



Presentation on

Revenue Policy Measures

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Introduction



- The basis of taxation is to provide government with the funds needed to invest in development, promote the welfare of its citizenry and to finance its activities.
- Taxation serves as an alternative to aid dependence and provides fiscal reliance and the sustainability needed to promote economic growth.
- To achieve efficiency in revenue mobilization, tax policies should be designed in such a way that, **they impose minimal cost on the productive sectors of the economy** – since they serve as an engine of growth.

Revenue Policy Objective



- The direction of revenue policy in 2017 is to strike the right balance between domestic revenue resource mobilization for development and designing an attractive tax regime that promotes domestic and foreign investment.
- In order to achieve the above objective, Government has shifted the focus of revenue policy away from mere revenue mobilisation to include support for production. The thrust is to release money to industry thus giving them the ability to increase productivity and then tax the gains made on the outputs.
- Government will also put in measures to ensure accountability and efficiency in the management of non-tax revenue.
- These have been translated into practice through the following policy measures:

Value-Added Tax (VAT) and National Health Insurance Levy (NHIL)



- VAT and NHIL have a direct impact on spending and can therefore act as a disincentive to production. The Value Added Tax (Amendment) Act, 2017 (Act 948) has been passed to remove the tax on some goods and services.
- VAT and NHIL have been removed on the under listed goods and services to reduce the cost and make them easily available to industry and citizens.
 1. 17.5 percent VAT/NHIL on financial services.
 2. 17.5 percent VAT/NHIL imposed on domestic airline tickets
 3. 5 percent VAT flat rate on the sale of real estate
- In order to enhance the administrative efficiency of the VAT regime and reduce the cost of doing business, Government has reintroduced the 3 percent VAT flat rate scheme.

Import Related Measures



- In order to reduce the cost of production and make local goods more competitive, Government has through the Special Import Levy (Amendment) Act, 2017 (Act 944) removed the 1 percent Special Import Levy which was imposed mainly on imported raw materials and machinery.
- To support the transport sector the import duty on vehicle spare parts will be set at zero. This will reduce the cost of vehicle maintenance, and encourage vehicle owners to buy newer parts and ensure safer vehicles on our roads. Discussions with the stakeholders on the coverage of the exemption has been completed and the amendment bill is ready to be laid when Parliament resumes sitting.

Import Related Measures



- Government will remove the 17.5 percent VAT/NHIL on selected imported medicines that are not produced locally in order to reduce the cost of health care permitting citizens to easily access health services. Discussions have been concluded with the Ministry of Health and other stakeholders to agree on the coverage.
- In order to boost the manufacturing sector, Government will take advantage of the five-year moratorium to remove import duties on selected imported raw materials and machinery. Discussions with the AGI and other manufacturers have commenced on the list of relevant raw materials that the exemption will cover.

Down-Stream Petroleum related Measures



- In order to reduce the excess burden on final consumers and reduce the cost of fuel for the industrial sector the under listed measures were undertaken.
 1. The Customs And Excise (Petroleum Taxes And Petroleum Related Levies) (Repeal) Act, 2017 (Act 943) has been passed to remove excise duty on petroleum products.
 2. The Special Petroleum Tax (Amendment) Act, 2017 (Act 942) has reduced the tax from 17.5 percent to 15 percent.

Income Tax related Measures



- Government has exempted from taxation, the gains from realization of securities listed on the Ghana Stock Exchange. The idea is to encourage activity on the market and deepen the capital market. The Income Tax (Amendment) Act, 2017 (Act 941) has been passed to reflect this.
- During the course of the year, a survey will be conducted among the business community to help set the right modalities for the provision of Tax credits and other incentives for businesses that hire young graduates.

Review of Energy Sector Levies



The under listed changes were made through the Energy Sector Levies (Amendment) Act, 2017 (Act 946) to reduce cost of energy for production by industry and cost of energy for households:

- National Electrification Scheme Levy from 5 percent to 3 percent; and
- Public Lighting Levy from 5 percent to 2 percent

Review of Exemptions Regime



- Government is embarking on a comprehensive review of the regime on import duty exemptions and tax reliefs with a view to eliminating abuses and improving efficiency in the applications of these incentives.
- In the interim applicants for import duty exemptions and tax waivers are required to, except in exceptional circumstances to be determined by the Minister for Finance, provisionally pay in full all applicable import duties and taxes, and apply with justification for refund.

Review of Exemptions Regime



- The following exemptions and tax reliefs will be reviewed
 - import duties, taxes and levies payable by MDAs and other government agencies;
 - import duties and all forms of taxes and levies payable by both domestic and foreign companies, suppliers and contractors executing projects and contracts in the country;
 - import duties and all forms of taxes and levies payable by employees, directors and senior officials of both domestic and foreign companies, suppliers and contractors executing projects in the country;
 - import duties and all forms of taxes and levies payable by both domestic and foreign companies and investors doing business in the country; and
 - import duties and all forms of taxes and levies payable by non-governmental and charity organizations.

Revenue Enhancing Measures



- **Electronic Point of Sales:** To curb tax evasion and improve revenue collection under the VAT system, Electronic Point of Sales devices will be deployed by the third quarter of 2017 to ensure that VAT collections are monitored on a real-time basis by the GRA.
- **Excise Tax Stamp:** Full implementation of the Excise Tax Stamp Act, 2013 (Act 873) will be carried out to boost revenue collection and also curtail under-invoicing and smuggling.
- **Audits:** The Transfer Pricing Unit of the GRA will be strengthened to undertake rigorous audits of multinational companies. In addition, integrated audits of Free Zone companies and specialized sectors will be carried out.

Revenue Enhancing Measures



- **Taxpayer Identification Numbering (TIN) System:**
 1. Revenue Administration Act, 2016 (Act 915) makes TIN usage mandatory for all transactions with Government.
 2. Withholding Agents to require TIN for all transactions and to ensure they withhold taxes and pay to Government.
- **Filing of Returns:** To ensure that Ghanaians carry out their civic responsibility and as a response to the reduction in the tax burden citizens will be encouraged to file their tax returns. These fall into three broad areas:
 1. Personal Income Tax Returns
 2. Employers Return on Employee Payments
 3. Corporate Tax Returns.

Non-Tax Revenue Measures



- Government will undertake the following measures to bring accountability and efficiency in the management of non-tax revenue.
- The Ministry of Finance will:
 1. in collaboration with all key stakeholders, review existing legislation and all administrative instructions regarding Non-Tax Revenue (NTR)/Internally Generated Funds (IGF) to develop an IGF Policy
 2. roll out the e-monitor software to additional selected MDAs
 3. audit banking service arrangements with participating commercial banks; and
 4. expand the coverage of the gross lodgment policy on NTR/IGF to cover more MDAs.

Conclusion



- We believe that the changes in the tax system will reduce the cost of doing business and spur on production and growth and enable citizens to enjoy respite in the cost of living stemming from a reduction in prices of items such as medication, real estate, domestic airline tickets and spare parts.
- The improvement in the monitoring of non-tax revenue and IGF will ensure that revenue from those sources are maximized and used efficiently.



THANK YOU