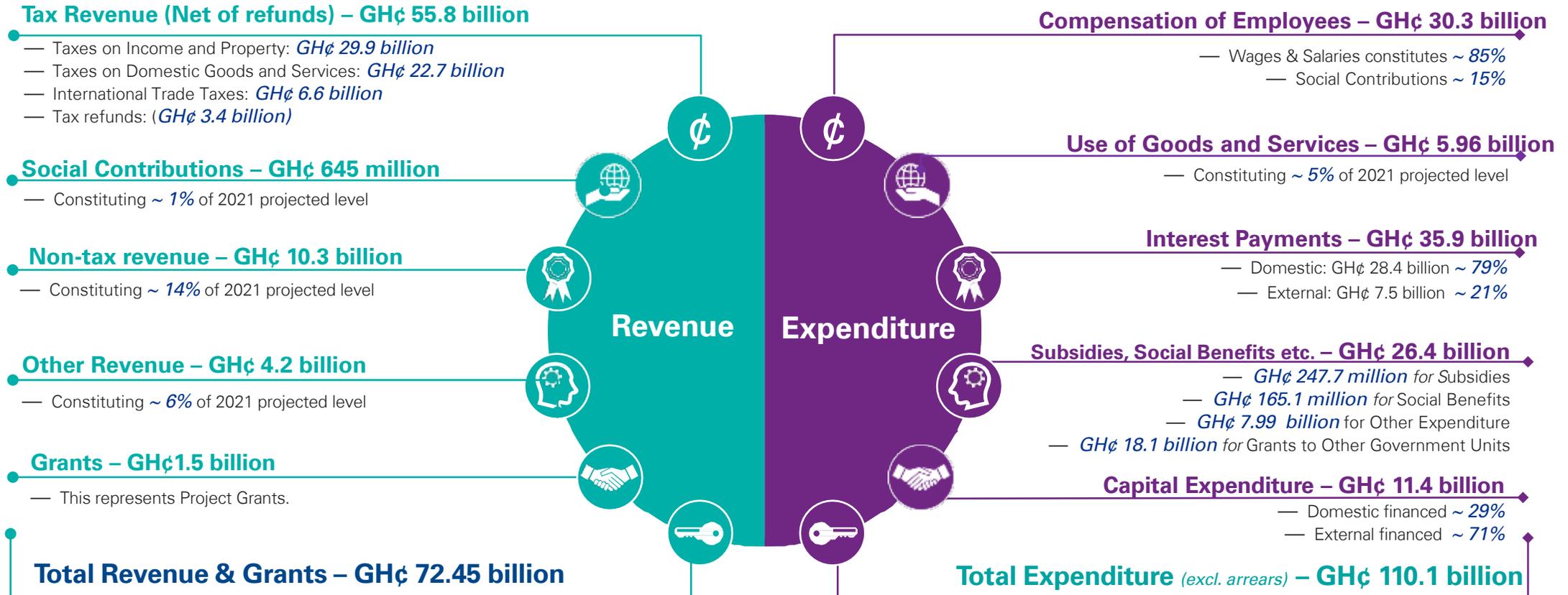
Public debt

GH¢ 291.6 billion
(as at Dec. 2020)

Expenditure *(excl. arrears)*

GHS 110.1 billion

Fiscal Outlook



- o Total government revenue and grants of **GH¢ 72.5 billion** represents **16.7%** of projected GDP for 2021. This is expected to be driven mainly by taxes on income and property (~41% of total revenue and grants) as well as taxes on domestic goods and services (~31% of total revenue).
- o Total projected expenditure of **GH¢ 110.05 billion** for the same period is expected to represent **25.4%** of GDP.
- o An overall budget deficit of **GH¢ 37.6 billion** is expected for 2021. The historical trend of large allocations to the Social sector is expected to continue in 2021.



Tax Policies



Tax Measures - 2021 Budget Statement

1. Introduction of Sanitation and Pollution Levy (SPL) by Act 1064

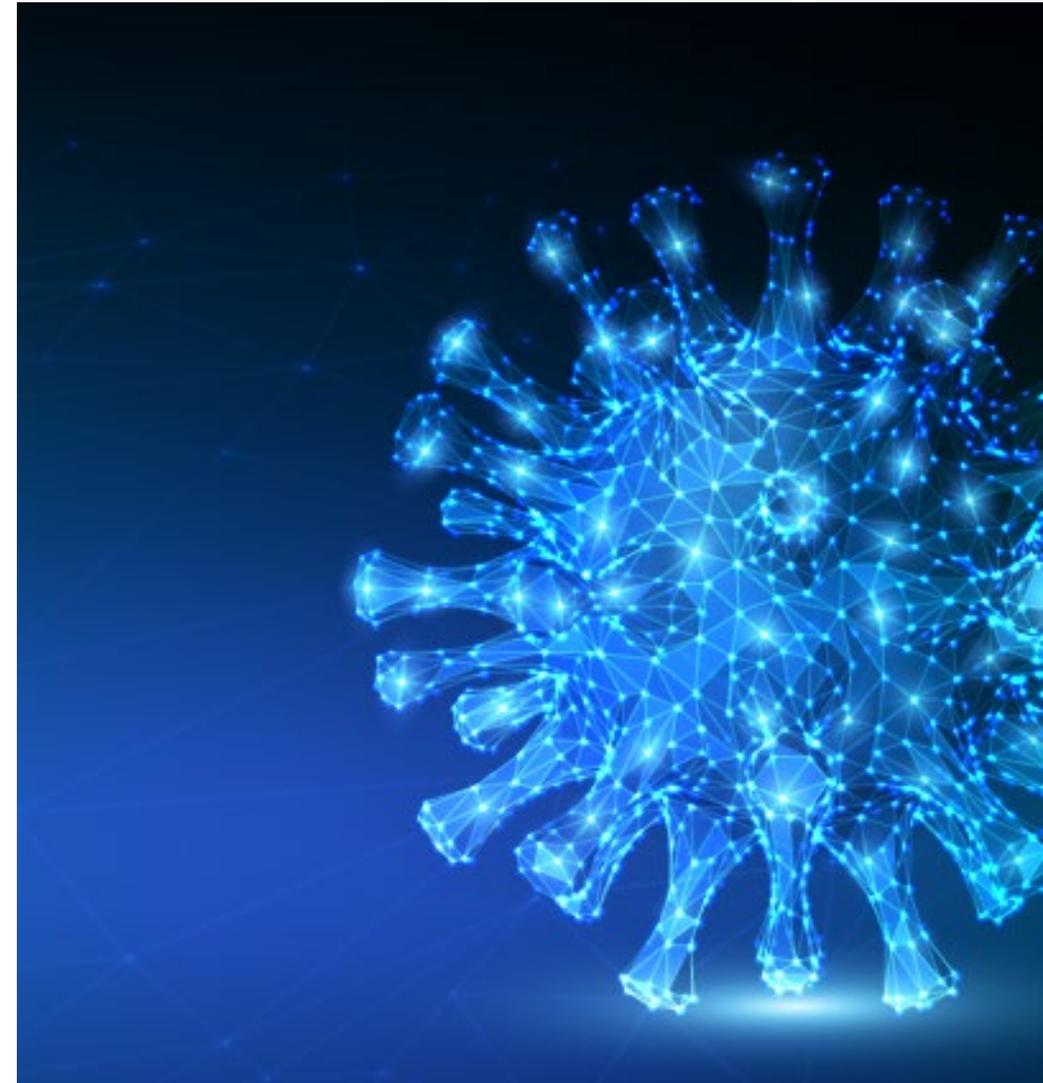
To provide the requisite resources for addressing challenges regarding sanitation and pollution, Government has implemented Energy Sector Levies (Amendment) Act 2021, (Act 1064) that imposes a Sanitation and Pollution Levy (SPL) of 10 pesewas on the price per litre of petrol/diesel.

2. Introduction of Energy Sector Recovery Levy (ESRL) by Act 1064

The Energy Sector Levies (Amendment) Act 2021, (Act 1064) introduces an Energy Sector Recovery Levy (ESRL) at a rate of Ghp20 per litre on Petrol and Diesel, and Ghp18 per kg of LPG to support the payment of energy sector bills, capacity charges and fuel utilized by a power plant to generate or produce energy.

3. Introduction of COVID-19 Health Recovery Levy by Act 1068

To provide the requisite resources for the additional health spending by Government in combating the COVID-19 pandemic, Government has implemented a 1% COVID-19 Health Recovery Levy to be applied on taxable supplies; under both the Standard Rate & Flat Rate VAT Schemes.



Tax Measures - 2021 Budget Statement

4. Introduction of the Financial Sector Recovery Levy by Act 1067

Act 1067 introduces the imposition of a 5% Financial Sector Recovery Levy (FSRL) on the profit before tax of banks other than rural and community banks irrespective of any tax holidays granted with respect to direct or indirect taxes. This is to help defray outstanding commitments in the sector; and the FSRL is subject to review at the end of the 2024 Year of Assessment.

5. Introduction of 30% Tax Rebates to Selected Sectors by Act 1066

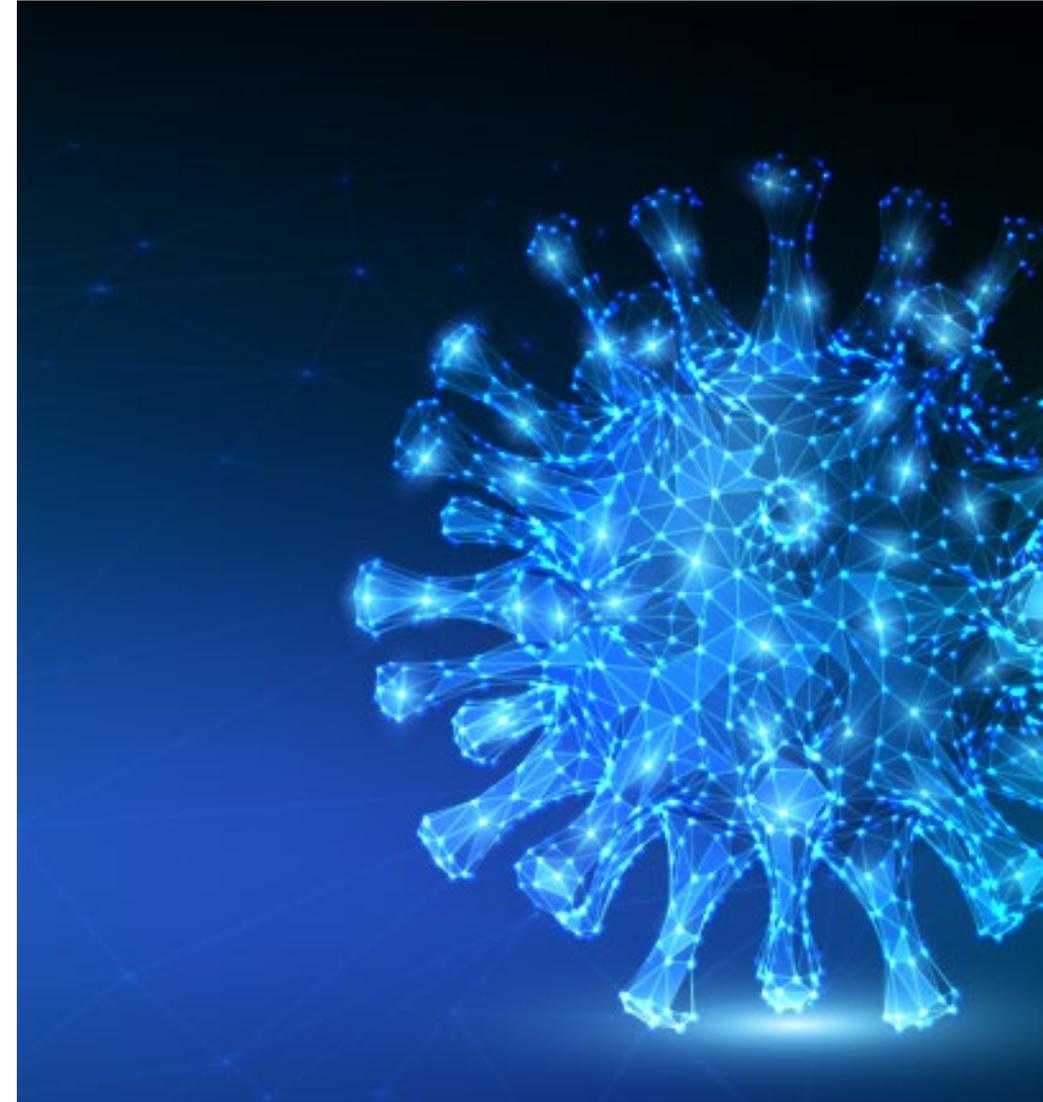
The Income Tax (Amendment) Act 1066 introduces a tax rebate of 30% on the second to fourth quarters of 2021 for the following sectors:

- accommodation and food
- education
- travel and tours
- arts and entertainment

6. Suspension of 2nd - 4th quarter income taxes for selected persons by Act 1066

Act 1066 further suspends second to fourth quarter income tax instalment payment of 2021 for the following persons including;

- artisans such as retail traders, bakers, chop bar operators; artisans among others and
- An owner of a taxi, private taxi or trotro.



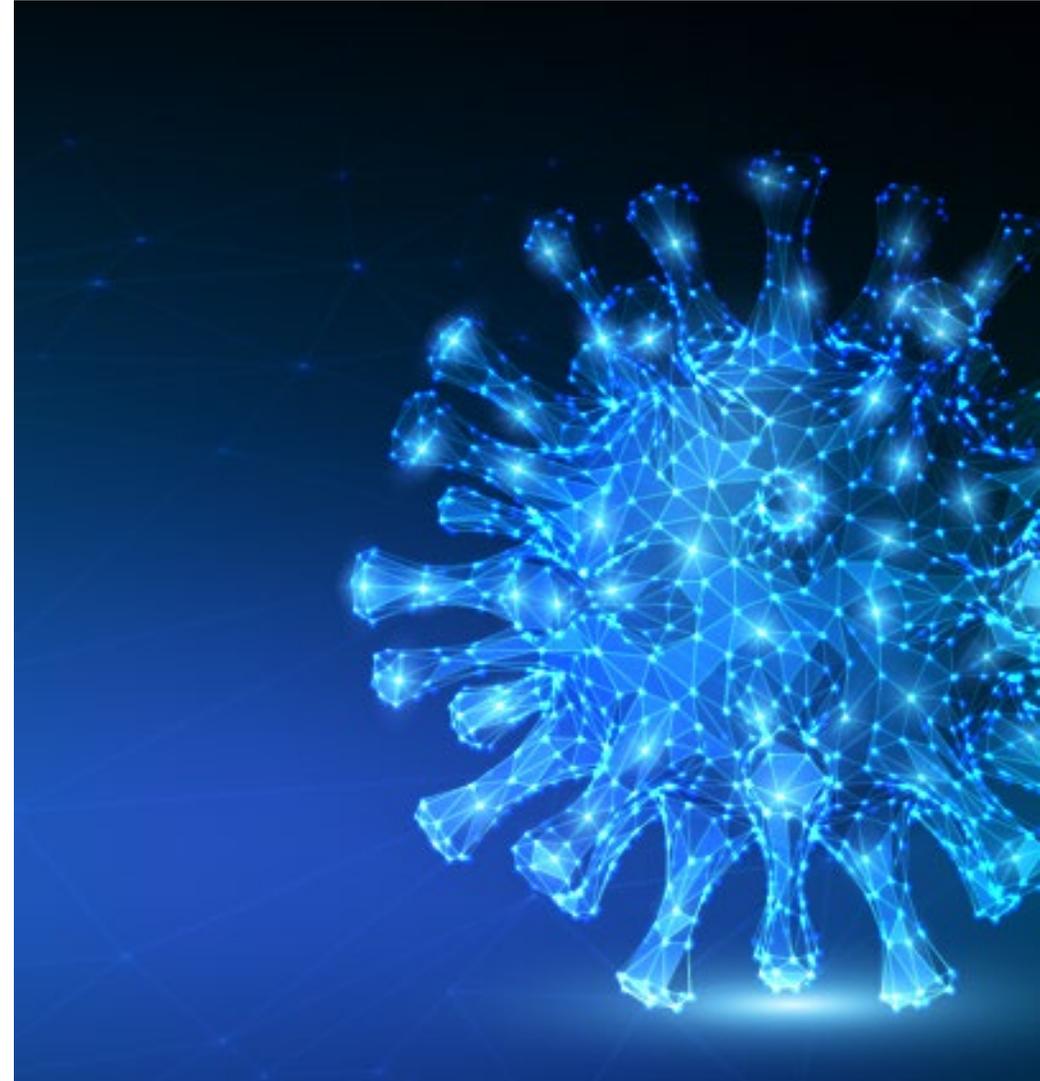
Tax Measures - 2021 Budget Statement

7. Granting Waiver of Penalty and Interest in Arrears by Act 1065

Act 1065 offers waiver of penalties and interests on accumulated tax arrears up to December 2020 for qualified persons who make arrangements with the Ghana Revenue Authority (GRA) for payment of the principal tax by September 2021.

Qualified persons would be required to make an application in writing to the GRA in a form prescribed by the C-G on or before 30 September 2021;

- ❑ Upon receipt of the application, the C-G would be required to communicate his decision to the applicant within 30 days (i.e. on or before 31 October 2021);
- ❑ An applicant who is dissatisfied with the waiver decision from the C-G would be required to object to the decision within 30 days (i.e. on or before 30 November 2021); and
- ❑ Upon receipt of the objection from the applicant, the C-G shall make a determination and communicate to the applicant within 30 days (i.e. on or before 31 December 2021).
- ❑ Where the applicant is still dissatisfied with the determination made by the C-G, the applicant can pursue the matter in court.



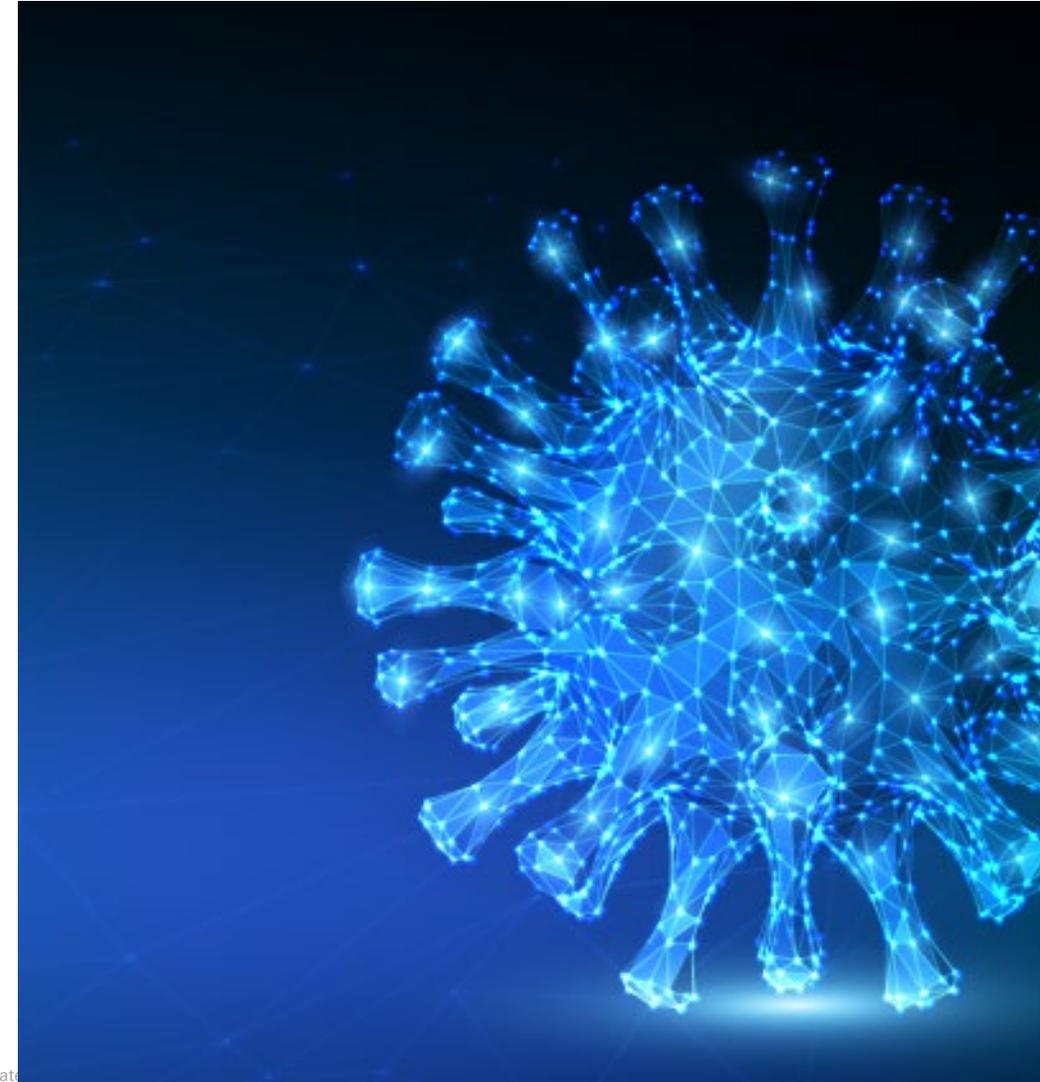
Other Tax Measures - 2021 Budget Statement (1/2)

1. Permanent Tax Exemption of Capital Gains on Listed Securities

To encourage investors to participate in Ghana's capital market and make our market more competitive, Government proposes a permanent tax exemption on capital gains on listed securities.

2. Appointment of the Executive Secretary and members of the Independent Tax Appeals Board

Following the coming into force of the Revenue Administration (Amendment) Act, 2020 (Act 1029) which sought to establish an Independent Tax Appeals Board and enhance the existing voluntary disclosure procedures, Government intends to appoint Executive Secretary and members of the Appeals Board by the first half of 2021.



Impact of 1% COVID-19 Health Recovery Levy on Businesses (1/2)

IMPACT ASSESSMENT ON STANDARD RATED SUPPLIES	Scenario 1 - Based on Existing VAT Structure			Scenario 2 - Based on Proposed 1% Increase in NHIL		Difference
	Rate	GHS		Rate	GHS	
Gross Taxable Value @ 100,000		100,000	A	-	100,000	
National Health Insurance Levy (2.5%*A)	2.50%	2,500.00	B	2.50%	2,500.00	-
GETFUND Levy (2.5%*A)	2.50%	2,500.00	C	2.50%	2,500.00	-
COVID - 19 Health Recovery Levy (1%*A)		-		1.00%	1,000.00	(1,000.00)
Base for VAT Calculation		105,000	D		106,000	(1,000.00)
VAT (12.5%*D)	12.50%	13125	E	12.50%	13,250.00	(125.00)
Amount Payable (Selling Price)		118,125	F		119,250	(1,125.00)
Effective Tax Rate - Output VAT		18.125%			19.250%	1.125%

Conclusion

- Based on the two scenarios, the introduction of the 1% COVID-19 Recovery Levy will lead to a marginal increase in the taxable base;
- The levy which is not claimable in the Input-Output system increases the cost to businesses; and
- The implementation of the COVID-19 Health Recovery Levy leads to a 1.125% increase in the effective VAT Rate.

Impact of 1% COVID-19 Health Recovery Levy on Businesses(2/2)

IMPACT ASSESSMENT ON FLAT RATE SUPPLIES	Scenario 1 - Based on Existing VAT Structure			Scenario 2 - Based on Proposed 1% Increase in NHIL		Difference
	Rate	GHS		Rate	GHS	
Gross Taxable Value @ 100,000		100,000	A	-	100,000	
Base for VAT Calculation		100,000	B		100,000	-
VAT (3%*A)	3.00%	3,000.00	C	3.00%	3,000.00	-
COVID - 19 Health Recovery Levy (1%*A)		-		1.00%	1,000.00	(1,000.00)
Amount Payable (Selling Price)		103,000	D		104,000	(1,000.00)
Effective Tax Rate - Output VAT		3.000%			4.000%	1.000%

Conclusion

- Based on the two scenarios, the introduction of the 1% COVID-19 Recovery Levy will lead to a marginal increase in the taxable base;
- The levy which is not claimable by standard rate suppliers who also undertake wholesale and retail would increase the cost to businesses; and
- The implementation of the COVID-19 Health Recovery Levy leads to a 1% increase in the Effective VAT Rate.

Despite the non-claimable 1% COVID-19 Health Recovery on a month-on-month basis; the levy would be granted as an allowable deduction in the assessment of businesses annual corporate income tax liability at year end.



Highlights of Sector and Other Initiatives



Financial Services Sector Initiatives

This initiative seeks to ensure that Ghanaian importers of goods (other than those for personal consumption) can easily make a claim if they suffer accidental loss.

Mandatory Marine Insurance of Imported Goods with Ghanaian Insurance Companies



National Insurance Commission is working on a strategy to make insurance more accessible to MSMEs to push significant portions of businesses in the insurance safety net.

Easing Access of Micro, Small, and Medium Enterprises (MSME's) to Insurance



The Ghana Stock Exchange is embarking on a partnership arrangement with SIGA and other private sector associations to the issue at least 4 corporate bonds as well as new products such as green bonds and bio-credit trading.

Ghana Stock Exchange's partnership with SIGA and other private sector associations



The GSE is to partner with FinTechs to make security trading more accessible to the ordinary Ghanaian via mobile applications.

Introduction of Mobile Applications for Securities Trading



Fire Insurance for Commercial Places



Introduction of Security Lending and Borrowing by Ghana Fixed Income Market (GFIM)



Establishment of the Domestic Credit Rating Agency (DCRA)



Government intends to ensure proper fire insurance for commercial places such as markets, hotels, hospitals or fuel stations as well as ease of verification of insurance at these places through digitised fire insurance certificates



GSE intends to introduce securities lending and borrowing under global standards, the Global Master Securities Lending Agreements (GMSLA), to make security transactions more effective.

This is meant to promote market transparency and discipline; facilitating independent rating of regulated financial institution promoting market transparency and discipline.

Other Sector Initiatives

Transportation Sector

Implementation of Lease-to-own Financing Arrangement

Government intends to provide initial funding to underwrite financing by private sector leasing companies to enable commercial vehicle owners and operators buy made in Ghana vehicles. This is to provide the long term financing required by commercial vehicle owners and operators to replace aged and non-road worthy commercial vehicles.

1

Introduction of Cashless Payment Solution for Public Transports Service Providers

To improve service delivery as well as health and safety protocols in the wake of the COVID-19 pandemic, Government intends to introduce a cashless payment solution for public transport service providers.

2

Health Sector

Boost the Pharmaceutical Industry

Under the CARES programme, government will boost forty (40) registered pharmaceutical manufacturers and support some to become sub-regional giants. This is part of government's commitment to improving the pharmaceutical sector through structured engagements, calculated policy and legislative reforms.

3

Trade & Industry Sector

Develop the Housing Sector

As a means of addressing the national housing deficit, the Government plans to pass the Home Ownership Financing Bill and empower housing mortgage and construction finance schemes to spur housing developments

4

Set Up an Automotive Manufacturing Support Centre

To enhance the economy's Industrial Transformational agenda in the Vehicle Assembly and Automotive Industry, Government proposes to set up an Automotive Manufacturing Support Centre in Accra with a satellite office in Kumasi, to train and develop the skills and vehicle financing support to sector players and also set up the Automotive Industry Development Council.

5

Other Initiatives

Enhancing Regulatory Services & Compliance

Government, through the Internal Audit Agency, proposes to enhance regulatory compliance through capacity building initiatives for public officers covering;

- Enterprise Risk Management (ERM)
- Risk Based Internal Auditing
- Procurement Audit
- GIFMIS (Ghana Integrated Financial Management System)
- Financial Statement Audit
- Information Technology Audit



Introducing a Monitoring and Evaluation Programme

The Office of the Government Machinery (taking over from the Ministry of Monitoring and Evaluation) is proposing to conduct an Annual Citizens' Assessment Survey, as well as developing and operationalising the Ghana Performance Portal.

Introducing the National Equipment Leasing Policy

The Government, as a means of efficiently managing its capital expenditure budget is proposing the effective implementation of the National Equipment Leasing Policy.



Key risks and concluding thoughts



Key risks which may threaten success of these initiatives



Financing of the initiatives

- The Ghana CARES programme is estimated to cost GHC100 billion. With the current budget deficit financing will be a key challenge and private sector will have to participate



Impact of fiscal measures

- Taxes on bank's profit could be passed on to borrowers and likely to result in higher interest rates
- Increases in taxes and levies on petroleum products may cause CPI to inch up



Capacity of private sector to exploit opportunities

- The ability of indigenous businesses to take advantage of these initiatives. Constrained by scale and finance



Ability to secure vaccines and achieve herd immunity

- Risks of a surge still remain as some countries experience a third wave. Vaccination remains critical if normalcy is to be achieved to support the revitalisation programme





Questions?





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