

A survey of the Ghanaian tax system (2023)

Institute for Fiscal Studies

Abdul Malik Iddrisu

Martin Mikloš

David Phillips

Tax Policy Unit, Ministry of Finance, Ghana

Manzi Abdulai

Edward Abrokwah

Nana Ama Kwakyewaah Asumah

Thomas Blanchard

Benjamin Kamal Chackson

Copy-edited by Judith Payne

Published by

The Institute for Fiscal Studies

Ministry of Finance, Ghana

© The Institute for Fiscal Studies and Ministry of Finance, Ghana,
April 2024



Preface

This report was prepared by the Institute for Fiscal Studies (IFS)'s Centre for Tax Analysis in Developing Countries (TaxDev) in collaboration with partners in the Tax Policy Unit in the Ministry of Finance, Ghana. TaxDev aims to contribute to more effective tax policymaking in low- and middle-income countries (LMICs) through research and applied policy analysis.

The views expressed in this report are, however, those of the authors and do not necessarily reflect the views of the funders or of the other individuals or institutions mentioned herein, including IFS, which has no corporate views, and the Ministry of Finance, Ghana.

The authors would like to thank Mr Ebenezer Bob-Eshun and Mr Daniel Nuer for their inputs. They also thank the Ghana Revenue Authority for its support and for providing tax revenue data, as well as Yani Tyskerud for her feedback.

This is version 2.0 of 'A survey of the Ghanaian tax system' and updates version 1.0 published in December 2021. The original report was produced by Abdul Malik Iddrisu and Ross Warwick, both then at the Institute for Fiscal Studies, and Edward Abrokwah, Harriet Conron, Andara Kamara and Daniel Nuer, all then at the Tax Policy Unit in Ghana's Ministry of Finance.

IFS input to this report was funded by UK aid through the grant to TaxDev. Co-funding from the ESRC-funded Centre for the Microeconomic Analysis of Public Policy (ES/T014334/1) is also gratefully acknowledged.

Contents

| | |
|-------------------------------------------|-----------|
| Abbreviations | 4 |
| Executive summary..... | 6 |
| 1. Introduction | 8 |
| 2. Tax revenues in Ghana | 10 |
| Overview | 10 |
| Tax revenue composition | 12 |
| 3. The Ghanaian tax system | 15 |
| Direct taxes..... | 15 |
| Indirect taxes | 23 |
| Customs taxes..... | 31 |
| 4. Recent reforms and trends | 33 |
| Aggregate trends | 33 |
| The tax reform process..... | 35 |
| Direct taxes..... | 36 |
| Indirect taxes | 39 |
| Customs taxes..... | 43 |
| Tax administration..... | 45 |
| 5. International context..... | 48 |
| 6. Conclusion..... | 55 |
| Appendix..... | 56 |
| References..... | 62 |

Abbreviations

| | |
|----------|----------------------------------------------------------------------------|
| ATAF | African Tax Administration Forum |
| AU | African Union |
| AUC | African Union Commission |
| CCVR | Customs Classification and Valuation Report |
| CEPS | Customs, Excise and Preventive Service |
| CET | Common External Tariff |
| CHRL | COVID-19 Health Recovery Levy |
| CIF | cost, insurance and freight |
| CIT | corporate income tax |
| COVID-19 | coronavirus disease 2019 (severe acute respiratory syndrome coronavirus 2) |
| CST | communications service tax |
| DTRD | Domestic Tax Revenue Division |
| ECOWAS | Economic Community of West African States |
| ECS | electronic communications services |
| EDRL | Energy Debt Recovery Levy |
| E-Levy | Electronic Transfer Levy |
| EMI | electronic money issuer |
| ESRC | Economic and Social Research Council |
| EXIM | export-import |
| FSRL | Financial Sector Recovery Levy |
| GCAA | Ghana Civil Aviation Authority |
| GCMS | Ghana Customs Management System |
| GCNet | Ghana Community Network |
| GDP | gross domestic product |
| GETFL | Ghana Education Trust Fund Levy |
| GETFund | Ghana Education Trust Fund |
| GH¢ | Ghanaian cedis |
| GITMIS | Ghana Integrated Tax Management and Integration System |
| GRA | Ghana Revenue Authority |
| GRD | Government Revenue Dataset |
| GSL | Growth and Sustainability Levy |
| HS | Harmonised Commodity Description and Coding System |
| ICTD | International Centre for Tax and Development |
| ICUMS | Integrated Customs Management System |
| IFS | Institute for Fiscal Studies |

| | |
|-----------|------------------------------------------------------------------------------|
| IRS | Internal Revenue Service |
| IT | information technology |
| iTaPS | Integrated Tax Application and Preparation System |
| kg | kilogram |
| kWh | kilowatt-hour |
| LMICs | low- and middle-income countries |
| LPG | liquefied petroleum gas |
| LTIPS | Large Taxpayer Integrated Processing System |
| MDAs | ministries, departments and agencies |
| MMDAs | municipal, metropolitan and district assemblies |
| MTRS | Medium-Term Revenue Strategy |
| NFSL | National Fiscal Stabilisation Levy |
| NHIL | National Health Insurance Levy |
| NHIS | National Health Insurance Scheme |
| NPG | natural petroleum gas |
| NRL | National Reconstruction Levy |
| OECD | Organisation for Economic Co-operation and Development |
| PAARS | Pre-Arrival Assessment Reporting System |
| PAYE | Pay-As-You-Earn |
| PIT | personal income tax |
| RAGB | Revenue Agencies Governing Board |
| SIL | Special Import Levy |
| SPT | special petroleum tax |
| SR | standard rate |
| SSA | sub-Saharan Africa |
| TaxDev | Centre for Tax Analysis in Developing Countries |
| TIN | Taxpayer Identification Numbers |
| trips™ | Total Revenue Integrated Processing System |
| TSCs | Taxpayer Service Centres |
| UNU-WIDER | United Nations University World Institute for Development Economics Research |
| VAT | value added tax |
| VATS | VAT Service |
| VFRS | VAT Flat Rate Scheme |
| VIPS | Value-Added Tax Integrated Processing System |
| VIT | vehicle income tax |

Executive summary

In September 2023, the Government of Ghana published the maiden edition of its Medium-Term Revenue Strategy (MTRS), which outlines the tax revenue objectives of the government and the main tax policy and administration interventions to be undertaken between 2024 and 2027. In the context of ambitious revenue mobilisation goals and a challenging fiscal outlook, the design of the country's tax system is a crucial issue for policymakers.

This report is an update of an earlier report that provided a comprehensive overview of Ghana's tax system (Abrokwa et al., 2021). These reports are intended as a repository of key information for researchers, policymakers and the public, highlighting revenue and policy trends and patterns of note, as a first step in identifying challenges and areas for reform.

Key findings

- 1 Ghana's fiscal outlook remains challenging, with the overall government budget balance reaching -8.3% of GDP in 2022 and spending on compensation of employees and debt repayment alone exceeding 122% of tax revenue.
- 2 At 13.8% in 2022, Ghana's tax-to-GDP ratio remains below the government's target of 18–20% by 2027. Though this ratio is almost 6 percentage points higher than in 2000, it has not increased by much since 2017.
- 3 Much of the growth in Ghana's tax revenues since 2000 has come from increased corporate and personal income tax takes, and VAT and similar taxes, though revenue growth from the PIT and VAT-type taxes has stagnated more recently. These three types of tax made up nearly 70% of total collections in 2022 – up from 57% in 2000.

- 4 Tax collections on imported goods have become far less important in the revenue mix, though they remain significant: 33% of overall tax revenues were collected on imported goods in 2022 (including VAT on imported products), compared with 54% in 2000. The contribution of import duties specifically to total tax revenue declined from 18% in 2000 to 13% in 2022.
- 5 Ghana's tax-to-GDP ratio is fairly typical of countries in sub-Saharan Africa. However, considering countries of a similar income level across the world, Ghana's tax revenue collections are slightly below average: out of 28 lower middle-income countries with available data, Ghana ranked 16th in 2022.
- 6 Analysis of tax rates and revenues across countries suggests differences in relative revenue mobilisation by tax type in Ghana. While recent growth in corporate income tax revenues means that they exceed revenues in other countries using similar tax rates, personal income tax and general sales tax revenues are lower than would be expected, all else being equal.

1. Introduction

Ghana's economy experienced strong economic growth in the 20 years prior to the onset of the COVID-19 pandemic and Russia's invasion of Ukraine. However, these global crises have greatly disrupted global supply chains and thus affected the economic performance of countries across the globe, including Ghana. For instance, Ghana's economy has grown by an average of 2.9% a year since 2020, compared with an average of 6.8% during the 2010s. The government ran a deficit of 8.3% of GDP in 2022, and spending on compensation of employees and debt repayment alone exceeded 122% of tax revenues. In addition, inflation peaked at 54.1% in December 2022 – a level not seen since around the turn of the millennium (Ghana Statistical Service, 2023). Inflation has since fallen though, and is forecast to be 15% by the end of 2024, and while economic growth is expected to remain subdued in 2024, it is forecast to increase to 5% by 2027.

Alongside big macroeconomic changes, the country's tax system has evolved in several ways in recent decades, including in terms of its aggregate role in the economy. Between 2000 and 2022, Ghana's ratio of tax collections to GDP increased by almost 6 percentage points, from a base of just 8% at the turn of the millennium. Going forward, the tax system has a crucial role to play in terms of domestic revenue mobilisation, with the Government of Ghana aiming to reach a tax-to-GDP ratio of 18–20% by 2027 in order to ensure the sustainability of the country's public finances and enable spending on public investment and social programmes (Ministry of Finance, 2023). In doing so, the tax system should be designed to raise revenue in an efficient, equitable and sustainable way.

Planning the future direction of the tax system requires a comprehensive understanding of its current structure, and lessons can also be learnt from how this has evolved over time. This report aims to provide that high-level understanding. Using aggregate tax revenue data, we present an analysis of Ghana's current tax revenue composition, the detailed rules that govern this system and how these have changed, and we compare Ghana's current tax revenue composition with that in previous years and with those in comparable countries around the world. This serves as a baseline source of information for policymakers, researchers and other parties interested in tax policy in Ghana, which is particularly pressing in light of

the recent shocks to global supply chains and their adverse impacts on the fiscal situation of many countries around the world, including Ghana. In this report, we focus on long-term time-series data covering periods before and after the COVID-19 crisis in order to explore the effect of the crisis on tax collections.

The structure of the rest of the report is as follows. Section 2 discusses the composition of overall government and tax revenues in Ghana as of 2022. Section 3 presents a detailed description of the rules governing each of Ghana's main taxes, as of decisions taken in the 2024 Budget. Section 4 looks backwards at how Ghana's tax revenues have changed over time and describes key tax policy reforms from recent years, while Section 5 uses cross-country data to compare Ghana's tax revenues with those in other countries. Section 6 concludes.

2. Tax revenues in Ghana

In this section, we provide an overview of the different sources of revenue collected by the Government of Ghana, offering a brief discussion of non-tax revenue sources before setting out the main sources of tax revenue that the government relies upon. We focus here on 2022 data as that is the last full year for which verified tax revenue data are available. A comparison of 2021 and 2022 revenues is provided in Table A.1 in the appendix.

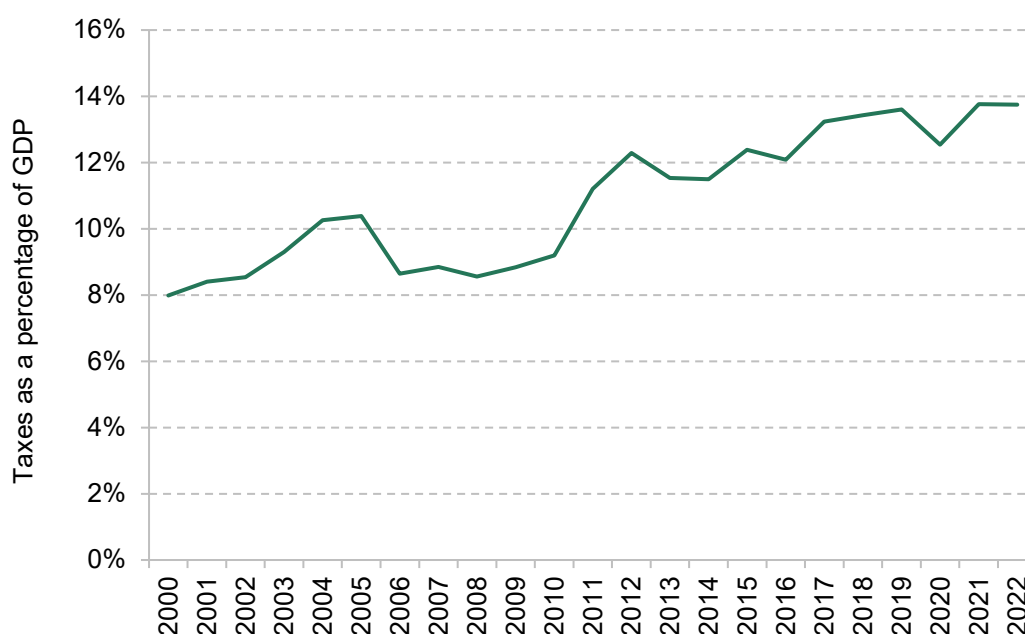
Overview

Ghana is a unitary state, and as such the Government of Ghana sets tax policy and collects tax revenues for the whole of the country. The government receives revenues from a wide variety of sources, but these can be broadly split into two categories: tax revenues and non-tax revenues. Non-tax revenues plus grant funding from donors totalled GH¢ 15.7 billion in 2022, equivalent to 2.7% of GDP. The vast majority of this came from fees and charges collected by ministries, departments and agencies (MDAs), dividends/interest and profits from oil, and surface rentals from oil. Ghana operates a property rate system which is administered by local authorities (MMDAs) and the related collections do not form part of central government revenues. These revenues are not covered in this report.

In recent years, the discovery of oil reserves in Ghanaian territories has been a boon to non-tax revenues. About 40% of non-tax revenues in 2022 (GH¢ 6.1 billion) came from dividends/interest and profits from oil.¹ At the same time, Ghana's transition to middle-income status has prompted a continuous reduction in grant funding by donors. For instance, the share of grants in total government resources fell by 6.5 percentage points from 8.4% in 2015 to 1.9% in 2019, and by a further 0.7 percentage points to 1.2% in 2022 (and stood at around GH¢ 1.1 billion in 2022 compared with the 2015 value of GH¢ 2.6 billion).

¹ These revenues accrue from government interests in oil and are distinct from taxes and royalties applied to oil companies.

Figure 2.1. Tax collections as a share of GDP in Ghana, 2000–22



Note: Figure is based on tax collections reported by the GRA so may not align with figures reported in other data sets.

Source: Ghana Revenue Authority and the Bank of Ghana.

Collection of taxes is the responsibility of the Ghana Revenue Authority (GRA), which was established in 2009 following the merger of three pre-existing revenue agencies and the Revenue Agencies Governing Board (RAGB). The Domestic Tax Revenue Division (DTRD) is responsible for the collection of domestic direct and indirect taxes, while the Customs Division is responsible for the collection of downstream petroleum taxes and taxes levied at the ports, borders and entry points. In this report, we focus primarily on tax collections from the GRA. This may lead to small differences compared with other data sources – for instance, due to not incorporating tax refunds. We use these data because they are the cleanest and most comparable time series available for a long period.

Total tax revenue collections in 2022 totalled GH¢ 79.4 billion, implying a tax-to-GDP ratio of 13.8% (Figure 2.1). Like most low- and middle-income countries (LMICs), this is less than the typical tax take in richer countries: for instance, in 2021, the OECD average was 34.1% (OECD, ATAF and AUC, 2023). Nonetheless, relative tax collection remains lower in Ghana than in many comparator countries in the region, and in countries with similar income levels, as will be discussed in Section 5. In this context, and in line with the government’s objective to improve

domestic revenue mobilisation under the Medium-Term Revenue Strategy (MTRS), there is a medium-term aim to increase the tax-to-GDP ratio to 18–20% by 2027 (Ministry of Finance, 2023).

Revenue collection has become a particularly pressing issue in Ghana in recent years given longstanding fiscal challenges. The overall government budget balance for 2022 stood at –8.3% of GDP, while gross central government debt was 71.2% of GDP (Bank of Ghana, 2023b).

Tax revenue composition

Data from the Ghana Revenue Authority show that indirect taxes (including import duties) contribute slightly more to total tax revenues in Ghana, accounting for 57% of the total compared with 43% for direct taxes in 2022. Customs collection continues to be an important source of tax revenue in Ghana, with 58% of indirect taxes collected at borders. Of this customs collection, 39% comes from taxes specifically levied on imported goods, equating to 13% of overall tax revenue in 2022 (see Table A.1 in the appendix).

Table 2.1 lists briefly the main tax instruments driving revenue collections in Ghana, the rules of which we describe in detail in Section 3. The main sources of tax revenue in Ghana are typical of other countries around the world, with corporate income tax (CIT) and personal income tax (PIT) applying to corporate profits and individual earnings respectively, and value added tax (VAT), import duty, petroleum taxes and excise duties applying to purchases of goods and services. However, the Growth and Sustainability Levy (GSL) – which applies to the pre-tax profit or gross production of some firms – is a less common type of tax measure. The National Health Insurance Levy (NHIL) and Ghana Education Trust Fund Levy (GETFL), which are unreclaimable levies applying to all VATable sales, are also less familiar.

Figure 2.2 shows the breakdown of tax collections in Ghana in 2022. The three biggest sources of tax revenue are CIT, PIT and VAT. Respectively, these contribute 22%, 16% and 20% of the total. Other notable sources of direct tax revenue in Ghana include mineral royalties, airport tax and GSL. In terms of indirect taxes, both import duties and a range of taxes levied on petroleum products contribute substantial sums of revenue. NHIL, GETFL, the COVID-19 Health Recovery Levy (CHRL), the communications service tax (CST) and excise duties

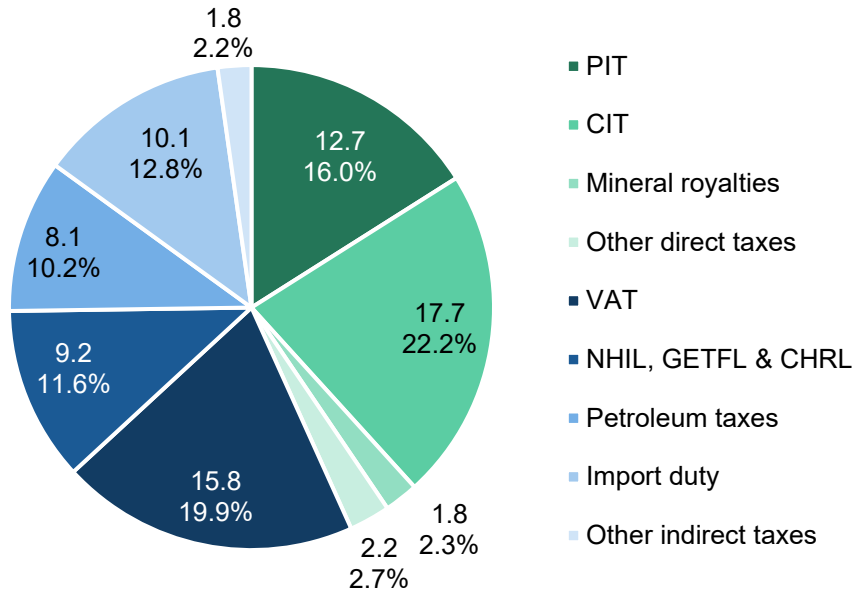
all contribute smaller portions of total tax revenue. Outside of these tax collection figures reported by the GRA are company taxes and royalties from oil (see ‘Upstream petroleum revenues’ in Section 3), which brought an additional GH¢ 6 billion in revenue in 2022, as well as tax refunds, which amounted to GH¢ 4.1 billion in 2022.

Table 2.1. Main tax types in Ghana using GRA categorisation, 2023

| Tax | Tax base |
|-----------------------------------------|---------------------------------------|
| <i>Direct taxes</i> | |
| Corporate income tax (CIT) | Corporate profits |
| Personal income tax (PIT) | Individual earnings |
| Mineral royalties | Revenues from mineral sales |
| Growth and Sustainability Levy (GSL) | Pre-tax profit / gross production |
| Stamp duty | Transaction value |
| Airport tax | Flight passengers |
| Financial Sector Recovery Levy (FSRL) | Pre-tax profit of banks |
| Rent tax | Rent income |
| <i>Indirect taxes</i> | |
| Value added tax (VAT) | Taxable consumption |
| National Health Insurance Levy (NHIL) | All taxable sales |
| Ghana Education Trust Fund Levy (GETFL) | All taxable sales |
| Petroleum taxes | Petroleum purchases |
| Import duty | Imported goods |
| Communications service tax (CST) | Electronic communications services |
| Excise duty | Selected goods, e.g. alcohol, tobacco |
| COVID-19 Health Recovery Levy (CHRL) | All taxable sales |
| Electronic Transfer Levy | Electronic transfers |

Note: The tax base is described in a simplified manner in the interest of brevity. See Section 3 for a more detailed description of each tax. The table uses the categorisation of tax types used by GRA; hence airport tax is classified as a direct tax.

Figure 2.2. Tax revenue collections reported by GRA, 2022 (GH¢ billion and % of total)



Note: Other direct taxes include the GSL (formerly called the National Fiscal Stabilisation Levy (NFSL) which was applied to a relatively limited number of businesses) and smaller tax handles such as airport tax and rent tax which is a residual payment as part of it is often subsumed in either CIT or PIT payments. Petroleum taxes include special petroleum tax, the Energy Debt Recovery Levy and other petroleum taxes. Other indirect taxes include excise duty, CST and the Electronic Transfer Levy.

Source: Ghana Revenue Authority.

3. The Ghanaian tax system

In this section, we outline the main features of the various tax types in Ghana as of the 2024 Budget, where detailed plans have been confirmed.² The GRA distinguishes between three main groups of taxes: taxes on income and profits (direct taxes); taxes on goods and services (indirect taxes); and taxes on international trade (customs taxes). While taxes on international trade are a form of indirect tax as well, we adopt this categorisation for consistency with the GRA's terminology.

Direct taxes

Personal income tax

Individuals resident in Ghana are taxable on their worldwide income from employment, business and investment, less any allowable deductions. Non-cash benefits are valued at market value and added to taxable income, with accommodation and transport valued in relation to the overall income of the individual. There are, however, a number of exempt individual income sources and benefits, including pensions and interest paid by resident financial institutions or on bonds issued by the Government of Ghana.

Ghana uses a progressive personal income tax (PIT) schedule for residents. The income thresholds are adjusted on an ad hoc basis to account for changes in the minimum wage. Table 3.1 shows the latest annual income tax schedule in Ghana valid from 1 January 2024. Pay-As-You-Earn (PAYE) is the most common mechanism for paying tax on employment income, accounting for 95% of PIT revenue in 2022. PAYE is applied according to a specified formula implemented on a monthly basis.³ Employers withhold income tax from employees' monthly salaries and remit it to the GRA on their behalf.

² Table A2 in the appendix lists all the tax policy measures (including those that are not yet implemented such as the emissions tax) that were contained in the 2024 Budget.

³ See Income Tax Regulations 2016 (L.I. 2244).

Table 3.1. Annual income tax rates in Ghana as of 1 January 2024

| Chargeable income (GH¢) | Tax rate (%) |
|-------------------------|--------------|
| First 5,880 | 0 |
| Next 1,320 | 5 |
| Next 1,560 | 10 |
| Next 38,000 | 17.5 |
| Next 192,000 | 25 |
| Next 366,240 | 30 |
| Exceeding 600,000 | 35 |

Source: Income Tax (Amendment) (No. 2) Act, 2023 (Act 1111).

Taxes on other sources of income – self-employment or investments – are either payable directly by the individual or collected through withholding taxes (e.g. withholding tax on rent). Self-employed individuals are required to pay the PIT according to the annual schedule in Table 3.1, in four instalments per year. At the beginning of the year, individuals file a return estimating their income and associated tax liability for that year, with four equal-sized quarterly tax payments due on or before the last day of each quarter. At the end of the year, individuals declare their realised annual income. If the amount declared differs from their initial assessment, either they are reimbursed or they must pay the excess.

The vehicle income tax (VIT) sticker system is a mechanism for collecting income tax from owners of commercial vehicles. Where the person is an individual, the payment is set off against the annual PIT liability on filing the end-year tax return. The tax is paid in quarterly instalments that depend on the class of vehicle – these rates are summarised in Table A.4 in the appendix.⁴

The tax stamp system is another collection mechanism for the PIT. Self-employed individuals who own a business in a qualifying category that generates an annual turnover of up to GH¢ 20,000, and who are not VAT registered, qualify for the tax

⁴ The government has suspended quarterly VIT payments since the second quarter of 2021 for ‘Trotros’ and ‘Taxis’ as part of measures to limit the impact of the COVID-19 pandemic on households.

stamp system. Quarterly instalments depend on the size and category of the taxpayer – these rates are summarised in Table A.5 in the appendix. Upon payment of the tax, the taxpayer receives a tax stamp, which must be displayed in a conspicuous place on the premises of that person’s business or in any other manner that will make the stamp visible at the place of business.⁵

Other features of the PIT system include the following:

- Personal reliefs (detailed in Table A.3 in the appendix) may apply and reduce an individual’s assessable income by the specified amount.
- Allowable deductions also include employee contributions to social security – a mandatory 5.5% of the employee’s basic salary is paid into Tier 1 of the Social Security Scheme, and up to a further 16.5% may be voluntarily contributed to a private scheme.
- Self-employed individuals are also allowed a deduction of up to 35% on their income in relation to pension contributions.
- Mortgage interest payments on one residential property and life insurance premiums are deductible from taxable income.
- Part-time income is taxable at a rate of 10%.
- Bonus payments below 15% of a worker’s base salary are subject to a 5% tax rate, with anything above this threshold added to their gross salary and taxed accordingly.
- For qualifying junior staff, overtime payments are subject to a 5% tax rate up to 50% of their basic salary, and 10% thereafter.
- The income of non-residents is subject to a flat rate of 25%.
- A non-resident public entertainer is considered to be an employee of the promoter of the service provided and the income is subject to withholding tax at a flat rate of 25%. This includes any stage artiste, motion picture artiste, radio artiste, musician, and sports person including any athlete, footballer or boxer.

Corporate income tax

The tax base for the corporate income tax (CIT) is the taxable profits of a corporation. Allowable deductions for tax purposes include capital allowances, tax

⁵ Because filing behaviour is haphazard among small traders (and the cost to the GRA of enforcing filing obligations among small traders may outweigh potential tax collections), in practice both the VIT and the tax stamp may often act as a final tax on small traders.

losses brought forward (for three to five years, depending on the industry) and losses incurred on the sale of investment assets. For the purpose of capital allowances, most assets are depreciable on a reducing-balance basis, with the exception of buildings, which are depreciable at a straight-line 10% rate, and intangible assets, which are depreciated over their useful life.

Table 3.2. Corporate tax rates in Ghana

| Eligibility | Rate |
|---------------------------------------------------------------------------------|------------|
| Standard rate (SR) | 25% |
| Mining or upstream petroleum companies | 35% |
| Manufacturing companies located: | |
| <i>In regional capitals of Ghana (excluding Accra and Tema)</i> | 18.5% |
| <i>Outside Accra, Tema and regional capitals</i> | 12.5% |
| <i>Free Zone enterprises during the tax holiday</i> | 0% |
| Agricultural enterprises (five years after their concessionary period) located: | |
| <i>In Accra and Tema</i> | 20% |
| <i>In other regional capitals outside the Northern Savannah Ecological Zone</i> | 15% |
| <i>Outside other regional capitals</i> | 10% |
| <i>In the Northern Savannah Ecological Zone</i> | 5% |
| Hotels | 22% |
| Exports of non-traditional goods | 8% |
| Income from loans to a farming enterprise | 20% |
| Income from loans granted to a leasing company | 20% |
| Export income for companies in Free Zones | 15% |
| Young entrepreneurs after a five-year tax holiday located: | |
| <i>In Accra and Tema</i> | 15% |
| <i>In other regional capitals outside the three northern regions</i> | 12.5% |
| <i>Outside other regional capitals</i> | 10% |
| <i>In the three northern regions</i> | 5% |

Note: Young entrepreneurs are those below the age of 35 who start their own business.

Source: Income Tax Act 2015 (Act 896), as amended.

The standard CIT rate in Ghana is 25%, although sector-specific rates also exist, as summarised in Table 3.2. In addition to different sectoral rates, reduced CIT rates apply to companies based in specific locations, young entrepreneurs, and companies

listed on the Ghana Stock Exchange. The CIT revenue collected from upstream petroleum companies is not included in CIT (or overall tax) collections reported by the GRA, however. We return to this when outlining upstream petroleum revenues.

Companies submit an annual self-assessment estimating their taxable income and CIT liability for the year, which is divided into four equal payment instalments, due at the end of the third, sixth, ninth and twelfth months of the company's basis period (i.e. March, June, September and December where the basis period coincides with the calendar year). After submitting a final tax return after the end of the basis period, any outstanding tax liability or excess payment is determined and paid.

Growth and Sustainability Levy

The Growth and Sustainability Levy (GSL) is charged on the pre-tax profit (accounting profit) or gross production of certain companies and institutions depending on the sector of the company. It is payable on a quarterly basis and is not an allowable deduction for income tax purposes. Companies are required to file returns for the levy with the Commissioner-General quarterly. Entities operating in the sectors listed in Box 3.1 are liable for the GSL with the respective tax rates and tax bases. The GSL was introduced in 2023, replacing the National Fiscal Stabilisation Levy (NFSL) and expanding coverage to all businesses. Its introduction implies an increased tax burden on businesses operating in Ghana on top of the CIT rate. For example, a business that pays the CIT at the standard rate of 25% and is contained in the Category A list of firms faces an effective profit tax rate of 30%, representing the combined CIT and GSL rates.

Box 3.1. Companies and institutions subject to GSL

Category A – 5% of profit before tax

- Banks (excluding rural and community banks)
- Insurance companies
- Breweries
- Companies providing mining support services
- Non-bank financial institutions
- Telecommunications companies liable to collect and pay communications service tax
- Inspection and valuation companies
- Shipping lines, maritime and airport terminals
- Electronic money issuers

- Bulk oil distributors
- Oil marketing companies
- Communication tower operators
- Companies providing upstream petroleum services
- Specialised deposit-taking institutions
- Companies and institutions registered by the Securities and Exchange Commission

Category B – 1% of gross production

- Mining companies and upstream oil and gas companies

Category C – 2.5% of profit before tax

- All other entities not falling within Category A or Category B
-

Financial Sector Recovery Levy

The Financial Sector Recovery Levy (FSRL) is a 5% charge on the pre-tax profit of banks. The FSRL is a temporary measure that seeks to mobilise revenue to help settle outstanding commitments related to the cleaning up of the financial sector in 2017.⁶ Since banks pay CIT at the standard rate and Category A GSL at the same time, their effective profit tax rate (inclusive of the FSRL) will be 35%, which is much higher than the standard CIT rate of 25% alone.

Mineral royalties

The general mineral royalty rate in Ghana is 5% applied to gross revenue from mineral sales. However, some large gold producers in the country negotiate development or investment agreements that specify a ‘sliding scale’ royalty regime. The ‘sliding scale’ provides some protection for mining companies by reducing the rate at which royalties are payable when commodity prices are low.

Upstream petroleum revenues

Petroleum revenues are a mixture of tax and non-tax revenues and consist of CIT from upstream and midstream petroleum companies, royalties from oil and gas,

⁶ The Bank of Ghana embarked on an exercise to clean up and recapitalise the financial sector in 2017. The exercise was aimed at promoting the safety, soundness and stability of the financial system. According to the 2021 Budget Statement, the exercise cost the government some GH¢ 21 billion.

additional oil entitlements, surface rentals, and dividends payable by the national oil company, among others. The Petroleum Revenue Management Act 2011 (Act 815) states that petroleum revenues are paid into the Petroleum Holding Fund, and these shall not be treated as part of the normal tax revenue of the government. Thus, even though the GRA collects and accounts for some petroleum receipts (e.g. CIT), these receipts do not appear in the GRA's revenue collection figures, as the Ministry of Finance is responsible for reporting petroleum revenues.

The standard CIT rate for petroleum companies is 35%. The applicable royalty rate is 10% but is negotiable. In 2022, company taxes on oil and royalties from oil yielded GH¢ 3.5 billion and GH¢ 2.5 billion, or 0.61% and 0.43% of GDP, respectively. For comparison, total revenue from these two sources was about GH¢ 0.2 billion and GH¢ 2.2 billion in 2016 and 2019, respectively.

Airport tax

Airport tax applies at specific rates per passenger, on both domestic and international travel. The rate varies depending on the destination and the passenger class (Table 3.3). Aircraft owners are responsible for collection, and the Ghana Civil Aviation Authority (GCAA) retains all the revenue.⁷

Table 3.3. Airport tax rates

| Type of flight | Charge |
|-----------------------|--------|
| Domestic | GH¢ 5 |
| Within West Africa | \$60 |
| Other international: | |
| <i>Economy</i> | \$100 |
| <i>Business class</i> | \$150 |
| <i>First class</i> | \$200 |

Source: Airport Tax (Amendment) Act 2013 (Act 858).

⁷ GRA books airport tax revenues under direct tax revenues; hence, we cover it here too for consistency, although the design of the tax mirrors that of a specific indirect tax in practice.

Other direct taxes

Dividends are subject to a final withholding tax of 8%, with tax withheld at source and imposed on dividends paid to resident and non-resident individuals in Ghana. For residents, rental incomes from residential and commercial property are subject to final withholding tax rates of 8% and 15%, respectively. For non-residents, all rental income is taxed at a rate of 15%. In practice, however, part of the rental income is often subsumed under personal and corporate incomes. The income of a person from lottery operations is subject to tax at the rate of 20% on the gross gaming revenue, while individuals' gross winnings from lottery are taxed at the rate of 10% per game.

Gains on realisation of assets or liabilities (capital gains) are included in business income or investment income, depending on the source of the gain, and taxed accordingly. However, individuals may elect to pay a 15% tax on gains on the realisation of an asset instead of including the gain in business income or investment income. If the gains are included in business income or investment income and taxed as such, the tax rate is the same rate applicable to the individual on his or her business income or investment income. For persons engaged in lottery operations, resident and non-resident persons are subject to 3% and 10% of the consideration received in case of realisation of an asset or a liability, respectively.

Stamp duty applies to certain transactions and legal instruments at either a rate of 0.25–1% of the transferred value or between GH¢ 18 and GH¢ 896.30, depending on the type of transaction or instrument. Box 3.2 provides examples of transactions for which stamp duty is currently applied in Ghana.

Box 3.2. Transactions where stamp duty applies

- Agreement or memorandum of agreement not specifically charged with duty
- Concession
- Conveyance or transfer on sale of a property
- Conveyance or transfer operating as a voluntary disposition inter vivos
- Declaration of a trust concerning a property by a writing
- Deposit of title documents
- Duplicate or counterpart of an instrument chargeable with duty
- Indemnity, letter or other instrument of indemnity
- Natural resource leases or licences (e.g. mining, timber)

- Mortgage, bond, debenture, covenant, guarantee, lien or instrument of security
- Power of attorney or other instrument in that nature

Note: The list of items in this box is non-exhaustive of the full list of items on which stamp duty applies; the Stamp Duty Act allows for a range of exemptions, both specific to individual items and general exemptions; for a full list of these exemptions refer to the Stamp Duty Act.

Source: Stamp Duty (Amendment) Act, 2023 (Act 1109).

Indirect taxes

Value added tax

Value added tax (VAT) was first introduced in Ghana in 1995 and was repealed before its reintroduction in 1998. The current standard VAT rate is 15% and it is applied on the transaction value plus the levies charged on that transaction value (see below for a discussion on how the levies are calculated).⁸ Ghana operates an invoice-credit system whereby VAT-registered suppliers deduct the VAT paid on their inputs from their output VAT and remit only the net amount. VAT in Ghana uses the destination principle, meaning imports are subject to VAT but exports are zero-rated. VAT registration is compulsory for persons/businesses with annual taxable transactions above GH¢ 200,000, or above GH¢ 50,000 in three months and with reasonable grounds to expect to exceed turnover of GH¢ 150,000 in the next consecutive nine months.⁹ VAT registration is, however, voluntary for businesses with an annual turnover below GH¢ 200,000. VAT returns are filed monthly. VAT on imports is collected and administered by the Customs Division of the GRA; these collections are, however, reported separately in revenue figures.

Other than exports, the 2023 amendment to the VAT Act (Act 1107) introduced zero-rating for locally manufactured sanitary towels and extended it for another two years on locally manufactured motor vehicles and textiles. The amended Act also provides for a flat rate of tax on the rental of commercial premises other than commercial rental establishments and on the supply of immovable property by an

⁸ In the case of imports, the import duty that is calculated on the cost, insurance and freight (CIF) value of the import is included in the VAT tax base. For excisable goods, VAT and the levies are applied on top of the excise duties charged on the item.

⁹ According to Act 870 (2013), a taxable activity is an activity carried out by a person wholly or partly in Ghana that involves or is intended to involve, in whole or in part, the supply of goods to another person for consideration, whether or not for a pecuniary profit.

estate developer. Under this flat-rate tax, a fixed 5% rate of VAT is charged on sales, but vendors cannot reclaim any input VAT paid on their purchases. Ghana also provides a VAT Flat Rate Scheme (VFRS) for retailers. Under this scheme, retailers selling taxable supplies (other than the supply of power, heat, refrigeration or ventilation) whose annual turnover is between GH¢ 200,000 and GH¢ 500,000 charge a fixed 4% rate of VAT and the COVID-19 Health Recovery Levy (see below) on their sales. However, they are not able to reclaim any input VAT paid on their purchases.

The VAT system in Ghana provides for a range of exempt supplies (see Box 3.3). Businesses selling these goods and services do not charge VAT on their sales but also cannot claim input tax credit on their purchases. In the 2024 Budget Statement, the Government of Ghana sought to review the list of VAT-exempt items (see Table A.2 in the appendix for more on this).

Box 3.3. VAT-exempt supplies

- A range of raw (or simply prepared or preserved) food products such as maize, rice, millet, sorghum, fruits, vegetables, fish and meat
- Selected live animals (i.e. cattle, sheep, goat, swine and poultry) bred or raised in Ghana
- Specified agricultural and fishing inputs
- Water supply (excluding bottled water)
- Electricity supply (not exceeding maximum consumption level specified for block charges for lifeline units)
- Approved textbooks and newspapers, atlases, charts, maps and music (excluding similar imported items, e.g. newspapers, magazines, greeting cards, calendars and stationery)
- Education services and related equipment
- Medical services and supplies
- Specified pharmaceuticals
- Domestic passenger transport by road, rail or water (excluding haulage or rental or hiring of passenger and other vehicles)
- Machinery used in specified activities
- Petrol, diesel, liquefied petroleum gas (LPG), natural petroleum gas (NPG) and kerosene
- Financial services where no fee is paid, and life insurance and reinsurance
- Land used for specified purposes (including for agricultural activities)

- Goods designed for persons with disability
 - Postage stamps issued by the Ghana Post
 - Salt for human consumption
 - Mosquito nets
 - Plant and machinery, and kits designed for use by registered manufacturer or assembler under the Ghana Automotive Manufacturing Programme
 - Management fees charged by local fund managers for management of a licensed private equity fund, a venture capital fund or a mutual fund
-

Ghana has a VAT withholding system – a collection mechanism whereby selected organisations (e.g. government ministries and large corporations) are mandated to withhold 7% of the VAT payable on their purchases, and to transfer the withheld VAT directly to the GRA. The remaining 8% of the VAT goes to suppliers to enable them to recover VAT paid on their own inputs without needing to file for refunds (see below). VAT withholding is common in countries where voluntary compliance is low as a way of forcing traders to charge the VAT on their sales and ensuring the tax authority receives the tax revenue due.

When the VAT paid on inputs exceeds that charged on sales, firms generate a VAT credit. In general, this credit carries forward and can be offset against VAT liability in future. However, for firms that receive more than 25% of income from exports, and in cases where a credit persists after three months, the GRA can provide tax refunds.

National Health Insurance Levy

The National Health Insurance Levy (NHIL) applies to the same range of goods and services as the VAT with a rate of 2.5% and is applied to the VAT-exclusive price. Like VAT, NHIL is also collected on imports and administered by the Customs Division of the GRA. However, it is a ‘straight levy’, with no allowance for the deduction of taxes paid on inputs. Supplies that are exempt from the VAT are also exempt from the NHIL; suppliers operating under the VFRS also do not charge the NHIL. NHIL revenues are earmarked for Ghana’s National Health Insurance Scheme (NHIS).

GETFund Levy

Separated from the VAT in August 2018, the GETFund Levy (GETFL) functions in the same way as the NHIL – it applies at a rate of 2.5% on the VAT-exclusive price of all VATable supplies and there is no allowance for deducting input GETFL. The levy is also collected on imports, and its administration and reporting in revenue figures is similar to that of VAT and NHIL collections on imports. GETFL revenues are earmarked for Ghana's Education Trust Fund (GETFund).

COVID-19 Health Recovery Levy

The COVID-19 Health Recovery Levy (CHRL) was introduced to support public expenditures related to COVID-19. This levy applies to the same taxable supplies as the VAT, including the VFRS, and is not eligible for input tax deduction. Like the NHIL and the GETFL, this levy applies to the VAT-exclusive price of a good or service. The current rate of CHRL is 1%.

Communications service tax

Fees for communications services are subject to the communications service tax (CST), which applies together with the service charge paid by consumers on electronic communications services (ECS), recharges made by ECS providers, and internet connection services. The rate of CST is currently 5%.

Electronic Transfer Levy

The Electronic Transfer Levy (E-Levy) is a 1% levy imposed on specified electronic transfers with an exempt daily transaction of a cumulative value of GH¢ 20,000 for bank-to-bank instant digital transactions and GH¢ 100 for person-to-person mobile money transfers. The scope has been limited to specific charging entities and certain types of transfers, as detailed in Table 3.4.

Table 3.4. Covered and uncovered electronic transfers

| Transfers covered | Transfers not covered |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Mobile money transfers done between wallets on the same electronic money issuer (EMI) | Transfers between accounts owned by the same person |
| Mobile money transfers done between wallets on different EMIs | Transfers for the payment of taxes, fees and charges |
| Transfers from bank accounts to mobile money wallets | Electronic clearing of cheques |
| Transfers from mobile money wallets to bank accounts | Specified merchant payments |
| Bank transfers on an instant pay digital platform or application which originates from a bank account belonging to an individual | Transfers between principal, agent and master-agent accounts |

Source: Electronic Transfer Levy Act, 2022 (Act 1075).

Excise duty

Ghana's excise duties consist of an ad valorem duty, ranging from 0% to 50% of ex-factory price (or CIF value in the case of imports) on products such as beer, spirits and tobacco, and a specific duty per quantity on tobacco products, as shown in Table 3.5. An environmental excise tax of 5% applies on plastic and plastic products listed under Chapters 39 and 63 of the Harmonised System and Customs Tariff Schedules.

The 2024 Budget Statement extended the environmental excise duty regime to cover plastic packaging as well as industrial and vehicle emissions (see Table A.2 in the appendix). The Emissions Levy is charged on CO₂-equivalent emissions from specified sectors and on internal combustion engine vehicle emissions, based on the schedule presented in Table 3.6.

Table 3.5. Excise duty rates in Ghana

| Commodity description | Rate of duty |
|--------------------------------------------------------------------------------------------------------------------|-----------------------|
| Waters, including mineral waters of all description | 20% |
| Distilled, bottled water | 17.5% |
| Sachet water | 0% |
| Fruit juices | 20% |
| Malt drink, by percentage use of local raw materials: | |
| <i>Less than 50% local raw materials</i> | 20% |
| <i>50–70% local raw materials</i> | 12.5% |
| <i>More than 70% local raw materials</i> | 10% |
| Beer, stout, other than indigenous beer, by percentage use of local raw materials: | |
| <i>Less than 50% local raw materials</i> | 47.5% |
| <i>50–70% local raw materials</i> | 32.5% |
| <i>More than 70% local raw materials</i> | 10% |
| Cider beer | 47.5% |
| Wines, including sparkling wine | 45% |
| Spirits, including 'Akpateshie': | |
| <i>Distilled or rectified</i> | 50% |
| <i>Blended or compounded</i> | 50% |
| <i>For use solely in laboratories or in the compounding of drugs</i> | 0% |
| <i>Denatured to the satisfaction of the Commissioner-General</i> | 10% |
| <i>'Akpateshie'</i> | 20% |
| Tobacco products: | |
| <i>Cigarettes</i> | 50% and 28p per stick |
| <i>Cigars</i> | 50% and 28p per stick |
| <i>Negrohead</i> | GH¢ 280 per kg |
| <i>Snuff and other tobacco</i> | GH¢ 280 per kg |
| Electronic cigarette liquids | 50% and 50p per ml |
| Electronic cigarettes | 50% |
| Electronic smoking devices | 50% |
| Plastic and plastic products listed under Chapters 39 and 63 of the Harmonised System and Customs Tariff Schedules | 5% |
| Other products: | |
| Textiles | 0% |
| Pharmaceuticals | 0% |

Note: Rates apply as a percentage of ex-factory price or CIF value, unless otherwise specified.

Source: Excise Duty (Amendment) (No.2) Act, 2023 (Act 1108).

Table 3.6. Emissions Levy rates

| Type of emissions | Sector / Motor vehicle | Rate |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| CO ₂ -equivalent emissions from specific sectors | Construction sector Manufacturing sector Mining sector Oil and gas sector Electricity and heating sector | GH¢ 100 per tonne of emissions per month |
| Emissions from motor vehicles | <i>Internal combustion engine vehicles:</i> motorcycles & tricycles motor vehicles, buses and coaches up to 3000cc motor vehicles, buses and coaches over 3000cc cargo trucks and articulated trucks | GH¢ 75 per annum GH¢ 150 per annum GH¢ 300 per annum GH¢ 300 per annum |

Source: Emissions Levy Act, 2023 (Act 1112).

Special petroleum tax

Licensed oil-marketing companies are required to charge the special petroleum tax (SPT) on sales of petrol, diesel, liquefied petroleum gas, natural petroleum gas and kerosene. Previously, this applied as an ad valorem tax; as of 2018, the tax applies at specific rates per litre or kilogram of the product, as summarised in Table 3.7.

Table 3.7. Special petroleum tax rates

| Petroleum product | Tax per litre (GH¢) | Petroleum product | Tax per kg (GH¢) |
|-------------------|---------------------|-------------------------|------------------|
| Petrol | 0.46 | Liquefied petroleum gas | 0.48 |
| Diesel | 0.46 | Natural petroleum gas | 0.35 |
| Kerosene | 0.39 | | |

Source: Special Petroleum Tax (Amendment) Act 2018 (Act 965).

Other petroleum taxes

The government applies several additional charges on the sale of petrol, kerosene, diesel and fuel oil, collectively referred to as ‘energy sector levies’. Until recently, this tax type comprised six levies in addition to petroleum excise duty. However, the government consolidated the levies to four in 2015, and it removed the

petroleum excise duty in 2017. In 2021, the government introduced two new levies: the Energy Sector Recovery Levy and the Sanitation and Pollution Levy. Table 3.8 provides a description of the charges in effect in Ghana in 2023.

The Customs Division of the GRA collects the energy sector levies. The GRA includes revenue from the Energy Fund Levy and the Road Fund Levy under the heading of ‘petroleum taxes’. Collections from the Energy Debt Recovery Levy and the Price Stabilisation and Recovery Levy are earmarked for specific accounts and are classified as ‘other revenue’ in the government’s financial statistics, although the former does form part of the GRA’s reporting on overall tax collections.

Table 3.8. Energy sector levies and rates

| Levy | Item | Rate |
|---------------------------------------|------------------------------------|-------------------------|
| Energy Debt Recovery Levy | Petrol, diesel | GH¢ 0.49 per litre |
| | Marine gas oil | GH¢ 0.03 per litre |
| | Fuel oil | GH¢ 0.04 per litre |
| | Liquefied petroleum gas | GH¢ 0.41 per kg |
| Energy Fund Levy | Petrol, kerosene, diesel, fuel oil | GH¢ 0.01 per litre |
| Energy Sector Recovery Levy | Petrol/diesel | GH¢ 0.20 per litre |
| Sanitation and Pollution Levy | Petrol/diesel | GH¢ 0.10 per litre |
| Price Stabilisation and Recovery Levy | Petrol | GH¢ 0.16 per litre |
| | Diesel | GH¢ 0.14 per litre |
| | Liquefied petroleum gas | GH¢ 0.14 per kg |
| Road Fund Levy | Petrol, diesel | GH¢ 0.48 per litre |
| National Electrification Scheme Levy | Electricity | 2% of the price per kWh |
| Public Lighting Levy | Electricity | 3% of the price per kWh |

Source: Energy Sector Levies Act 2015 (Act 899), Energy Sector Levies (Amendment) Act 2017 (Act 946), Energy Sector Levies (Amendment) Act 2019 (Act 997) and Energy Sector Levies (Amendment) Act 2021 (Act 1064).

Customs taxes

Import duty

Import tariffs in Ghana apply to goods classified by the internationally accepted system of classification known as the Harmonised Commodity Description and Coding System (HS). As part of the Economic Community of West African States (ECOWAS), Ghana's tariff schedule applies a common external tariff (CET) to goods at a rate of 0%, 5%, 10%, 20% or 35%.¹⁰ The rate that is applied to an imported good depends on the precise classification of the import. Basic social goods and raw materials into production are generally taxed at lower rates, while finished goods are taxed at higher rates. Table 3.9 presents an overview of the rates applying to different types of goods.

Table 3.9. Import duty rates under the ECOWAS CET

| Type of good | Duty rate |
|---------------------------------------------------------------------------------|-----------|
| Basic social goods (e.g. pharmaceutical products) | 0% |
| Basic, raw, and capital goods (e.g. steel ingots, flat-rolled products of iron) | 5% |
| Inputs and semi-finished goods (e.g. tomato paste concentrate) | 10% |
| Finished goods (e.g. electric domestic appliances) | 20% |
| Specific goods for economic development (e.g. meat and edible offal) | 35% |

Source: Abrokwah et al., 2021.

Import duties apply to the CIF value of imports. In addition, various small taxes and levies apply specifically to imported goods. These are summarised in Table 3.10. However, apart from the Special Import Levy (SIL), these taxes are not part of the government's general revenue.

¹⁰ However, the Exemptions (Amendment) Act 2023 (Act 1110) introduced a waiver of customs duties and customs taxes in respect of the importation of fishing gear for agricultural purposes and for related matters. Also, the Customs (Amendment) Act 2023 (Act 1106) provides for the waiver of the importation of raw materials for the manufacturing of sanitary towels and for related matters.

Table 3.10. Levies charged on imports in Ghana

| Levy | Base | Rate |
|---------------------|--------------------------------------------------------------------------------------|------------------------|
| AU Import Levy | All imported goods from non-AU states | 0.2% of the CIF value |
| ECOWAS Levy | All imported goods from non-ECOWAS states | 0.5% of the CIF value |
| EXIM Levy | Selected non-petroleum imported goods | 0.75% of the CIF value |
| Special Import Levy | All imports, except for petroleum products, fertilisers, and machinery and equipment | 2% of the CIF value |

Note: Other important charges at the ports include inspection charge and CCVR processing fee, among others. These are not tax collections, however.

Source: African Union Import Levy Act 2017 (Act 952); ECOWAS Protocol A/P1/7/96; Special Import Levy Act 2013 (Act 861) as amended; Ghana Export-Import Bank Act 2016 (Act 911); Excise Duty Act 2014 (Act 878) as amended.

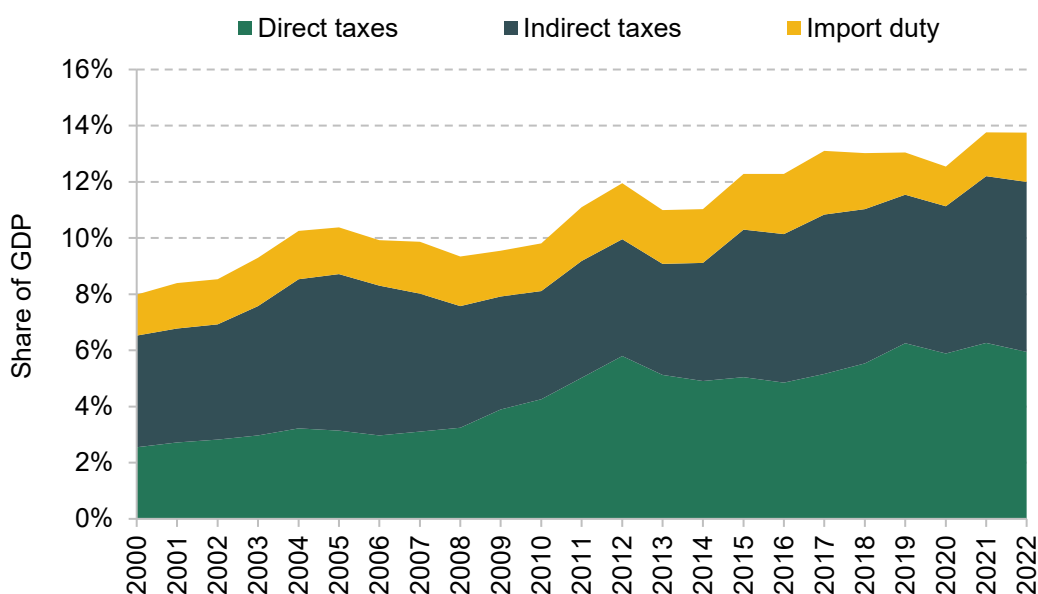
4. Recent reforms and trends

This section highlights recent developments in Ghana’s tax system, focusing on key tax policy reforms and long-term trends in revenues generated from different tax instruments.

Aggregate trends

Total tax revenues in Ghana have grown during the 21st century, from just under 8% of GDP in 2000 to 13.8% in 2022 (Figure 4.1). While this is a significant increase, the overall level of tax revenue mobilisation remains low compared with a number of key comparator nations in sub-Saharan Africa and with those at similar income levels. We explore these comparisons in Section 5.

Figure 4.1. Tax revenue collections in Ghana, 2000–22



Source: Authors’ calculations based on data from the Ghana Revenue Authority and the Bank of Ghana.

However, the aggregate trend masks significant differences between tax types. Between 2000 and 2022, revenues from direct taxation grew from 2.5% of GDP to close to 6% of GDP. Indirect tax revenue excluding import duties has seen more modest growth, increasing from just under 4% of GDP to just over 6%.¹¹ Import duty revenues have been relatively stable for the past two decades, inching up from 1.5% of GDP in 2000 to just over 2% between 2016 and 2018. With commodity imports as a share of GDP falling slightly over time (they stood at 20.6% in 2005 and 20.1% and 18.0% in 2017 and 2018, respectively¹²), this implies a significant increase in effective (weighted) average import duty rates over time. It is notable, however, that import duty revenues dropped substantially in 2019 back down to 1.5% of GDP, given that effective tariff rates decreased significantly in April of that year as a result of the benchmark values discount policy. The revenues recovered slightly to 1.8% in 2022 after the partial reversal of the policy.

These trends mean that the overall composition of tax revenues in Ghana has shifted between 2000 and 2022 (Figure 4.2). Most notable overall is a shift away from indirect taxes and towards direct taxes, much of which occurred between the late 2000s and early 2010s. The share of revenues collected from indirect taxes had first risen in the early 2000s to a peak of 54% in 2005 and 2006 and then fell substantially to 35% in 2012. Direct taxes, which contributed 32% of total tax revenues in 2000, rose to a peak of 48% in 2012. Since then, the share of both direct and indirect taxes has fluctuated over time, reaching 43% and 44% respectively in 2022. While import duties are still an important part of the country's overall tax revenue mix, their relative importance declined gradually over time. In the early 2000s, import duties contributed 18–19% of total tax revenue and they fell to 15% in 2018. As a result of the benchmark values discount policy, the share of import duties fell further to 11% in 2021 before recovering slightly to around 13% in 2022 after the policy's partial reversal. The decline in the share of import duties in total tax revenue in recent years mirrors a pattern seen in many countries of different income levels around the world (Besley and Persson, 2013), following a consensus that taxes that apply to imported goods specifically are likely to be particularly distortive. Overall, the role of the major taxes on income and consumption has increased over time: the share of total tax collections from the sum of PIT, CIT,

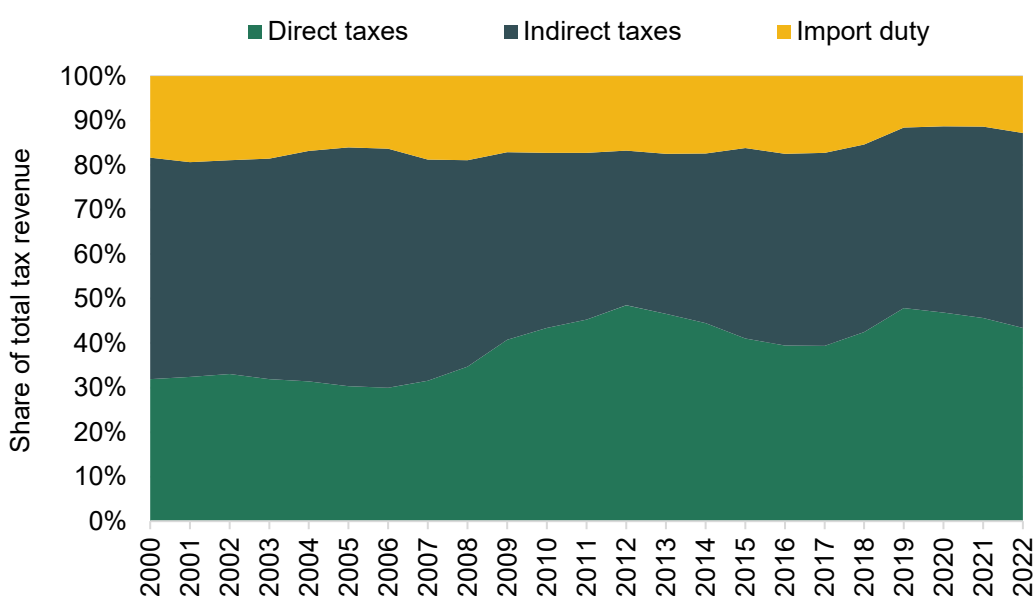
¹¹ This includes revenues collected at customs clearance if the taxes are not specific to imported products – i.e. it includes VAT on imports, for instance.

¹² Authors' calculations based on Bank of Ghana GDP data and Ghana Revenue Authority import data.

VAT, NHIL, GETFL and CHRL increased from 57% in 2000 to nearly 70% in 2022.

From an administrative perspective, it is also interesting to note that the share of total taxes collected at customs clearance has declined from 54% in the early 21st century to an average of 28% in recent years. This may partly reflect an increased ability to collect taxes domestically.

Figure 4.2. Overall tax revenue collection composition, 2000–22



Source: Authors' calculations based on data from the Ghana Revenue Authority.

The tax reform process

Ghana's calendar of fiscal announcements centres on its annual and mid-year Budget presentations. Annual Budgets, which lay out the government's fiscal programme for the year ahead, usually occur in November during non-election years and in March of the year in which a newly elected government takes office. In each year, usually before the end of May, the Finance Minister is required to submit a fiscal strategy document to Cabinet for the ensuing three- to five-year period which, among other things, includes a fiscal forecast and a statement of policy measures intended to ensure that the government meets fiscal policy objectives. Halfway through every year, before the end of July, a mid-year fiscal policy review provides a revised stance of the government's fiscal direction. This may lead to the

preparation of a supplementary Budget where there is the need to introduce, modify or cancel fiscal measures. The majority of tax policy reforms in Ghana are announced during these Budget events. Only in occasional circumstances are tax policy changes introduced outside of Budget events, with the 2019 benchmark values reform (described below) serving as one example.

The rest of this section compiles a comprehensive (albeit non-exhaustive) list of various tax policy reforms undertaken in Ghana over the past two decades. As well as serving as a reference for practitioners and researchers, this information is important for understanding developments in different components of the country's tax revenue mix presented subsequently.

Direct taxes

Table 4.1 lists key reforms to direct taxes in Ghana since 2000. Over this period, the rates and bases of both the CIT and the PIT have changed on a number of occasions. Most notably, the standard rate of CIT was reduced from 35% to 25% between 2001 and 2006, and more recently new top rates of PIT were introduced first in 2018 and then again in 2023. Other direct taxes have also been implemented and/or abolished over the period, including the National Reconstruction Levy (NRL, a charge on the pre-tax profits of companies) and the Growth and Sustainability Levy (GSL, previously under the name National Fiscal Stabilisation Levy and covering businesses operating in a relatively limited number of sectors of economic activity).

Table 4.1. Main direct tax policy reforms in Ghana, 2000–23

| Tax type | Year | Reform |
|----------|------|------------------------------------------------------------------------------------------------------------------------------------------------|
| PIT | 2001 | Income tax structure reformed: top and middle rates reduced by 5 percentage points and thresholds increased, and a range of reliefs introduced |
| | 2003 | Vehicle income tax (VIT) sticker system introduced |
| | 2005 | Top rate reduced from 30% to 28% |
| | 2006 | Bottom threshold set at annual minimum wage |
| | 2007 | Top rate reduced to 25% 15% and 20% rates consolidated into one 17.5% rate |
| | 2011 | Thresholds revised Five personal reliefs increased by a factor of 2–3 |
| | 2016 | Individual capital gains became subject to PIT |
| | 2018 | New top marginal rate of 35% for incomes over GH¢ 120,000 introduced |

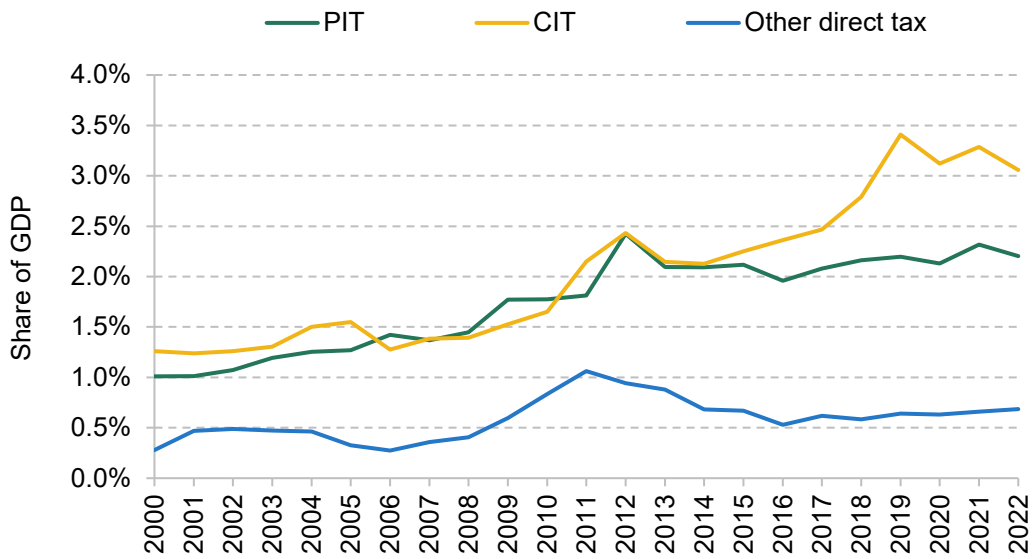
| | | |
|------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2019 | Top income tax threshold increased from GH¢ 120,000 to GH¢ 240,000, and rate decreased from 35% to 30% |
| | 2020 | Five personal reliefs increased by a factor of 3–10 |
| | 2023 | Thresholds revised and a new top band of 35% introduced Vehicle benefits revised |
| CIT | 2001 | CIT reduced from 35% to 32.5% (30% if listed on Stock Exchange) |
| | 2004 | CIT incentives revised, including reduced rates and holidays for agro-processing and for companies listed on Stock Exchange Introduction of incentives for waste processing |
| | 2005 | Reduction in standard rate from 32.5% to 30% |
| | 2006 | Reduction in standard rate from 30% to 25% |
| | 2012 | Higher 35% rate introduced for mining and petroleum |
| | 2021 | 30% reduction in CIT rate for Q2–Q4 for firms in education, travel and tours, arts and entertainment, and hotels and restaurants |
| | 2023 | 5% on turnover as a minimum chargeable income for companies that have been consistently making losses for five years |
| | Other direct taxes | 2002 |
| 2006 | | Royalty rate for mining operations revised to between 3% and 6% |
| 2007 | | NRL ended Dividend tax reduced from 10% to 8% and capital gains tax reduced from 10% to 5% |
| 2008 | | Airport tax increased by 50% for international travel |
| 2009 | | National Fiscal Stabilisation Levy (NFSL) introduced as a temporary measure |
| 2011 | | NFSL ended All airport tax rates increased |
| 2013 | | NFSL reintroduced (subsequent renewals have followed, including a five-year renewal from 2020) |
| 2016 | | Capital gains tax and gift tax incorporated into income tax |
| 2021 | | Financial Sector Recovery Levy (FSRL) introduced until at least 2024 |
| 2023 | | Gross gaming revenue tax and withholding tax on lotteries and betting introduced Growth and Sustainability Levy (GSL) introduced to replace NFSL, with expanded coverage |

Note: The table is not exhaustive.

Source: Budget documents; Ministry of Finance and Ghana Revenue Authority staff.

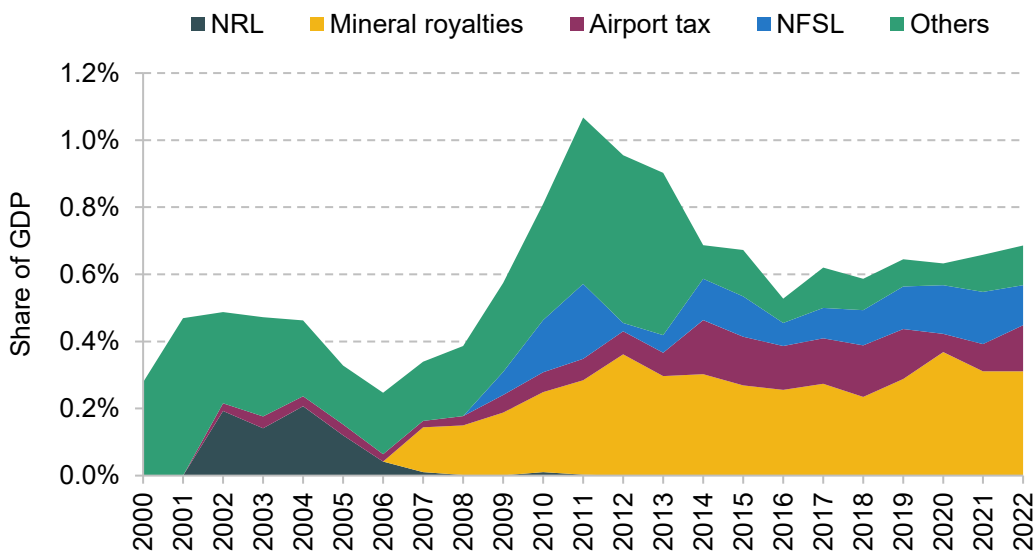
Figure 4.3 shows direct tax revenue trends over the period. Unsurprisingly, the CIT and the PIT are the main sources of revenue in this category, accounting for almost 90% of total direct tax revenues in Ghana in the last few years. These two taxes followed strikingly similar paths in terms of revenue raised as a percentage of GDP between 2000 and 2014, aside from cuts in the main rate of CIT in 2005 and 2006 seemingly affecting the positive gradient for that series for a couple of years. Since 2014, however, PIT revenues have not increased relative to GDP, highlighting the challenges of improving tax enforcement on individuals in a highly informal

Figure 4.3. Direct tax revenue collections, 2000–22



Source: Authors' calculations based on data from the Ghana Revenue Authority and the Bank of Ghana.

Figure 4.4. Composition of other direct tax collections, 2000–22



Note: 'Others' includes, for instance, dividend taxation, stamp duty and the Financial Sector Clean-Up Levy.

Source: Authors' calculations based on data from the Ghana Revenue Authority and the Bank of Ghana.

economy.¹³ CIT revenues, on the other hand, have performed more strongly, partly buoyed by growth in the mining and financial services sectors.

The importance of other direct taxes has varied over time with the implementation and removal of different taxes (Figure 4.4). Together, these taxes raised revenue of only 0.25% of GDP in 2006 as the NRL was phased out. Since then, mineral royalties and the implementation of the NFSL in 2009 have driven increased revenue collection from this set of taxes, though they are still a small part of the overall tax revenue mix.¹⁴

Indirect taxes

Table 4.2 lists key reforms to indirect taxes in Ghana since 2000. For the VAT, the most significant changes occurred near the beginning of this period, including an effective 5 percentage point increase between 2000 and 2003, the introduction of the National Health Insurance Levy and the earmarking of 2.5 percentage points of VAT to the Ghana Education Trust Fund. The conversion of NHIL and decoupling of the GETFund Levy into ‘straight levies’, which cannot be reclaimed by businesses, in 2018 was another notable shift in VAT-related policy. More recently, there was a further 2.5 percentage point increase in the standard VAT rate in 2023. The taxation (and subsidisation) of petroleum products has also changed substantially over time as the energy sector in Ghana has undergone various phases of deregulation.¹⁵ The communications service tax (CST) was introduced in 2008, while excise duties have oscillated between specific and ad valorem rates over time.

¹³ The effect of the introduction of the new top PIT rate of 35% in 2023 is not yet covered in our time-series data.

¹⁴ The effect of the introduction of the GSL in place of the NFSL in 2023 is not yet covered in our time-series data.

¹⁵ A full account of these changes is beyond the scope of this report. For accounts of the various phases of reform, see, for example, Laan, Beaton and Presta (2010), International Monetary Fund (2013) and Cooke et al. (2016).

Table 4.2. Key indirect tax policy reforms in Ghana, 2000–23

| Tax type | Year | Reform |
|------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VAT, NHIL, GETFL, CHRL | 2000 | Standard VAT rate increased from 10% to 12.5% with additional revenue allocated to Ghana Education Trust Fund (GETFund) |
| | 2001 | VAT turnover registration threshold reduced from GH¢ 20,000 to GH¢ 10,000 |
| | 2003 | National Health Insurance Levy (NHIL) introduced at 2.5% and treated similarly to VAT |
| | 2004 | 0% rate for imported raw materials Exemption for imported irrigation pumps and fishing materials |
| | 2007 | VAT Flat Rate Scheme (VFRS) introduced for retailers at 3% |
| | 2011 | VAT registration threshold increased from GH¢ 10,000 to GH¢ 90,000 Pharmaceutical and paper products made exempt |
| | 2013 | VAT registration threshold increased to GH¢ 120,000 VFRS abolished |
| | 2017 | VFRS introduced for retailers and wholesalers at 3% |
| | 2018 | GETFund Levy (GETFL) and NHIL turned into 'straight levies' which cannot be reclaimed VAT withholding introduced |
| | 2021 | COVID-19 Health Recovery Levy introduced, adding 1 percentage point to both VFRS and standard VAT system |
| | 2022 | VAT zero-rating of locally manufactured textiles and locally assembled vehicles introduced |
| | 2023 | Standard VAT rate increased from 12.5% to 15% |
| | 2024 | VAT flat rate on rental of commercial premises and on supply of immovable property by an estate developer introduced VAT zero-rating of locally manufactured textiles and locally manufactured motor vehicles extended Zero rate of VAT introduced on locally manufactured sanitary towels Alignment of VAT treatment of domestic and imported goods |
| | Fuel taxes | 2001 |
| 2003 | | Increase in Road Maintenance Levy to 4 pesewas and introduction of Energy Debt Recovery Levy (EDRL) at 6.4 pesewas, both per litre/kg of petroleum products |
| 2005 | | Fuel taxes overhauled: various fuel levies (ad valorem and specific) introduced and subsidies removed, implying a large price increase for petroleum products |
| 2008 | | Specific excise duty rates reduced for petroleum products and EDRL reduced to 2.5 pesewas per litre |
| 2009 | | Specific excise duty rates reduced for all petroleum products |
| 2014 | | Special petroleum tax (SPT) introduced at 17.5% |

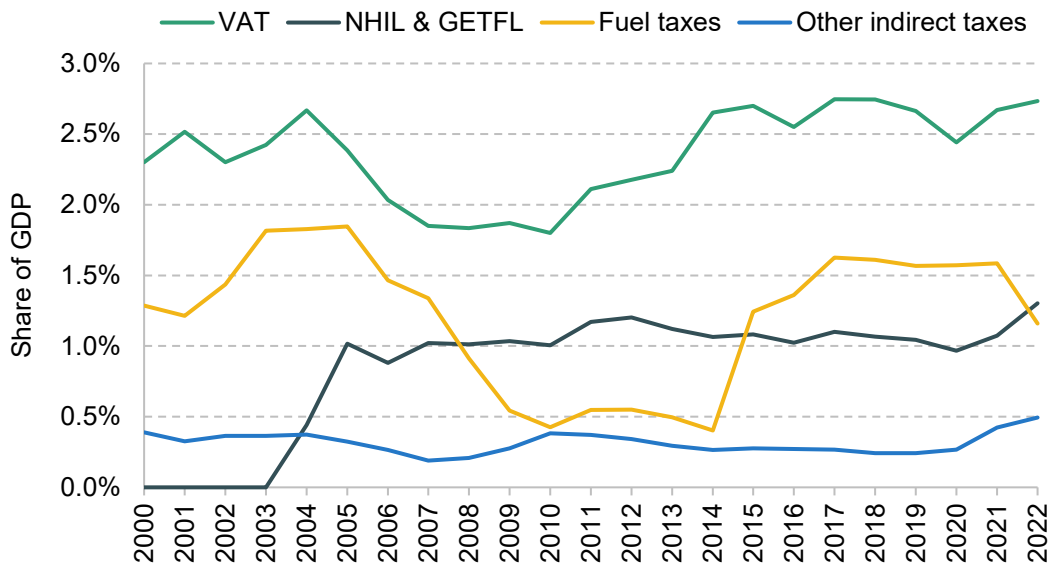
| | | |
|-----------------------------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2015 | Petroleum excise tax converted to specific duty Energy sector levies legislation consolidated into one Act, and their number decreased from six to four |
| | 2017 | SPT reduced to 15% Petroleum excise duties abolished |
| | 2018 | SPT reduced to 13% |
| | 2021 | Energy Sector Recovery Levy and the Sanitation and Pollution Levy introduced at rates of 20 and 10 pesewas per litre of petrol or diesel, respectively |
| Other indirect taxes | 2007 | Excise duties converted to specific taxes, increased on alcohol and decreased on tobacco |
| | 2008 | 6% communications service tax (CST) rate introduced Excise duties converted to ad valorem rates |
| | 2011 | 20% excise duty on plastic products introduced |
| | 2012 | Sliding-scale excise duty rates introduced according to use of local raw inputs |
| | 2014 | Excise duty increased on tobacco products Excise tax stamp introduced |
| | 2019 | CST increased to 9% |
| | 2020 | CST reduced to 5% |
| | 2022 | Electronic Transfer Levy (E-Levy) introduced at rate of 1.5% |
| | 2023 | E-Levy rate reduced to 1% Excise duty on fruit juices introduced at rate of 20% Excise duties on tobacco converted to a combination of ad valorem and specific Excise duty rate on cider beer increased to 47.5% |
| | 2024 | Emissions Levy to be charged on industrial and vehicle emissions Excise duty rate on plastics reduced and coverage expanded to imported plastic packaging Stamp duty rates increased |

Note: The table is not exhaustive. The Ghana cedi was redenominated at a rate of 1:10,000 in 2007; all figures here are in the new currency.

Source: Budget documents; Ministry of Finance and Ghana Revenue Authority staff.

Important revenue trends have accompanied these policy changes in the last two decades (Figure 4.5). While VAT revenues relative to GDP have fluctuated over the period and have barely increased since 2000, once combined with NHIL and GETFL revenues – which have effectively functioned as an additional VAT for much of the period – the overall growth from 2.3% to 4.0% of GDP is clearer. This is due to the growth in revenues from both the levies and VAT mostly since 2020 and does not yet include the increase in the standard VAT rate to 15% in 2023. Figure 4.6 breaks down the composition of these revenues over time, including by

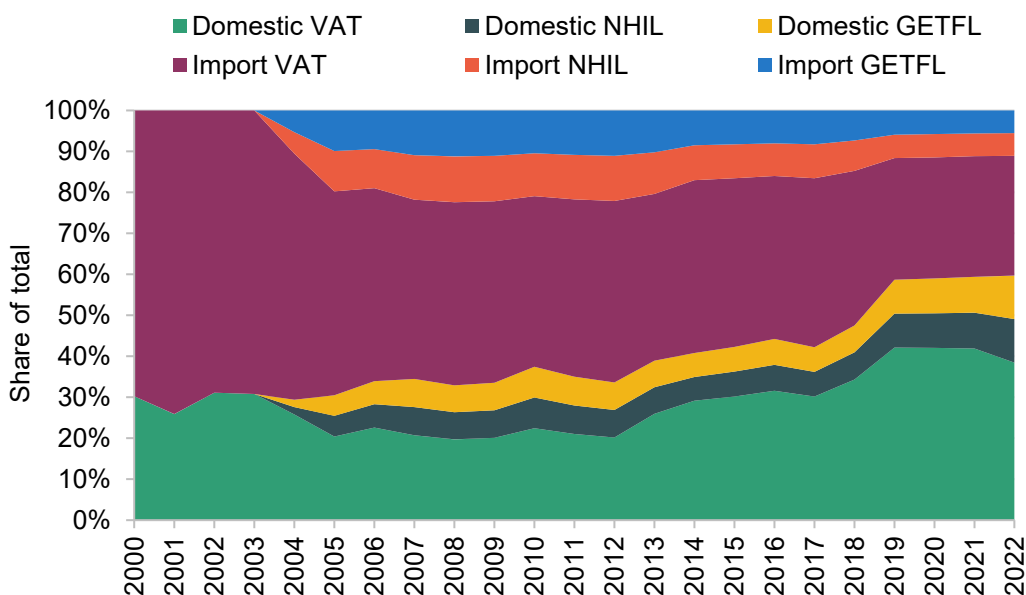
Figure 4.5. Indirect tax revenue collections, 2000–22



Note: The figure shows collections only. Other indirect taxes include excise duty, CST and CHRL. Fuel taxes consist of SPT, petroleum excise duty and EDRL. VAT refunds are not incorporated.

Source: Authors' calculations based on data from the Ghana Revenue Authority and the Bank of Ghana.

Figure 4.6. Domestic and import VAT, NHIL and GETFL collections, 2000–22



Note: The figure shows collections only. VAT refunds are not incorporated.

Source: Authors' calculations based on data from the Ghana Revenue Authority.

domestic and customs collections. This shows the increased role that domestically collected revenues play for these taxes – particularly since 2019 as revenues collected at customs have stalled somewhat. Overall, the share of tax collections on imported goods in the overall revenue mix has fallen from 54% in 2000 to 33% in 2022. However, it is important to note that these figures reflect collections reported by the GRA. This means that, to the extent that VAT paid on imports is later offset against output VAT liabilities, collections from VAT on imports are likely to overstate revenues from VAT on imports, and domestic VAT revenues will be equivalently understated.

Tax revenue collections from the various fuel taxes in use over the last two decades have changed substantially (Figure 4.5). Trends in these revenues relate not only to the taxes in place, but more broadly to the regulation of pricing of fuel products in Ghana. Since 2001, there have been numerous phases of liberalisation of petroleum prices. The increase in fuel tax revenues in the early 2000s reflects a first phase of deregulation. Fuel tax revenues were notably lower from 2008 to 2014, following increases in world prices and cuts in the tax rates applied to help ameliorate their impacts. In line with reforms over the period 2014–15, tax revenues from fuel taxation increased substantially prior to 2022 with their levels (relative to GDP) being similar to that of the period before the Global Financial Crisis. In 2022, however, fuel tax revenues witnessed a significant decline, falling by 27% relative to their 2021 levels. This can largely be attributed to a change in fuel demand which fell by more than 6% for gasoline in 2022.

Customs taxes

Table 4.3 lists key reforms to customs taxes in Ghana since 2000. Major changes to the taxation of imported goods include the adoption of the ECOWAS Common External Tariff (CET) from 2016, reductions in the ‘benchmark value’ of many imported goods of up to 50% in 2019 – which reduced the value on which goods are assessed for taxes and constituted a substantial effective tax rate reduction – and the reversal of the ‘benchmark value’ discount policy in 2022 and 2023.

Table 4.3. Key customs tax reforms in Ghana, 2000–23

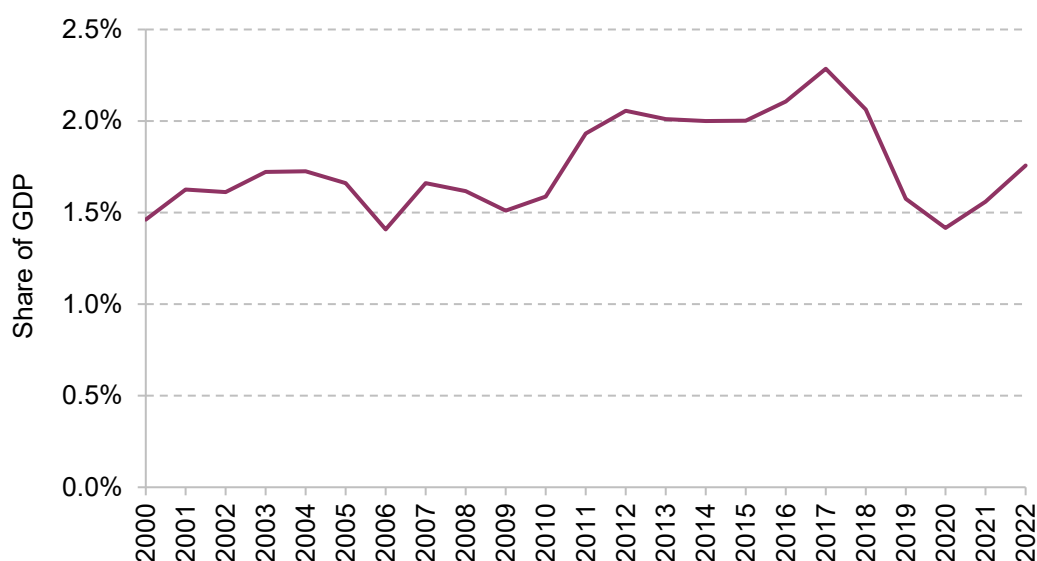
| Tax type | Year | Reform |
|---------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Import duties | 2002 | 5% duty applied to zero-rated goods (excluding education, health and agriculture inputs) |
| | 2003 | Import duty increased from 10% to 15% for finished goods and from 20% to 25% for rice; increased to 20% for finished poultry; reduced from 10% to 5% for textile inputs and aluminium ingots |
| | 2007 | 5% concessionary import duty rate on raw materials imported by registered manufacturers |
| | 2009 | Duty restored on rice, wheat and cooking oil following temporary suspension |
| | 2013 | Special Import Levy (SIL) introduced at a rate of 1–2% of CIF value of imports (except petroleum) |
| | 2016 | Implementation of ECOWAS Common External Tariff (CET) |
| | 2019 | Introduction of the benchmark values discount policy – which provides 50% and 30% discount for general goods and vehicles, respectively |
| | 2022 | Partial reversal of the benchmark values discount policy – reduced from 50% to 30% for general goods and 30% to 10% for vehicles |
| | 2023 | Full reversal of benchmark values discount policy |
| | 2024 | Waiver of customs taxes and duty on imported fishing gear for agricultural purposes Introduction of waivers on raw materials for the manufacturing of sanitary towels, agricultural machinery, equipment and inputs that are not available locally, and certain electric vehicles |

Note: The table is not exhaustive.

Source: Budget documents; Ministry of Finance and Ghana Revenue Authority staff.

Import duty revenues grew for much of the period but have dropped sharply since hitting a high in 2017 (Figure 4.7). The 2019 reform that reduced benchmark values for imported goods appears to have contributed to this drop, although there was also a year-on-year fall in relative import duty revenues in 2018. Following the full reversal of the benchmark values reform in 2023, import duty revenues are expected to increase again, but this is not yet captured in our data.

Figure 4.7. Import duty revenue collections, 2000–22



Note: The figure includes all taxes levied specifically on imports as described in Section 3.

Source: Authors' calculations based on data from the Ghana Revenue Authority and the Bank of Ghana.

Tax administration

In addition to tax policy reforms, Ghana has also introduced considerable changes to tax administration, with the aim of enhancing revenue mobilisation, which we briefly describe here. Prior to 2009, different classes of taxes were administered by three independent semi-autonomous revenue agencies: the Customs, Excise and Preventive Service (CEPS), the VAT Service (VATS) and the Internal Revenue Service (IRS). Each of these revenue agencies had a governing board. In 2002, the individual governing boards were merged to form the Revenue Agencies Governing Board (RAGB). The three autonomous revenue agencies, along with the RAGB, were integrated in 2009 to create the Ghana Revenue Authority, which is headed by a Commissioner-General.

The Large Taxpayers Unit was established in 2003 as a one-stop shop to manage the domestic taxes collected by VATS and IRS under one roof. The respective Commissioners, however, had operational supervision of the taxes within their domain while the RAGB was responsible for administration. The Unit also served as a pilot to the eventual integration of the individual revenue agencies. The lessons learnt informed the setting up of the Ghana Revenue Authority.

Since its inception, the GRA has embarked on a programme of significant administrative reforms, embodied in three strategic plans covering the periods 2012–14, 2015–17 and 2018–21. These plans were designed to integrate and fully modernise the GRA to enable it to carry out its mandate, to strengthen enforcement mechanisms, broaden the tax base, improve processes and procedures, and implement innovative measures to increase tax revenue collections.

The GRA had three divisions at the outset: the Domestic Tax Revenue Division, the Customs Division and the Support Services Division. All other departments subsisted under the Commissioner-General. One major introduction was the application of the client-oriented organisation concept in the Domestic Tax Revenue Division to cater for the special needs of different categories of taxpayers. This led to the creation of a large taxpayer office and small and medium taxpayer offices in 2012 – each of them a one-stop shop for the administration of domestic taxes (VAT, income tax and excise duty). These offices, which are fully automated, are run on functional lines in contrast to the previous schedular system. The introduction of the Self-Assessment System permits all large and medium taxpayers to make their own assessments instead of having administrative/provisional assessments. The GRA also introduced the concept of policy and programme departments to act as the divisional research, monitoring and forecasting units at the Domestic Tax and Customs Headquarters.

As part of the Second Strategic Plan, the GRA created two key units – the Risk Management Unit and the Monitoring and Evaluation Unit – to ensure the delivery and implementation of an enterprise-wide risk management system and consolidate monitoring, evaluation and review of strategy, programmes and operational activities. The Third Strategic Plan led to a review of the organisational structure, leading to the merger of all the research and policy and programmes offices and the modernisation office into one department and the creation of a transformation office. In 2020, the small and medium taxpayer offices were consolidated into Taxpayer Service Centres (TSCs) and 10 Area Offices (which are responsible for managing the operations of the TSCs within their jurisdictions) across Ghana. The main objectives of the plan were to focus on people and technology as the main drivers of revenue mobilisation in the second decade of the GRA.

A number of significant revenue administration measures have also been undertaken in the technology area. These include the digitisation of the unique Taxpayer Identification Numbers (TIN) in 2011 to replace the old TIN which was

introduced in 2002, and upgrades to IT infrastructure to enable digital tax administration, most notably the Ghana Customs Management System (GCMS), which was introduced in 2000 to manage customs administration, and the attendant Ghana Community Network (GCNet) platform for front-end users. The Pre-Arrival Assessment Reporting System (PAARS) provided the platform for valuation of goods both prior to and on arrival in Ghana. This completed the Single Window System that provided end-to-end automation of customs administration. These have been replaced by the Integrated Customs Management System (ICUMS), which commenced operations in mid 2020.

The Ghana Integrated Tax Management and Integration System 3 (GITMIS 3) is currently the system used by the GRA for tax administration purposes. GITMIS 3 is a progression from GITMIS 2 and is an advanced tax information management system. The key functionalities of GITMIS 3 are real-time tax updates, compliance monitoring, audit and data management, electronic filing and payment, among others. It replaced the Total Revenue Integrated Processing System (tripsTM), which was introduced in 2011 as a domestic tax administration system to integrate revenue collection across tax types. The tripsTM system came to replace the Value-Added Tax Integrated Processing System (VIPS, introduced in 1998) and the Large Taxpayer Integrated Processing System (LTIPS, introduced in 2003) used by VATS and the Large Taxpayers Unit respectively, and the GITMIS 1 used by the IRS for domestic direct tax collection. The Integrated Tax Application and Preparation System (iTAPS) was introduced in 2019 to assist taxpayers in keeping proper records required to fulfil their tax obligations, in filing returns and in making payments online.

5. International context

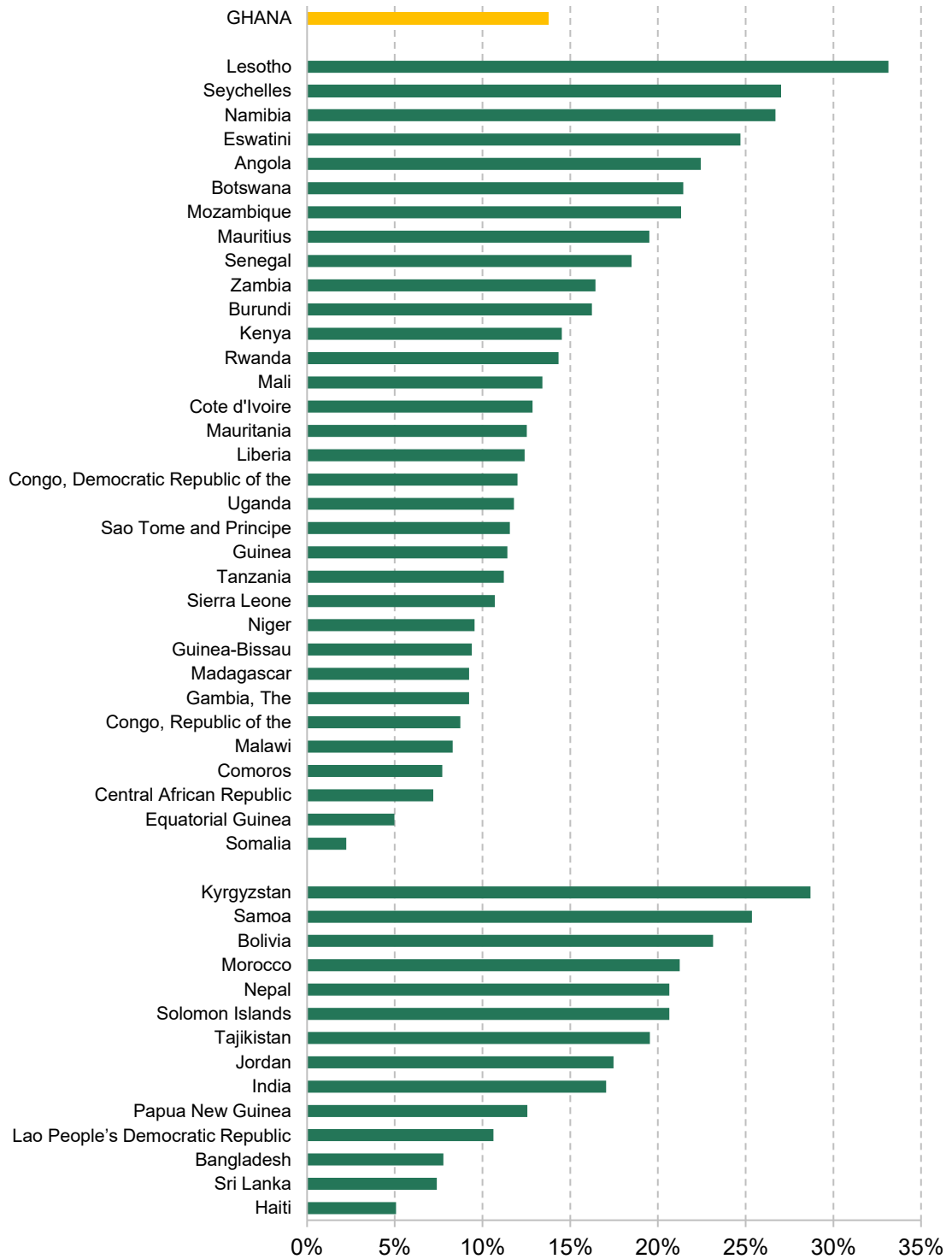
Ghana's overall tax-to-GDP ratio has increased steadily from around 8% in 2000 to approximately 13.8% today. Despite this, Ghana's tax take remains below the government's target of 18–20% of GDP by 2027 (Ministry of Finance, 2023). This level of tax revenue mobilisation is lower than estimates that were available for Ghana just a few years ago. The reason for this is the rebasing of Ghana's GDP series, which led to a substantial upwards revision of nominal GDP in 2018 and highlights a key challenge when making international comparisons across developing economies. Prichard, Cobham and Goodall (2014) argue that the infrequent and irregular rebasing of GDP series in developing countries often leads to the overestimation of tax-to-GDP ratios and presents a major challenge in comparing tax revenue ratios across countries.

Bearing in mind this caveat, Figure 5.1 compares tax revenues in Ghana with those in other countries in sub-Saharan Africa (SSA) and other (non-SSA) lower middle-income countries in 2022, the latest year for which comparable cross-country data are currently available disaggregated by tax type.¹⁶ Total tax collections in Ghana are fairly typical of SSA overall. However, Ghana is a higher-income country than most countries in this group, and it lags behind most countries in the same broad income grouping overall. Out of a sample of 34 countries from SSA in the UNU-WIDER Government Revenue Dataset (GRD), Ghana ranks 14th in 2022 in terms of tax-to-GDP ratio. Among lower middle-income countries (including those in SSA), it ranks 16th out of 26.¹⁷

¹⁶ There can be small discrepancies between the data in the Government Revenue Dataset (GRD) and those compiled by national sources – in this case, from the Ghana Revenue Authority. This is because the GRA data simply reflect tax collections whereas the GRD attempts to implement the most consistent treatment possible across countries for social contributions, tax refunds and VAT collected on imports, for instance, in order to facilitate international comparisons.

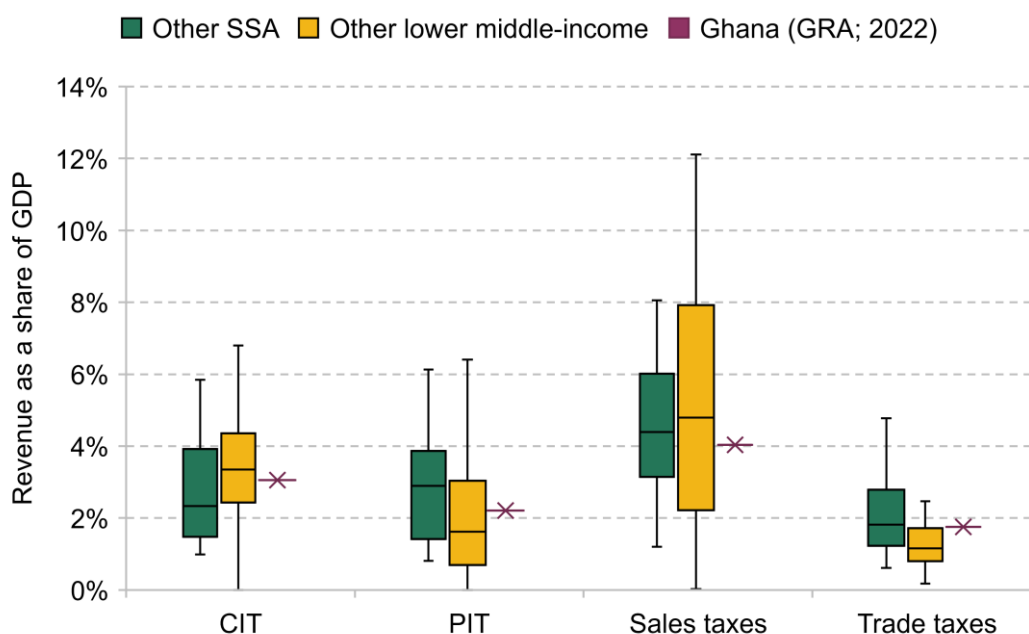
¹⁷ These data do not necessarily offer a representative sample.

Figure 5.1. Tax-to-GDP ratios in sub-Saharan Africa and lower middle-income countries, 2022



Source: Ghana Revenue Authority, Bank of Ghana, and UNU-WIDER Government Revenue Dataset 2023.

Figure 5.2. Tax revenues by tax type in Ghana and comparator countries, 2016–22^a



^a Data for Ghana are from 2022; most other countries' data come from 2021 and 2022, though some are from 2016–20.

Note: Sample varies between each tax revenue category according to data availability; values of zero excluded. Sample may not be representative. Ghanaian sales tax revenue includes VAT, NHIL and GETFL. The line within a box shows the median value within the group. The bottom and top lines of a box indicate the interquartile range, and the whiskers indicate the minimum and maximum values (excluding outliers).

Source: UNU-WIDER Government Revenue Dataset 2023, Ghana Revenue Authority and Bank of Ghana.

The factors that drive aggregate tax collection are numerous, including tax policy, tax administration and structural economic features. The fiscal capacity of governments is strongly related to a country's level of development and is engendered over long periods of structural change (Lee and Gordon, 2005; Besley and Persson, 2014; Jensen, 2022). Nonetheless, it is still instructive to go beyond tax-to-GDP ratios to get a sense of which parts of the tax system contribute to Ghana's overall relative revenue yield.

Figure 5.2 plots the distribution of tax revenue yield from different components of the tax system in countries in sub-Saharan Africa and from (non-SSA) lower middle-income countries, with figures for Ghana alongside for comparison. Given some substantial changes across tax types in recent years in Ghana, as shown in

Section 4, here data for Ghana are from 2022; most other countries' data come from 2021 and 2022, though some are from 2016–20.

For corporate tax revenue, Ghana is in the top half of the SSA sample in terms of revenue raised as a share of GDP, and slightly below the median of other lower middle-income countries. This largely reflects significant increases in Ghana's CIT revenue collection in recent years; even a few years ago, Ghana would have been towards the middle of the SSA sample in this respect. The pattern is somewhat different for trade taxes. In 2017, Ghana raised slightly less than the average SSA country but more than a typical lower middle-income country, which tend to raise relatively less from this source overall. As Figure 5.2 shows, this is mostly still the case in recent years as Ghana has moved closer to a typical SSA country.

Personal income tax and general sales tax exhibit much greater variability across countries in revenue collections in the sample considered. In terms of the PIT, tax revenue in Ghana is lower than in many comparator countries in SSA but is above the median of other lower middle-income countries. However, for general sales taxes, Ghanaian revenues are noticeably lower than for both groups.¹⁸ While the median SSA and other lower middle-income country collected general sales tax revenues of over 4.4% and 4.8% of GDP, respectively, for Ghana this figure was 4.0% in 2022.

For each of these tax revenue components, a wide range of factors could drive differences in revenue collection across countries. Fundamentally though, two variables determine the tax revenue collected. The first is the size of the tax base to which the tax applies, which is partly a function of structural and macroeconomic factors and partly a function of tax policy and administration (e.g. compliance, enforcement, reliefs and exemptions). The range of factors that determine the size of the tax base in practice means that it is extremely difficult to compare across countries.

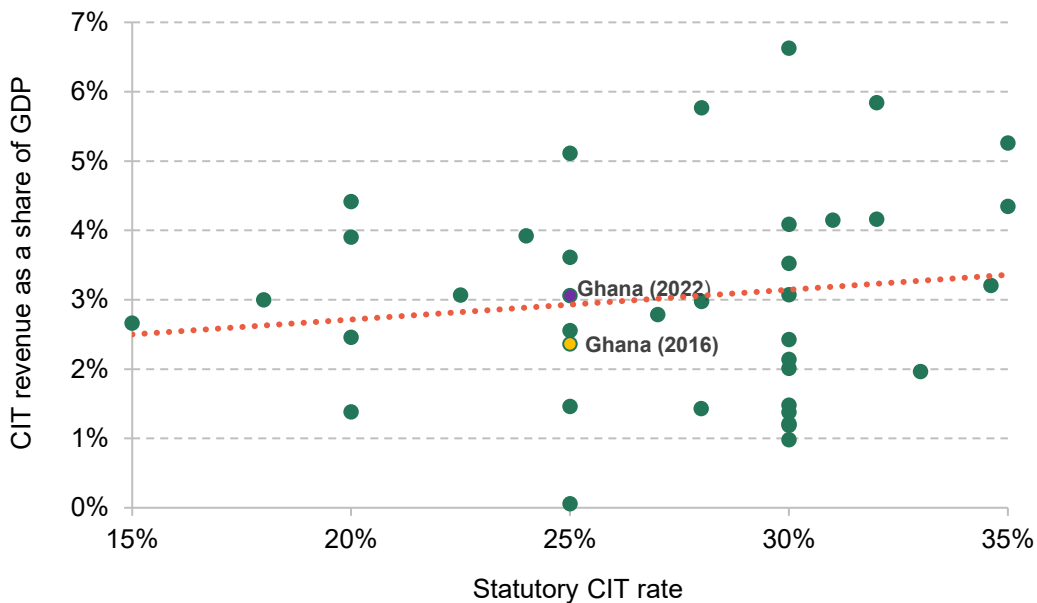
The second factor that determines revenues is the (average) tax rate applying to the relevant tax base. Although tax rates for a given tax base may vary by individual taxpayer, tax rates are easier to compare across countries than tax bases. This is particularly true for taxes such as the CIT and the VAT, which are typically

¹⁸ For Ghana, general sales tax revenues comprise VAT, NHIL and GETFL.

characterised by a statutory rate that applies to the majority of the tax base. Comparing Ghanaian tax rates and revenue collections with other countries provides suggestive evidence on whether tax policy (and tax rates specifically) can help explain Ghana’s relative tax revenue yield. Such evidence must be interpreted only as suggestive though, given that the samples available are small and not necessarily representative, and the simplicity of the parameters used.

Figure 5.3 first considers statutory corporate tax revenues and rates in a sample of SSA and lower middle-income countries, showing one observation per country over the period 2016–22 according to data availability. There is considerable variation in the headline CIT rate in the sample, ranging from 15% to 35%. As a percentage of GDP, CIT revenues range from 0.06% to 6.6%. The dashed red line shows a slight positive association between statutory tax rates and revenues. The overall pattern suggests that, given its statutory CIT rate, Ghana used to collect less CIT revenue than would be expected, but growth in revenue collections in the past few years means that it is now slightly above the trend line.

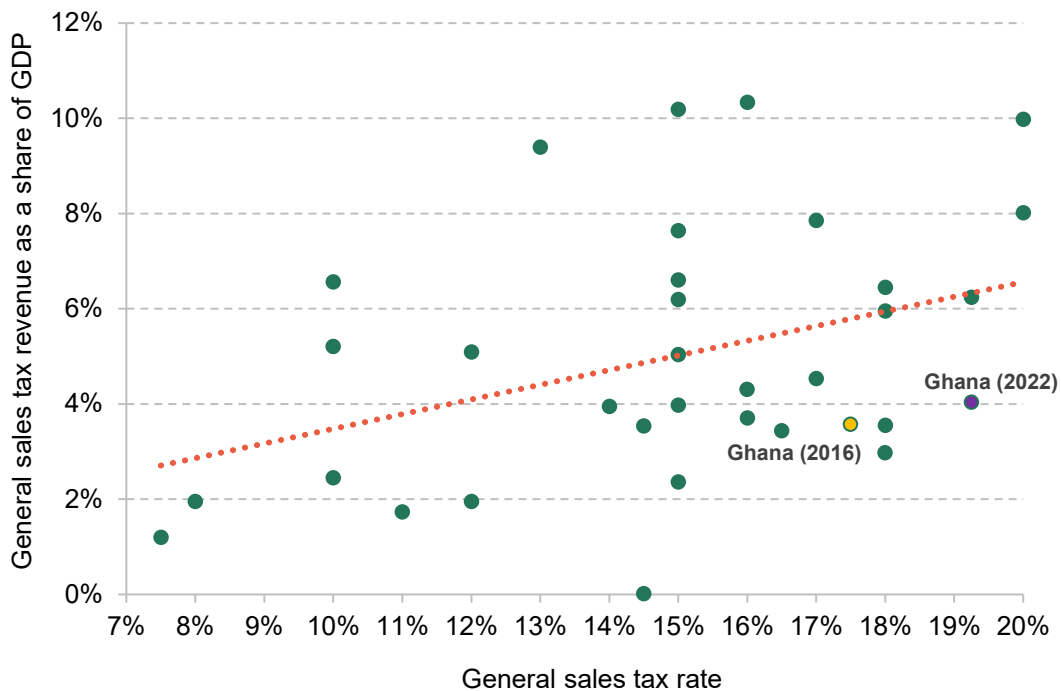
Figure 5.3. CIT rates and revenues across countries, 2016–22^a



^a Data are from different years according to availability.

Note: One observation per country (two for Ghana). Sample comprises 37 countries either from sub-Saharan Africa or in the lower middle-income country grouping.

Source: Ghana Revenue Authority, Bank of Ghana, UNU-WIDER Government Revenue Dataset 2023 and KPMG tax rates data.

Figure 5.4. General sales tax rates and revenues across countries, 2016–22^a

^a Data are from different years according to availability.

Note: One observation per country (two for Ghana). Sample comprises 33 countries either from sub-Saharan Africa or in the lower middle-income country grouping.

Source: Ghana Revenue Authority, Bank of Ghana, UNU-WIDER Government Revenue Dataset 2023 and KPMG tax rates data.

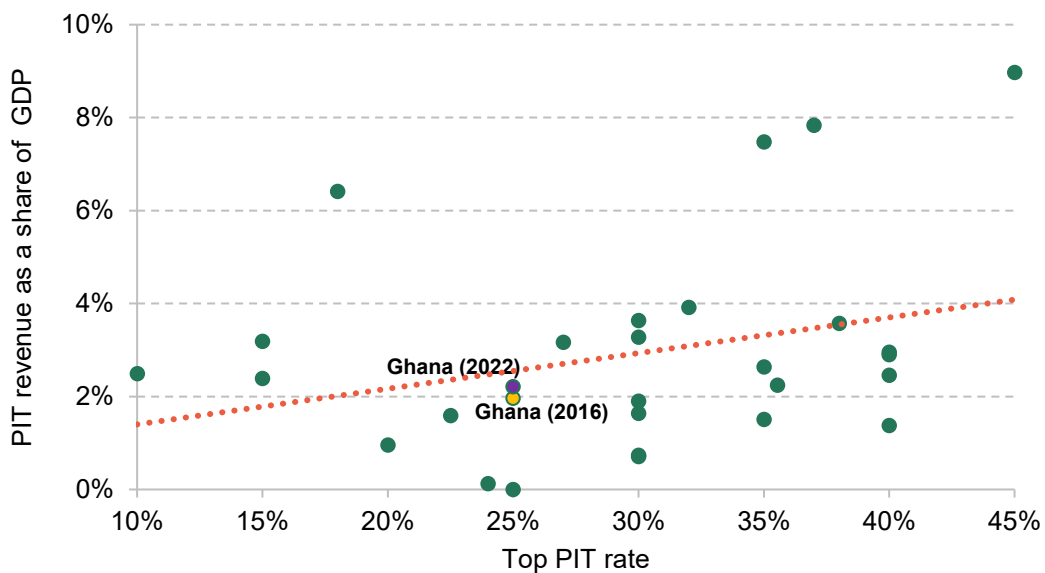
Figure 5.4 conducts the same exercise for general sales tax revenues, which comprise VAT, NHIL and GETFL for Ghana.¹⁹ Here, the statutory rates range from 7.5% to 20%, and Ghana is close to the top of the sample in this respect. Like the CIT case, a positive association between tax rates and tax revenues exists in this sample, but Ghana's revenues are below what one would expect given its headline rate. This could be due to a range of factors, including but not limited to compliance, VAT registration requirements or the breadth of exemptions.

Finally, Figure 5.5 plots the relationship between PIT rates and revenues. PIT systems are typically characterised by a schedule of rates applying to different

¹⁹ The increase in the overall sales tax rate from 17.5% to 19.25% for Ghana between 2016 and 2022 reflects the fact that the tax base for VAT changed to include NHIL and GETFL in 2018, and the COVID-19 Health Recovery Levy was introduced in 2021 and also included as part of the VAT base.

bands of income, making statutory tax rate comparisons across countries more difficult. Here we use the highest marginal tax rate in each country as a proxy for average PIT rates, as in Lee and Gordon (2005) and Besley and Persson (2014). This does yield a positive association between rates and revenues: taken at face value, the trend suggests that increasing the top rate from 10% to 45% more than doubles overall PIT revenues. In 2016, Ghana again fell below the overall trend line, implying it raised slightly less PIT revenue than would be expected when compared with other countries but, unlike the case of the CIT, there has not been much improvement over the past few years.

Figure 5.5. Top PIT rates and revenues across countries, 2016–22^a



^a Data are from different years according to availability.

Note: One observation per country (two for Ghana). Sample comprises 28 countries either from sub-Saharan Africa or in the lower middle-income country grouping.

Source: Ghana Revenue Authority, Bank of Ghana, UNU-WIDER Government Revenue Dataset 2023 and KPMG tax rates data.

6. Conclusion

The Government of Ghana has made domestic revenue mobilisation a crucial part of its medium-term development strategy, with the goal of tax revenues reaching 18–20% of GDP by 2027. Improving domestic revenue mobilisation in the country is seen as an important means of funding social programmes and public goods, as well as of improving the country's fiscal position. The detailed information provided here on the current structure of Ghana's tax system and how this has evolved over time is intended to serve as a reference point for policymakers and researchers alike when considering tax policy options for achieving these goals.

Overall, despite some gradual increases over the past two decades, Ghana's tax-to-GDP ratio, which stood at 13.8% in 2022, remains slightly below the average of countries of a comparable income level, though it is middling among other countries in sub-Saharan Africa. Broadly, the direction of tax reform and revenues in Ghana in the last two decades has mirrored some of the major developments seen across the world, including a reduced reliance on taxes collected on trade and increased revenues from corporate income tax and VAT. While corporate tax revenues (relative to GDP) have grown noticeably in recent years, growth in personal income tax and VAT revenues has been relatively less pronounced, and international comparisons suggest that collections for these two taxes (especially VAT) in Ghana are relatively low given the tax rates in place.

Specific policy recommendations are beyond the scope of this report. However, these aggregate patterns raise questions for further research to study different tax types and specific policy options in more detail in order to pave the way for possible recommendations for reform which can meet policy objectives in an efficient, equitable and sustainable manner.

Appendix

Table A.1. Tax collections in Ghana, 2021 and 2022

| | 2021 | | 2022 | |
|------------------------|-------------------|---------------|-------------------|---------------|
| | Million GH¢ | % of GDP | Million GH¢ | % of GDP |
| GRA collections | | | | |
| PAYE | 9,723.55 | 2.21% | 12,065.41 | 2.09% |
| Self-employed | 491.45 | 0.11% | 659.17 | 0.11% |
| CIT | 14,479.64 | 3.29% | 17,650.36 | 3.06% |
| Other direct taxes | 227.16 | 0.05% | 317.30 | 0.05% |
| Mineral royalties | 1,369.04 | 0.31% | 1,796.19 | 0.31% |
| Airport tax | 359.88 | 0.08% | 789.58 | 0.14% |
| NFSL | 683.49 | 0.16% | 693.48 | 0.12% |
| FSRL | 262.78 | 0.06% | 365.85 | 0.06% |
| VAT | 11,762.26 | 2.67% | 15,788.63 | 2.73% |
| NHIL | 2,365.41 | 0.54% | 3,759.94 | 0.65% |
| GETFL | 2,366.14 | 0.54% | 3,759.92 | 0.65% |
| Excise duties | 526.48 | 0.12% | 604.82 | 0.10% |
| CST | 428.73 | 0.10% | 532.29 | 0.09% |
| Other indirect taxes | 909.17 | 0.21% | 2,359.24 | 0.41% |
| Import duties | 6,871.67 | 1.56% | 10,139.39 | 1.76% |
| Special petroleum tax | 2,338.84 | 0.53% | 2,237.68 | 0.39% |
| EDRL | 2,373.89 | 0.54% | 2,269.64 | 0.39% |
| Other petroleum taxes | 3,098.58 | 0.70% | 3,598.97 | 0.62% |
| TOTAL | 60,638.17 | 13.76% | 79,387.85 | 13.75% |
| Memoranda | | | | |
| Company tax on oil | 933.18 | 0.21% | 3,498.78 | 0.61% |
| Royalties from oil | 1,323.42 | 0.30% | 2,455.62 | 0.43% |
| Non-tax revenue | 7,908.87 | 1.79% | 14,561.04 | 2.52% |
| Grants | 1,182.22 | 0.27% | 1,118.57 | 0.19% |
| Tax refunds | 3,116.69 | 0.71% | 4,116.25 | 0.71% |
| Nominal GDP | 440,613.44 | | 577,282.97 | |

Note: GRA collections refer to tax collections reported by the Ghana Revenue Authority. Memoranda items come from the Ministry of Finance and are provisional figures. Other indirect taxes include VFRS, CHRL and E-Levy.

Source: Ghana Revenue Authority and Ministry of Finance.

Table A.2. Tax policy and administrative measures in the 2024 Budget Statement**Tax relief measures**

- Extension of zero rate of VAT on locally manufactured textiles for two more years
- Extension of zero rate of VAT on locally assembled vehicles for two more years
- Support for local pharmaceutical manufacturing industry by including raw materials in the list of active ingredients for VAT exemption
- Import duty waivers for raw materials used in the local manufacturing of sanitary pads
- Zero-rating of VAT on locally produced sanitary pads
- Waiver of import duties on the importation of commercial electric vehicles for public transportation for a period of eight years
- Waiver of import duties on semi-knocked down, completely-knocked down and fully-built electric vehicles imported by registered electric vehicles assembly companies in Ghana for a period of eight years
- Import duty waivers for agricultural machinery, equipment and inputs that are not available locally
- Exemptions on importation of medical consumables, and raw materials for the pharmaceutical industry
- Tax-free portion of the individual income tax rates to be modified to accommodate the updated National Daily Minimum Wage, which is currently GH¢ 18.15
- Waiver of duties for vehicle importation by doctors to enable the delivery of quality and timely healthcare

Revenue-raising measures

- Extension of environmental excise duty to cover plastic packaging
- Introduction of taxes on industrial and vehicle emissions
- An upward revision of specific rates of stamp duty and an expansion of the bands subject to ad valorem taxes
- A new 5% VAT flat rate to replace the 15% standard VAT rate on all commercial properties to simplify administration and enhance revenue mobilisation
- Some VAT exemptions to be reviewed to reduce distortions and abuses in the system
- The tax on gross gaming revenue and the withholding tax on winnings from betting and other games of chance to be fully operational in 2024
- Reintroduction of Minimum Chargeable Income concept to be fully implemented in 2024
- Second phase of the communications service tax to cover more entities to be implemented in 2024

- Review of the excise duty rate on beer
- Alignment of the VAT treatment of similar goods whether imported or locally produced to correct the existing distortions

Tax administration and other measures

- Introduction of a simplified tax filing process for the informal sector to encourage voluntary compliance
- Resumption of the collection of property rates by District Assemblies while the State addresses the challenges associated with the use of the unified common platform capable of billing, collecting and reporting property rates nationwide
- The Commissioner-General's certified VAT invoice to be the basis for all deductible expenses for income tax purposes
- Implementation of the second phase of the electronic invoicing system (e-VAT) covering 600 large taxpayers and more than 2,000 small and medium taxpayers
- Implementation of the up-front VAT on imports of VATable goods by unregistered importers to continue
- Signing of bilateral agreements with main trading partners on exchange of information in the area of customs and operationalising of the Special Voluntary Disclosure Programme to fight non-compliance and tax evasion
- Streamlining and ensuring efficient management of rent deductions from occupancy of government accommodation

Source: Government of Ghana, 2023.

Table A.3. Personal income tax reliefs

| Eligibility | Reduction in assessable income |
|--------------------------------------------------------------------------------------|---------------------------------------------------------|
| Dependent spouse or at least two dependent children | GH¢ 1,200 |
| Disability | 25% of the assessable income of the disabled individual |
| Aged 60 years and above | GH¢ 1,500 |
| Sponsoring the education of a child/ward at a domestic institution | GH¢ 600 |
| Dependent relative (not child or spouse) aged 60 years and above | GH¢ 1,000 |
| Individual has self-funded training for professional, technical or vocational skills | GH¢ 2,000 |

Source: Income Tax Act 2015 (Act 896) and Income Tax (Amendment) Act 2019 (Act 1007).

Table A.4. Annual vehicle income tax payment amounts

| Vehicle | Rate (GH¢) |
|---------------------------------------------------------------------------------------|------------|
| Tractor, power tillers and tankers | 40 |
| Taxis / private taxis | 48 |
| One pound, one pound / Peugeot cars / fork-lift, recovery towing trucks | 60 |
| Trotro (up to 15 persons) | 64 |
| Hiring cars (saloon, caravan) | 320 |
| Hiring cars (4x4) four wheels | 480 |
| Trotro (up to 19 persons) | 80 |
| Trotro (20–23 persons) | 88 |
| Trotro (24–32 persons and above) | 120 |
| Commuter (up to 15 persons) | 80 |
| Commuter (16–19 persons) | 100 |
| Ford buses, commuter (up to 23 persons) | 80 |
| Tour operator (up to 15 persons) | 320 |
| Commuter (up to 38 persons) | 160 |
| Tour operator (16–23 persons) | 400 |
| Commuter (39–45 persons) | 200 |
| Tour operator (24–38 persons) | 280 |
| Tour operator (above 45 persons) | 600 |
| Commuter (46 and above persons) | 240 |
| Dry cargo (below 2 tons) pay loaders / pickups 2–3.5 tons | 140 |
| Dry cargo (2–4 tons) tankers 2,000 gallons / sewage tankers / garbage trucks / cranes | 256 |
| Tankers above 2,000 gallons / graders/ bulldozers | 404 |
| Dry cargo (4–7 tons) | 480 |
| Tipper trucks (single axle) | 320 |
| Tipper trucks (double axle) | 480 |
| Articulated truck trailers (18 cubic metres) / timber trucks | 800 |
| Tipper trucks (12–14 wheelers) | 600 |
| Ambulance / motor hearse | 88 |
| Articulated truck trailers (single axle) | 800 |

Source: Second Schedule, Income Tax Regulations, 2016 (L.I. 2244).

Table A.5. Quarterly tax stamp payment amounts

| Category | Size | Rate (GH¢) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------|
| (A) Retail traders; susu collectors; drinking and chop bars; bakeries; business centres; estate and accommodation agents | Large | 45 |
| | Medium | 30 |
| | Small | 10 |
| | Table top | 3 |
| (B) Dress makers and tailors; hairdressers, beauticians and barbers; artisans (masons, carpenters, plumbers, electricians, tillers, steel benders, labourers etc.); hiring services other than vehicle hiring; freelance photographers | Large | 35 |
| | Medium | 20 |
| | Small | 5 |
| | Table top | 3 |
| (C) Butchers; individual undertakers; corn and other millers; charcoal and firewood vendors; auto technicians; vulcanisers and alignment operators; shoe and equipment repairs; traditional healers | Large | 25 |
| | Medium | 15 |
| | Small | 3 |
| | Table top | 3 |

Source: Third Schedule, Income Tax Regulations, 2016 (L.I. 2244).

References

- Abrokwah, E., Bob-Eshun, E., Conron, H., Iddrisu, A. M., Nuer, D. and Warwick, R., 2021. Customs revenue in Ghana: recent trends and their causes. Institute for Fiscal Studies, Report R198, <https://ifs.org.uk/publications/customs-revenue-ghana-recent-trends-and-their-causes>.
- Bank of Ghana, 2023a. Real sector indicators. <https://www.bog.gov.gh/economic-data/real-sector/>.
- Bank of Ghana, 2023b. Annual report and financial statements 2022. <https://www.bog.gov.gh/wp-content/uploads/2023/07/Annual-Report-2022.pdf>.
- Besley, T. and Persson, T., 2013. Taxation and development. In A. J. Auerbach, R. Chetty, M. Feldstein and E. Saez (eds), *Handbook of Public Economics: Volume 5*, Elsevier.
- Besley, T. and Persson, T., 2014. Why do developing countries tax so little? *Journal of Economic Perspectives*, 28(4), 99–120, <https://doi.org/10.1257/jep.28.4.99>.
- Cooke, E. F., Hague, S., Tiberti, L., Cockburn, J. and El Lahga, A. R., 2016. Estimating the impact on poverty of Ghana’s fuel subsidy reform and a mitigating response. *Journal of Development Effectiveness*, 8(1), 105–28, <https://doi.org/10.1080/19439342.2015.1064148>.
- Ghana Statistical Service, 2023. Statsbank Ghana. <https://statsbank.statsghana.gov.gh/pxweb/en/Macro%20Economic%20Indicators/>.
- Government of Ghana, 2023. The Budget Statement and economic policy of the Government of Ghana for the 2024 financial year. https://mofep.gov.gh/sites/default/files/budget-statements/2024%20Budget%20Statement_v2.pdf.
- International Monetary Fund, 2013. Case studies on energy subsidy reform: lessons and implications. <https://www.imf.org/external/np/pp/eng/2013/012813a.pdf>.
- Jensen, A., 2022. Employment structure and the rise of the modern tax system. *American Economic Review*, 112(1), 213–34, <https://doi.org/10.1257/aer.20191528>.
- Laan, T., Beaton, C. and Presta, B., 2010. Strategies for reforming fossil-fuel subsidies: practical lessons from Ghana, France and Senegal. Global Subsidies Initiative,

<https://www.iisd.org/publications/report/strategies-reforming-fossil-fuel-subsidies-practical-lessons-ghana-france-and>.

Lee, Y. and Gordon, R. H., 2005. Tax structure and economic growth. *Journal of Public Economics*, 89(5–6), 1027–43, <https://doi.org/10.1016/j.jpubeco.2004.07.002>.

Ministry of Finance, 2023. Medium-Term Revenue Strategy (MTRS) (2024-2027). Government of Ghana,

https://mofep.gov.gh/sites/default/files/reports/revenue/Ghana%20Medium%20Term%20Revenue%20Strategy%20%28MTRS%29%202024-2027_v2.pdf.

OECD, ATAF and AUC, 2023. Revenue statistics in Africa 2023. OECD Publishing,

<https://doi.org/10.1787/15bc5bc6-en-fr>.

Prichard, W., Cobham, A. and Goodall, A., 2014. The ICTD Government Revenue Dataset.

International Centre for Tax and Development, Working Paper 19,

<https://assets.publishing.service.gov.uk/media/57a089be40f0b652dd0003b2/ICTD-WP19.pdf>.

UNU-WIDER, 2023. Government Revenue Dataset 2023. [https://www.wider.unu.edu/project/grd-](https://www.wider.unu.edu/project/grd-government-revenue-dataset)

[government-revenue-dataset](https://www.wider.unu.edu/project/grd-government-revenue-dataset)