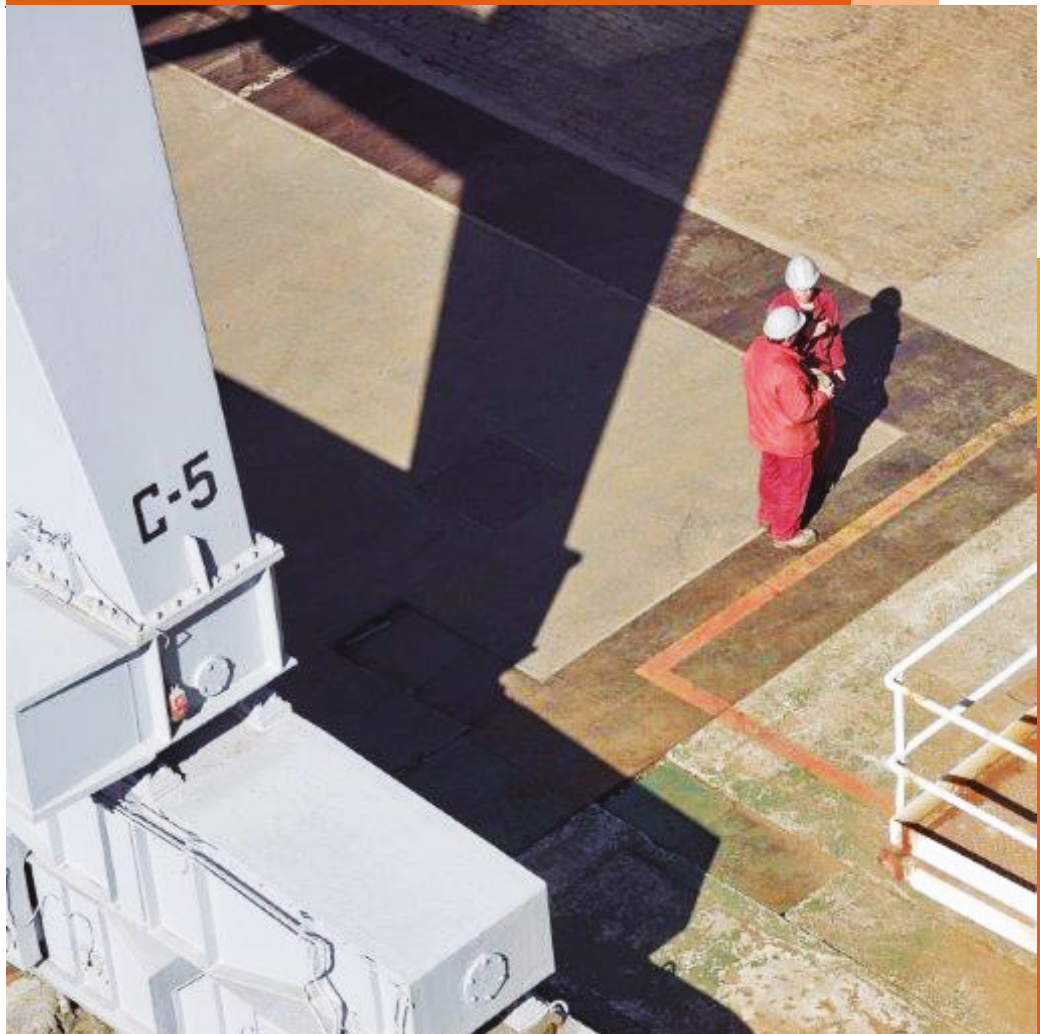


2016 Budget Highlights

*“Consolidating Progress Towards A
Brighter Medium Term”*

November 2015



Contents

2016 Ghana Budget Highlights: Commentary	2
2016 Ghana Budget Highlights: At a Glance	4
2016 Ghana Budget Highlights: The Economy	8
2016 Ghana Budget Highlights: Direct Taxation	22
2016 Ghana Budget Highlights: Indirect Taxation	26
2016 Ghana Budget Highlights: Sectoral Outlook	30
2016 Ghana Budget Highlights: Appendix 1	38
2016 Ghana Budget Highlights: Glossary	40

2016 Budget Highlights

Commentary



Vish Ashiagbor

Country Senior Partner
PwC Ghana

Anchored on the country's "home grown policies" and consolidated by the three –year International Monetary Fund (IMF) Extended Credit Facility (ECF) programme (2015-2017), the Minister for Finance, Mr. Seth Terpkor, presented the 2016 Budget to Parliament with the theme ***"Consolidating Progress towards a Brighter Medium Term"***

The slower global economic growth, the fall in oil and gold prices, and the rapid depreciation of the Cedi amidst high inflation, compounded with other economic headwinds posed challenges to Government's fiscal policy consolidation in 2015. It was therefore not surprising that the Minister projected a fiscal deficit of 7.3% of GDP and 5.3% of GDP for 2015 and 2016 respectively, although these show a marked improvement over the 2014 deficit of 10.2%.

Government has indicated its commitment to fiscal prudence by estimating the 2016 petroleum revenue on an oil price of US\$53 per barrel as against the 2016 Benchmark Revenue estimation of US\$86 per barrel. Government is being prudent considering the World Bank Energy Price Index and the Economist Intelligence Unit's July 2015 West Texas Intermediate (WTI) forecast for 2016 of a little over US\$60 per barrel.

Despite the aforementioned challenges, the Minister noted that there is confidence in Ghana's economy especially through the recently oversubscribed Eurobond and the improvement in cocoa prices. All of these have helped shore up investor confidence despite the weakening of the Cedi. The Minister indicated Government will focus on consolidating progress via a series of fiscal measures.

However, how will the focus on fiscal consolidation sustain progress and most importantly preserve the transformational aspiration of Government?

This year, we contrast Government proposed policy interventions, amidst the increased emphasis on fiscal consolidation and financial discipline, with its effect on economic growth and current transformational aspirations.

Ghana joined the Organisation for Economic Cooperation and Development (OECD) Development Centre in October 2015 as the 9th African Country, a gesture which demonstrates relative maturity in Ghana's economic development. OECD recommendations for consolidating economies indicate that fiscal consolidation should be as growth-friendly as possible. This means that Governments that are undertaking fiscal consolidation need to balance spending carefully across growth-enhancement programmes. These include Human Capital Accumulation, Research & Development and Infrastructure investment.

Revenue enhancement continues to be one of Government's pillars for achieving its 2016 to 2018 fiscal deficit objective of 5.3% to 3.0% of GDP respectively. Out of Government's total revenue and grants of GH¢38,038million projected for 2016, about 76% is expected to come from tax revenues.

Direct taxes will generate about 32% of the total revenues while indirect taxes is expected to be the highest contributor with over 44% contribution to Government's coffers with the rest coming from other sources including grants.

The 2016 Budget, unlike that of 2015, broadly moved away from imposing any major taxes but rather focused on tightening tax policies to streamline exemptions and avoid revenue leakages. Will maximising revenue collection be sufficient to reduce the Budget deficit and consolidate progress towards economic transformation in the Medium Term, particularly given Government's tendency to over spend in election years?

We note that there is a lack of focus on those economic sectors that will facilitate transformation of the economy as recommended by OECD for consolidating economies.

The agricultural and manufacturing sectors for example appear to be the hardest hit from the economic headwinds and the protracted energy crisis. For a sector that employs over 50% of the population, such a slow growth is likely to delay the transformation agenda.

The Manufacturing Sector's performance has been the most disappointing, with this year's 2% projected decline. Manufacturers are reeling under very difficult business conditions such as high interest rates, high inflation and the weakening domestic currency which have been compounded with the energy crisis.

This has substantially increased cost of production and has rendered them uncompetitive.

The foregoing give credence to the fears that the ongoing fiscal consolidation, if not complemented with concrete support to the real sectors of the economy, can undermine the productive structures of the economy and significantly reduce the growth prospects of this country in the long term.

One could say that Government's transformation agenda is still on track with marginal growth in the Services and Industry Sectors. However, the sub-Sectors that will provide the greatest growth in 2016 (Construction, Water and Sewerage, Public Administration, Defence & Social Security and Information and Communication) are not the typical sectors that will catalyse and accelerate inclusive growth that will spur transformation in a commodity driven economy like Ghana's. A boom in the Petroleum sub-Sector is not necessarily transformational, considering the leakages in revenue from the sub-Sector and the proven lack of inclusivity in trickling down of revenue from the Petroleum sub-Sector.

We are of the opinion that the fiscal consolidation measures although timely in arresting the significant Budget deficit, are likely to slow down the economy in the short-term in favour of an improved Budget deficit. The growth forecast of 5.4% in 2016 will therefore be at risk especially if measures are not put in place to increase exports and diversify Ghana's commodity products to wither the continuous

shock of fluctuations in cocoa, oil and gold prices, and also to address the Cedi depreciation in the long term. Overall, these indicate some challenges to Government as success in fiscal consolidation is likely to be detrimental to transformation. We believe accelerating progress in some key areas especially in the Manufacturing and Agricultural Sector would better sustain the transformational trajectory in the Medium Term.

We commend Government for setting bold targets and fiscal consolidation measures to address the Budget deficit which is of great concern, and to consolidate economic progress. We however note the downside risk to fiscal consolidation or expenditure containment in an election year. This will require substantial expenditure restraint in order not to further slow down economic progress. We recommend rapid implementation and close monitoring of the performance of the policy initiatives set out in the 2016 Budget to ensure that these ambitious targets are achieved, and we wish Government and all of us good luck in that regard.



2016 Budget Highlights

At a Glance

“The 2016 Budget will build on the foundation laid to restructure and transform the economy towards sustained and inclusive growth; minimise our exposure to volatilities; and position Ghana to consolidate its status as a Middle Income Country”.

The Minister of Finance, Mr Seth E. Terkper



Snapshot of 2016 Budget Statement

- Improvements in tax revenue in 2015 have been constrained by fall in commodity prices and power supply challenges that led to slow down of growth in business activity;
- Accumulation of public debt as a percentage of GDP slowed down in the first half of 2015 (69.12% GDP in 2015 compared to 70.15% GDP in 2014);
- Policy initiatives are indicative of an economy geared towards fiscal consolidation with the 2016 fiscal deficit set at 7.3% of GDP;
- Total revenue including grants and loans in 2016 will be GH¢43,505million, up by 11% of the 2015 allocation of GH¢39,152million.



Revenue

- In 2015 nominal increase in revenue of 28.2% against same period in 2014;
- Total revenue and grants up to September 2015 was GH¢22,726.6million;
- Outturn from domestic revenue was 4.9% higher than Budget, and 25% higher than outturn for same period in 2014;
- Government expects higher revenue collections in 2016 based on consolidation of revenue collection efforts.



Growth

- Provisional data indicates positive growth rates across seven out of ten service sub-Sectors in 2015;
- Services Sector expected to increase its share of GDP from 51.9% in 2014 to 54.1% in 2015;
- Industry Sector in 2015 expected to grow by 0.3% indicating that industry has adjusted to the power situation;
- The Information and Communication sub-Sector grew due to sustained demand for telecommunication and data;
- Target Real GDP growth in 2016 projected at 5.4% up from a revised 4.1% in 2015;
- Public Administration & Defence, Social Security sub-Sector to record a growth rate of 20.3% in total in 2016.

Tax Revenue 2014-2016



*Actual September 2015

Description	Actual 2015	Target 2016
Real GDP Growth (incl. oil) (%)	4.1%*	5.4%
Real GDP Growth (exc. Oil) (%)	4.2%*	5.2%
End of Period Inflation (%)	17.4%**	10.1%
Overall fiscal Budget deficit (% of GDP)	5.1%	5.3%
Gross International Reserves	Not less than 4 months of import cover*	Not less than 3 months of import cover

* Revised ** Actual September 2015



Expenditure

- Total expenditure until September 2015 amounted to GH¢29,469.5million representing 22.1% of GDP;
- Outturn for September 2015 was marginally lower than Budget by 0.1% but higher than outturn for corresponding period in 2014 by 18.1%;
- Expenditure on Wages and Salaries until September 2015 totalled GH¢7,659.4million; 0.9% lower than Budget of GH¢7,732.0million.



Public debt

- Public debt stock stood at 69.12% of GDP in September 2015 down from 70.15% of GDP in December 2014;
- Public debt stock as at September 2015 was

GH¢92,161million (US\$24,285million) made up of GH¢54,488million (US\$14,357million) for internal debt and GH¢37,673million (US\$9,927million) for external debt.

- Domestic debt as percentage of GDP has remained flat until September 2015;
- External debt to GDP ratio has mimicked exactly the fluctuations in exchange rate until September 2015.



Deficit

- Government used more domestic financing to achieve deficit financing (GH¢ 4,680.4million, against a target of GH¢2,905.7million) thus crowding the local lending market;
- Fiscal policy over the medium-term will aim to progressively reduce the fiscal deficit from 5.3% of GDP in 2016 to 3.0% of GDP by 2018;
- Deficit reduction measures include simplification of the income tax regime and improving tax compliance;
- Implementation of the 'weaning off' policy, weaning off four subvented agencies from Government subvention.



The Economy

- Real GDP (including oil) is projected to grow at about 5.4% in 2016 above the 2015 outturn of 4.1%;
- Increased demand for foreign exchange for loan repayments and imports means that demand pressures still remain, though contained;
- In September 2015, the Bank of Ghana (BoG) merged the key policy rate with the reverse repo and increased Monetary Policy Rate (MPR) to 25%;
- End of period inflation for 2016 is set to decline to 10.1% lower than 13.7% target for 2015 and 17.4% recorded in September 2015.

National Budget | 2016 Budget Highlights

At a Glance



Economic Sector budgetary allocation

Ministry	GH¢ million		
	2015	2016	% of total (2016)
Power/Petroleum	800	925	39%
Food and Agriculture	412	502	21%
Lands and Natural Resources	276	294	13%
Environment, Science Technology and Innovation	243	274	12%
Trade	184	259	11%
Fisheries & Aquaculture	73	53	2%
Tourism	33	39	2%
TOTAL	2,021	2,345	



Infrastructural budgetary allocations

	GH¢million	
	2015	2016
Roads and Highways	931	625
Water and Housing	463	375
Transport	362	126
Communications	299	293
TOTAL	2,055	1,419

- A reduction in Infrastructural Budget allocation by approximately 30% in 2016.



Social Sector

- Continue the construction of 200 Community Day Senior High schools;
- Replacement of 1,714 out of 2,578 schools under trees with more decent accommodation and facilities (66.5% replacement);
- Progressive implementation of free Senior High School (SHS);
- 10% increase in Health Sector Budget over 2015 Budget (GH¢3,386million);
- Scale up the School Feeding Programme by 77% to cover 3million pupils nationwide;
- Allocation of sufficient funds to the Electoral Commission to avoid unforeseen overspend (GH¢827million compared to GH¢27million in 2012).



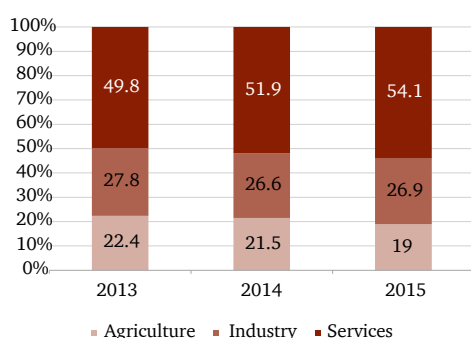
Energy Sector

- The Energy sub-Sector has typically received the largest contribution of the Economic Sector's budgetary allocation, with an average of 43% over the past 3 years;
- Improved consolidation of Electricity Company of Ghana (ECG) revenue, with increased installation of prepaid electricity meters;
- Work on Western Corridor Gas Infrastructure project completed in 2015;
- Commencement of the construction of seven primary substations;
- 845 MW of power to add to Ghana's generation capacity by the close of 2015.



Real Sector revenue distribution as percentage of GDP

Sectoral Distribution 2013-2015



- Agriculture Sector contribution to GDP reduced by 2.5% in 2015 with a 2.2% increase in GDP contribution from the Services Sector spurred by growth in the Information and Communications sub-Sector.



Key Tax Policy initiatives for 2016

Direct Taxes

- Implementation of the Income Tax Act, 2015 (Act 896);
- Reviewing Personal Income Tax threshold bands;
- Monitoring and review of Free Zones Enterprises and review of exemption lists.

Indirect Taxes

- Re-imposing excise duty on Cider beer;
- Reviewing policy on sliding scale excise duty on malt and non-indigenous beer;
- Implementing the excise tax stamp;
- Adopting the Common External Tariff;
- Increasing annual turnover threshold for VAT registration;
- Abolishing of VAT Relief Purchase Order; and
- Prompt transfer of VAT on financial services to Bank of Ghana.



Tax administrative initiatives for 2016

- Passing of the Revenue Administration Bill in 2016;
- Linking tax identification to national identification system;
- Expanding the tax net using Geographic Positioning Systems;
- Implementing the second phase of the National Single Window Project;
- Improving warehousing practices;
- Migrating to an electronic platform integrating all tax offices;
- Establishing joint audit teams between Domestic Tax Revenue and Customs Divisions;
- Increasing the general withholding tax rate on services for residents from 5% to 15%;
- Increasing of annual turnover threshold for VAT registration from GH¢120,000 to GH¢200,000.



Key Achievements in 2015

- The 2015 Expenditure on Wages and Salaries was 0.9% lower than same time last year;
- Increase in mobilisation of domestic revenue collection;
- Investments in power generation capacity yielding some progress;
- Development of various water projects to ensure potable water supply in some communities;
- Rollout of the electronic platform for processing tax payments;
- Real GDP growth rate of 4.1% higher than target growth of 3.5%;
- Investments in aviation and maritime infrastructure.



Key areas requiring attention in 2016

- Expedition of the Public Private Partnership (PPP) Bill to accelerate PPP investments;
- Impact of fiscal consolidation on economic growth;
- Declining Manufacturing and Agricultural Sector two years in a row and impact on trade balance;
- Reduction in Infrastructural Budget allocation and expectation of more private investments in infrastructure via PPPs despite lack of sovereign guarantees;
- Potential for Budget overrun and ambitious fiscal deficit targets in an election year.

2016 Budget Highlights

The Economy

Real GDP (including oil) is projected to grow at about 5.4% in 2016 above the 2015 outturn of 4.1%.

End of period Inflation for 2016 is set to decline to 10.1%, lower than 13.7% target for 2015 and 17.4% recorded at the end September 2015.

Overview

Description	Outturn 2015	Budget 2015	Target 2016
Growth in Real GDP (incl. oil)	4.1%*	3.5%	5.4%
Growth in Real GDP (non-oil)	4.2%*	2.3%	5.2%
End of Period Inflation	17.4%**	13.7%	10.1%
Overall Fiscal deficit (% of GDP)	5.1%	7.3%	5.3%
Gross international reserves	Not less than 4 months of import cover	Not less than 3 months of im- port cover	Not less than 3 months of im- port cover

**Actual September 2015

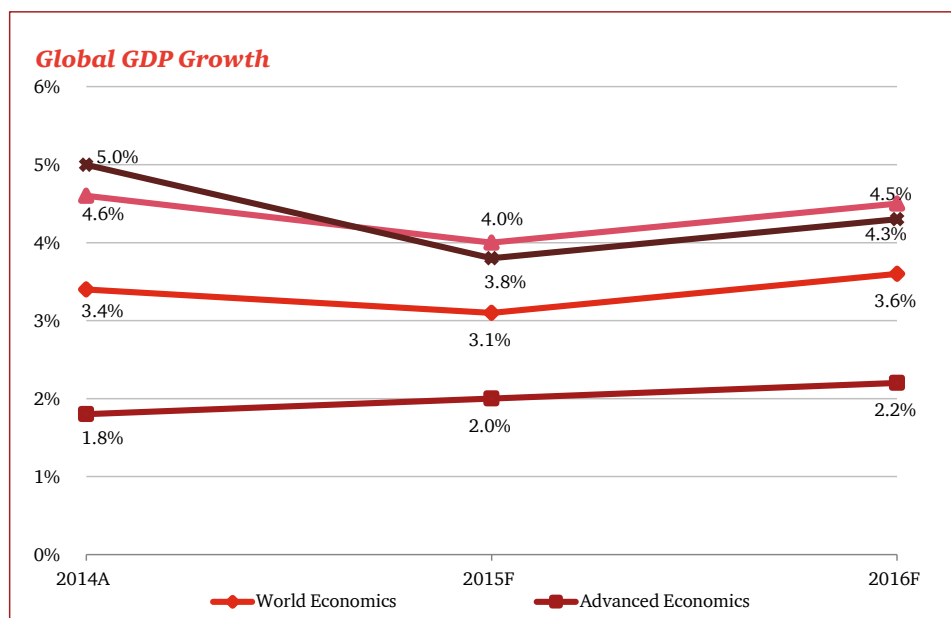
Source: Budget Statement 2016

The Budget Statement aims to sustain Government's Fiscal Consolidation programme. In order to avoid fiscal shocks and sustain the fiscal consolidation agenda, Government must ensure the following;

- contain overall expenditure in the midst of pressures from pre-election spending in 2016 particularly compensation related overruns;
- ensure effective tax administration to optimise revenue inflows; and
- tackle the mounting public debt stock by focusing on maximising concessional borrowing where available, while limiting non-concessional borrowing to commercially viable projects.

World Economy

The International Monetary Fund's World Economic Outlook (WEO, October 2015) projects a slowed global economic growth of 3.1% in 2015, down from 3.4% in 2014. In 2016, global growth is expected to strengthen at 3.6% reflecting a rebound in economic activity in the Euro area particularly Spain and Italy. Advanced economies are expected to grow at 2.2% while developing and emerging economies are projected to grow at 4.5% in 2016.



Source: WEO, October 2015

Growth in sub-Saharan Africa is expected to pick up to 4.3% in 2016.

According to the October 2015 WEO, growth in sub-Saharan Africa is, expected to decelerate in 2015 to 3.8% relative to a 5% growth in 2014. The slowdown mainly reflects the impact of declining oil prices on the economies of oil exporting countries, as well as lower demand from China, the largest single trade partner of sub-Saharan Africa, and the impact of Ebola on affected countries. Growth in sub-Saharan Africa is expected to pick up in 2016 to 4.3%.

growth in the Agriculture Sector would contribute significantly to reducing youth unemployment and ensure sustainable economic growth.

Provisional estimates in the Budget Statement on sectoral contribution to the economy going forward indicate that the Agriculture Sector will continue to decline, the Industry Sector's contribution will remain largely the same while the Services Sector will continue to dominate.

Summary of Sectoral Performance

Ghana has continued to experience a shift in the structure of its economy. The Services Sector is expected to maintain its position as the largest contributor to the economy, accounting for 54.1% of GDP by the end of 2015, with Industry and Agriculture representing 26.9% and 19% respectively.

The Services Sector is expected to maintain its position as the largest contributor to the economy.

The Services Sector has over the past years contributed the largest share of GDP. A key concern has been that the Services Sector lacks the capacity to generate as many jobs as the Agricultural Sector would and might focus on those meeting some minimum educational standards. Expansion and

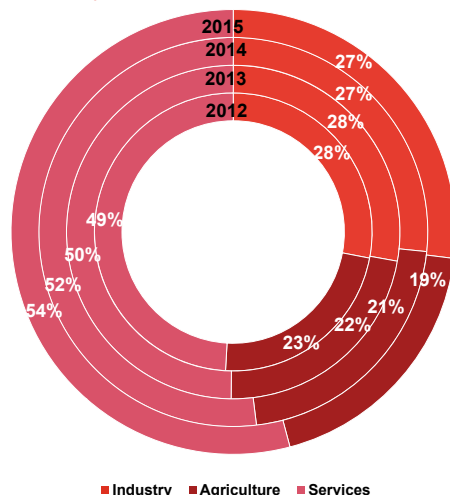
Agriculture Sector

The Agriculture Sector is expected to register a minimal growth of 0.04% by the end of 2015, against a target growth of 3.6%. The Crops sub-Sector, which includes cocoa, is set to shrink significantly by -1.7% in 2015. This is partly due to weather-related supply shortfalls. The largest growth in the Agriculture Sector will be represented by the Livestock and Fishing sub-Sectors.

National Budget | 2016 Budget Highlights

The Economy

Sectoral Structure of the Economy 2014 - 2015



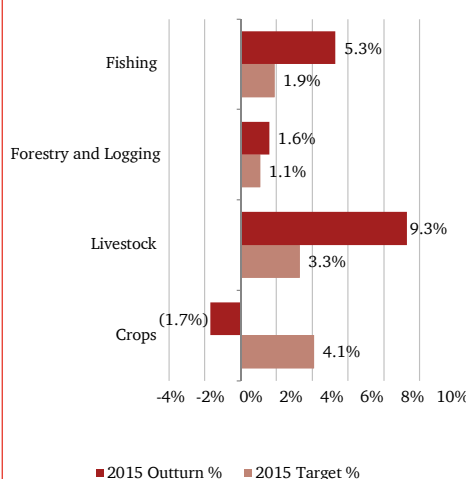
Source: Budget Statement 2016

More than half of Ghana's population is dependent on agriculture, and therefore growth in production is important in particular for employment in rural areas, food security as well as reducing dependency on imports. There is a need to improve the enabling environment for agriculture, for example access to suitable finance and continued efforts to reduce importation of food and food products such as rice and palm oil.

Industry Sector

In 2015, growth in the Industry Sector is expected to be driven by strong growth in the Construction and Water and Sewerage sub-Sectors. These sub-Sectors are expected to record growth rates of 30.6% and 15.6%, respectively. This is in stark contrast to their performances in 2014 when Construction stagnated, and Water and Sewerage contracted. Manufacturing and Mining and Quarrying, are both expected to record negative growth rates.

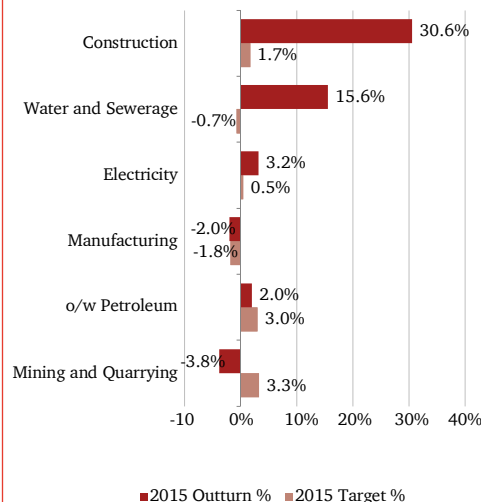
Performance of Agriculture Sector



Source: Budget Statement 2016

With the population growth rate of about 2.5% per annum, the almost 0% projected growth rate in the Agriculture Sector in 2015 suggests that agriculture GDP per capita will decline substantially, raising concern about long term food security, agricultural employment and sustainable development.

Performance of Industry Sector



Source: Budget Statement 2016

The Manufacturing sub-Sector was affected by challenges with regard to unreliable power supply coupled with rising prices of inputs due to depreciation of the local currency. The power challenges continue to inhibit the growth of the economy, especially the Industry Sector. Government must expedite action to

In 2015, growth in the Industry Sector is expected to be driven by strong performance of the Construction and Water and Sewerage sub-Sectors.

The Public Administration & Defence, Social Security sub-Sector is expected to record a growth rate of 20.3%, the highest among all the sub-Sectors.

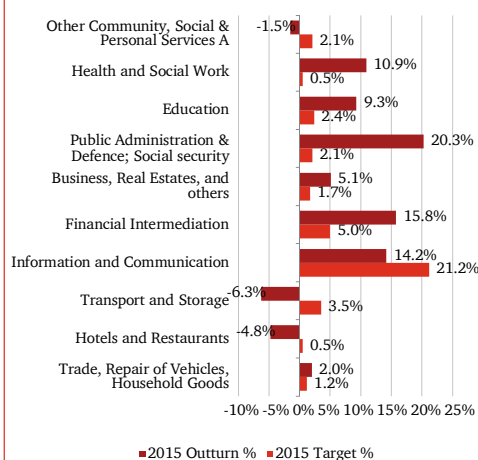
Overall real GDP (including oil) target growth of 5.4% in 2016.

fully implement the proposed Generation, Transmission and Distribution Programme to ensure reliable power supply to boost productivity.

Services Sector

The Ghana Statistical Service (GSS) provisional data for September 2015 indicates that seven out of ten service sub-Sectors are expected to record positive growth rates by end of 2015. The Public Administration & Defence, Social Security sub-Sector is expected to record a growth rate of 20.3%, the highest among all the sub-Sectors. The next highest growth performers will be Financial Intermediation and Information and Communication sub-Sector's. Transport and Storage is expected to record the highest contraction of -6.3%, in contrast to the modest positive growth of 0.3% it recorded in 2014.

Performance of the Services Sector



Source: Budget Statement 2016

Item	2016	2017	2018	Average
Agriculture	3.5%	3.5%	3.0%	3.3%
Industry	7.0%	18.3%	14.3%	13.2%
Services	6.0%	8.1%	9.0%	7.7%
Overall GDP (incl. oil)	5.4%	9.9%	9.3%	8.2%
Overall GDP (excl. oil)	5.2%	7.1%	8.5%	6.9%

Source: Budget Statement 2016

The Information and Communications sub-Sector grew due to sustained demand for telecommunication and data. In 2015, Government completed the fibre optic project in the Easter Corridor improving coverage and connectivity. In 2016 Government plans to deploy e-Government applications through the e-Transform project, creating further demand for ICT services. Government anticipates that these projects should drive modernisation and more efficiency in the public sector.

Macroeconomic targets for 2016

- Overall real GDP (including oil) growth of 5.4%;
- Non-oil real GDP growth of 5.2%;
- An end year inflation target of 10.1%;
- Overall Budget deficit equivalent to 5.3% of GDP; and
- Gross international reserves of not less than three months of import cover of goods and services.

Medium term real GDP growth projections

Government's goal to reduce the fiscal deficit to 3% of GDP by 2018 may seem rather ambitious given our recent history with fiscal slippages in election years and cascading effects in subsequent years. As 2016 election approaches, Government's policy interventions should be guided by its commitment to maintain fiscal discipline and macroeconomic stability.

National Budget | 2016 Budget Highlights

The Economy

Net Foreign Assets (NFA), declined by 39.7% (GH¢2,495.2million).

Total credit to the public and private sectors stood at GH¢28,730.7million at the end of September 2015.

In real terms, credit from banks declined from 26.6% year-on-year in September 2014 to 3.7% in September 2015.

In September 2015, the Bank of Ghana (BoG) merged the key policy rate with the reverse repo and increased the Monetary Policy Rate (MPR) to 25.0%.

Money supply

Broad money supply (M2+) grew at 23.3% (GH¢7,473.9million) year-on-year in the period to September 2015 compared to a growth of 33.6% (GH¢8,054.3million) in period to September 2014. This performance was mainly driven by the growth in Net Domestic Assets (NDA), which went up by 38.7% (GH¢9,969.1million) at the end of September, 2015. Net Foreign Assets (NFA), however declined by 39.7% (GH¢2,495.2million).

The 39.7% decline in NFA could be attributed to a depreciation of the local currency against major trading currencies, particularly the US dollar, as foreign currency debt burden increased in Cedi terms. This was partly off-set by the increase in NDA as a result of proceeds from Government's Eurobond, causing M2+ to record the 23.3% growth by the end of September 2015. This together with proceeds from the cocoa loan syndication could sustain the stability of the local currency for the last quarter of 2015.

Credit to the private sector

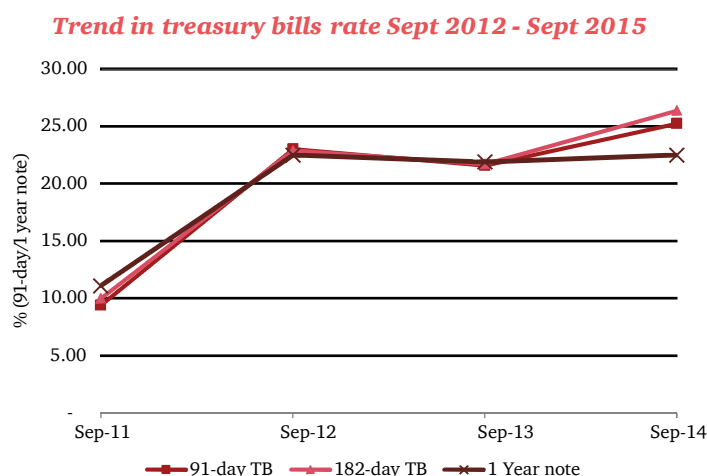
Total credit to the public and private sectors stood at GH¢28,730.7million at the end of September 2015, compared with outstanding credit of GH¢23,769.0million as at September 2014. This showed a nominal year-on-year growth in credit of 20.9% (GH¢4,961.7million) at the end of September 2015, compared with a growth of 50.6% (GH¢8,000.7million) same time in 2014. The private sector accounted for 82.4% of total outstanding credit at the end of September 2015 compared with 87.4% same time in 2014.

Credit provided to the private sector continues to be more expensive as Government continues to source funding from Open Market Operations (OMO). This could lead to 'crowding out' of the private sector, making otherwise profitable businesses and projects cost-prohibitive.

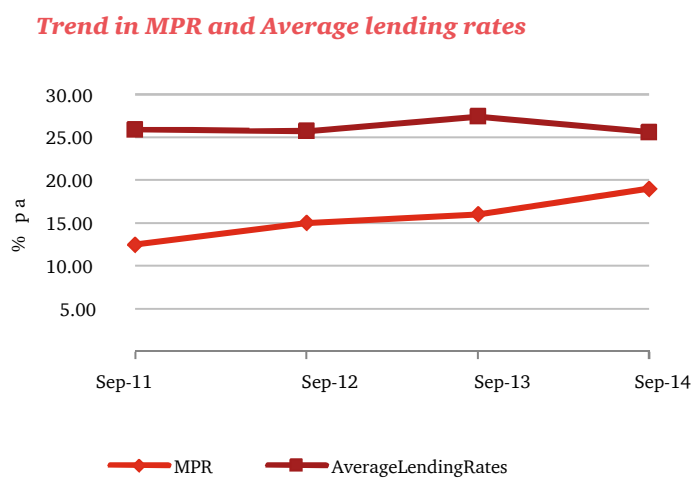
Interest rate

Interest rates on the money market during the period from September 2014 to September 2015 generally showed mixed performance. The Bank of Ghana Policy Rate was increased from 21.0% in December 2014 to 25.0% in September 2015. Rates on the 91-day and 182-day Treasury bills however declined from 25.8% and 26.4% respectively in December 2014 to 25.2% and 25.9% in September 2015.

The interbank weighted average rate declined from 23.9% in December 2014 to 23.6% in September 2015, while the average bank base rate increased from 25.7% to 26.8% over the same period. The 3-month time deposit rates declined from 13.9% to 13.0%, while the average lending rate remained stable at 29.0%.



Source: Bank of Ghana, 2015



Source: Bank of Ghana, 2015

Government has been faced with the contradictory challenge of fostering economic growth and keeping inflation rates low simultaneously. Inflation pressures have been persistent since January 2015 due to uncertainties in the foreign exchange market. The upside risk to the inflation outlook, such as worsening external financial conditions with a likelihood of a further shift from its medium term target, compelled Bank of Ghana to increase the MPR to 25% in September 2015. On 14 November 2015, the BoG further increased the MPR to 26% citing inflation pressures as the underlying factor for the increase. The average base rate increased in response to the increase in Bank of Ghana's MPR. The increased commercial lending rate culminated in a drastic decline in commercial bank lending to the private sector which played a major role in the slow economic growth over the same period.

National Budget | 2016 Budget Highlights

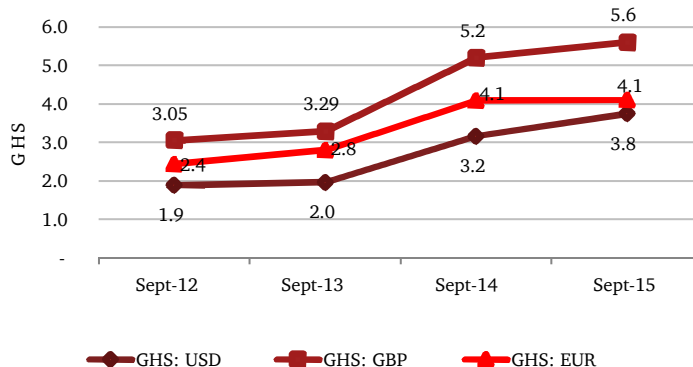
The Economy

From January to September 2015, the Cedi depreciated cumulatively by 14.8%, 12.6% and 7.8% against the US dollar, the Pound sterling and the Euro, respectively on the interbank market.

Exchange rate

Over the nine month period from January to September 2015, the Cedi depreciated against the major trading partners, except for the month of July, during which the Cedi regained some value. In the interbank market, over the nine month period, the Cedi depreciated cumulatively by 14.8%, 12.6% and 7.8% against the US dollar, the Pound sterling and the Euro, respectively, compared to a much higher depreciation of 31.2%, 29.3% and 23.6% recorded in the corresponding period of 2014.

Year-on-year exchangerate, Sept 2012-Sept 2015



Source: Bank of Ghana, 2015

Increased demand for foreign exchange for loan repayments and imports means that demand pressures still remain, though much more contained.

Over reliance on imports, below peak prices for gold and oil and inadequate forex supply are largely the cause of the Cedi's depreciation against the major trading currencies over the nine-month period January to September 2015. BoG's intervention, the expected inflows from the Eurobond and the cocoa syndication loan accounted for the appreciation of the Cedi in July 2015.

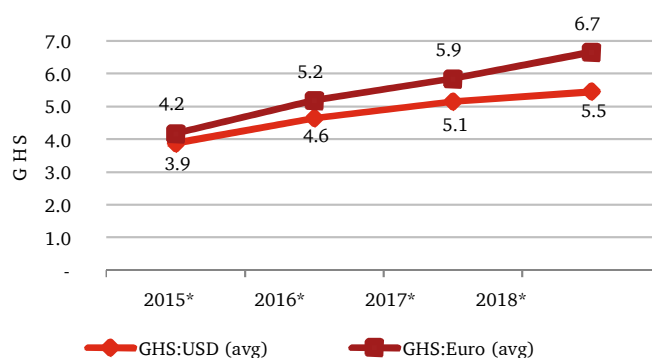
The looming 2016 general election with its concomitant increase in spending poses significant threats to the Cedi.

However, greater domestic policy reform such as the elimination of fuel and utilities subsidies aimed at tighter fiscal consolidation supported by the IMF, slight improvement in commodity prices and the onset of the TEN oil and gas project could give a positive boost to the Cedi in the forecast period up to 2018.

Inflationary pressures remained elevated over the first nine months of 2015.

Oil prices have declined significantly, after experiencing large swings in the second quarter of 2015.

Exchange rate (avg USD/Euro)

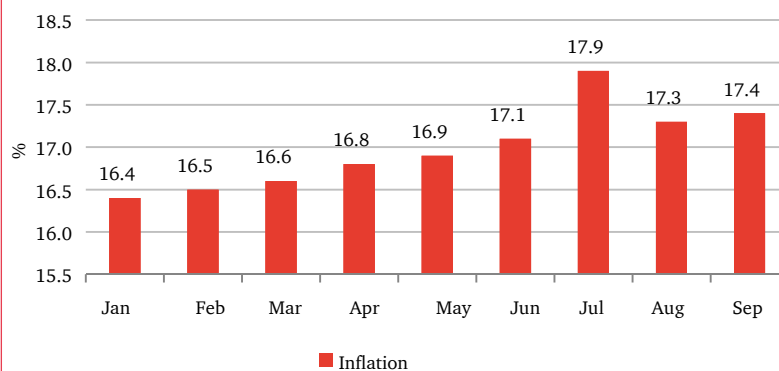


F- Forecast Source: Economist Intelligence Unit, 2015

Inflation

Inflationary pressures remained elevated over the first nine months of 2015. After declining from 17.0% at the end of December 2014 to 16.4% at the end of January 2015, headline inflation recorded 7-month successive increases to 17.9% in July 2015 as a result of exchange rate pressures and utility price adjustments which took effect in April 2015 before moderating to 17.4% in October 2015. Food inflation increased from 6.8% in December 2014 to 7.8% in October 2015 while non-food inflation experienced a decline from 23.9% in December 2014 to 23.0% in October 2015.

Year-on-year Inflation: January-September 2015



Source: Ghana Statistical Service, 2015

National Budget | 2016 Budget Highlights

The Economy

Crude oil prices reached US\$59.82 a barrel in June 2015 and fell further to US\$42.46 a barrel in September 2015 compared to Ghana's annual benchmark revenue projection of US\$99.38 a barrel for 2015, which was revised to US\$57.00 per barrel in the mid-year review of the 2015 Budget.

Government's ability to stay on course for further fiscal consolidation under the IMF programme irrespective of the pending 2016 general elections will ease pressure on headline inflation. Import driven non-food inflation is likely to put upward pressure on inflation. The Budget Statement stipulated that the ECOWAS Common External Tariff (CET), where ECOWAS member states set a homogenous tariff which applies to other countries out of the union, may be introduced in January 2016. The CET set at 35% could serve as a deterrent to imports and thus help curtail the increase in non-food inflation.

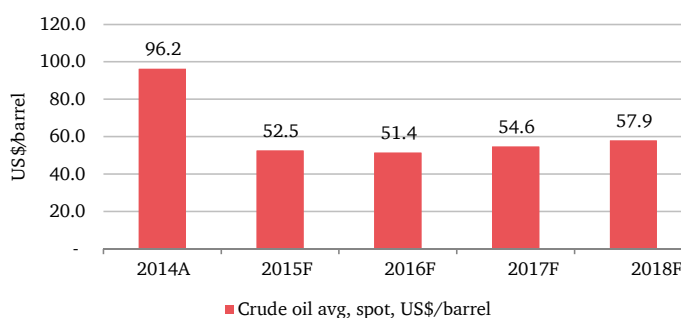
Commodity prices

Oil prices have declined significantly, after experiencing large swings in the second quarter of 2015. The decline is on account of strong supply from members of the Organisation of Petroleum Exporting Countries (OPEC) and the Islamic Republic of Iran's nuclear deal.

It is anticipated that Iran could increase oil production by about 1 million barrels per day over a period of 8-12 months after the sanctions on its nuclear programme are lifted by the European Union and the United States. The nuclear deal has been accepted by most EU countries but is still subject to approval by US Legislators.

Global excess supply of oil has continued to increase in 2015, in spite of the fall in investment in the oil sector. Crude oil prices reached US\$59.82 a barrel in June 2015 and fell further to US\$42.46 a barrel in September 2015 compared to Ghana's annual benchmark revenue projection of US\$99.38 a barrel for 2015 which was revised to US\$57.00 per barrel in the mid-year review of the 2015 Budget. However, the IMF's October 2015 WEO projects an average crude oil price of US\$51.62 a barrel in 2015, US\$50.36 in 2016, and US\$55.42 in 2017.

Crude oil prices

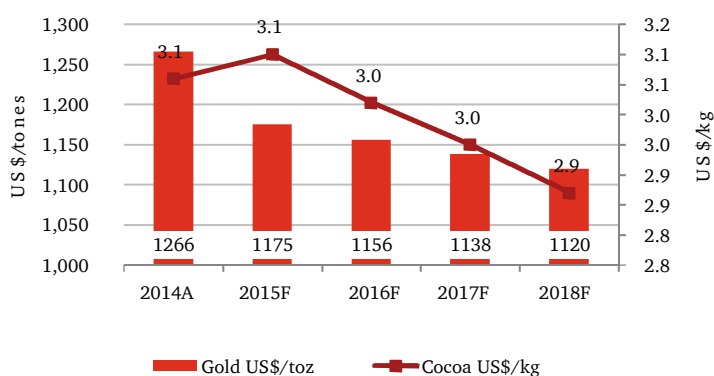


Source: World Bank Commodity Markets Outlook 2015

Cocoa prices rose in the second quarter of 2015 as a result of weather-related supply shortfalls in Ghana, but demand remains strong.

Cocoa prices rose in the second quarter of 2015 as a result of weather-related supply shortfalls in Ghana, but demand remains strong. The market is projected to register a small surplus in the 2015/16 season, on account of: (1) a rebound of production in Ghana, due to greater use of inputs (2) weak growth in global demand in 2016, as grinding margins remain poor.

Gold and Cocoa Prices



Source: World Bank Commodity Markets Outlook 2015

Gold prices are generally expected to trend downwards peaking around \$1,160 per ounce in 2016.

According to the ICBC Standard Bank estimates, gold prices are generally expected to trend downwards peaking around US\$1,160 per ounce in 2016 as the Federal Open Market Committee (FOMC) normalises US monetary policy.

The continuous increases in global liquids inventories and weaker than expected global demand put downward pressure on crude oil prices over the nine-month period from January to September 2015.

Despite the strong start to the year, gold prices declined and is expected to record a 2015 year-end price lower than the same period in 2014 mainly due to low demand, the expectations of a U.S. interest rate hike and US dollar appreciation.

The decision by the U.S. Federal Reserve on 17 September 2015 to defer a rate hike provided some respite, but it was quickly followed by the

Federal Reserve's statement that the central bank is on track to raise interest rates this year. Interest rate hikes typically have negative implications for gold prices, as investors seek yield-bearing assets. These factors are expected to remain over the forecast period up to 2018.

As well as the expected fall in cocoa prices, the following factors may lead to a decline in revenue expected from cocoa exports:

- Labour shortages;
- Weakening demand growth;
- Fiscal concerns that will limit fertiliser subsidies; and
- Cocoa smuggling into neighbouring countries.

National Budget | 2016 Budget Highlights

The Economy

The Ghanaian economy is commodity driven and therefore Government must set policies aimed at mitigating the risk associated with fluctuations in prices and supply of these commodities as a focus to transforming the economy.

Fiscal Developments Revenue

- Total revenue and grants for the first three quarters of 2015 amounted to GH¢22,724.6million, equivalent to 17.0 percent of GDP, against a target of GH¢21,918.4million.
- The over performance in total revenue and grants is mainly due to the on-going tax administration reforms, implementation of the new tax measures, particularly, the 2.5% increase in VAT, special petroleum tax and improvement in the efficiency of tax collection.
- The outturn was 4.9% higher than the Budget target and 25% higher than the outturn for the same period in 2014. The performance of domestic revenues was mainly due to the strong performance of taxes on domestic goods and services.
- Total oil revenue from January to September 2015, amounted to GH¢1,260.2million, against a target of GH¢1,353.7million. For the year as a whole, total oil revenue is estimated at GH¢1,740.1million, 1.5% lower than the revised Budget estimate.

With a positive outlook on the total revenues and grants for January to September 2015, the year-end estimate of GH¢30,526.2million is likely to be achieved if not exceeded.

Oil revenues for the first three quarters of 2015 plunged by 42% from what was realised for the same period last year. This was primarily due to the crude oil price drop on the world market. Crude oil prices are still projected to be low at around US\$51.40/barrel. 2016 revenue is estimated to be GH¢38,038.1million, 26.4% increase over 2015 estimate, with domestic taxation accounting for 75.9% of this.

Expenditure

- Total expenditure, including payments for the clearance of arrears and outstanding commitments for the first three quarters of the year amounted to GH¢29,469.5million (22.1% of GDP) against a target of GH¢29,501.8million (22.0% of GDP).
- Expenditure on wages and salaries from January to September 2015 totalled GH¢7,659.4million, 0.9% lower than the Budget target of GH¢7,732.0million and 10.0% higher than the outturn for the same period last year.
- Interest payments for the period totalled GH¢6,385.0million, 3.6% lower than the Budget target of GH¢6,624.1million and 31.2% higher than the outturn for the corresponding period in 2014.

Of this amount, domestic interest payment was GH¢5,105.9million.

Total oil revenue from January to September 2015, amounted to GH¢1,260.2million, against a target of GH¢1,353.7million.

Total expenditure for the first three quarters of the year amounted to GH¢29,469.5million.

Interest payments for the period totalled GH¢6,385.0million.

- Total capital expenditure for the first nine months of 2015 amounted to GH¢4,787.6million, 8.4% higher than the Budget target for the period. Of the total capital expenditure, domestically-financed capital expenditure was GH¢790.0million.

Government is intensifying its efforts to keep its expenditure at a controllable level, even though its spending went up by 18.1% over same period last year. As the country continues to sustain the fiscal consolidation under the IMF programme, it does not appear wages and salaries will be increasing in response to demands by public sector employees. A high level of expenditure restraint, especially in relation pre-election spending, will be required to meet the deficit target.

Interest payments is the second highest item of Government expenditure, accounting for 27.9% of the total expenditure. Government's debt management strategy should consider a financing mix that will reduce the cost of borrowing to a minimum or sustainable levels.

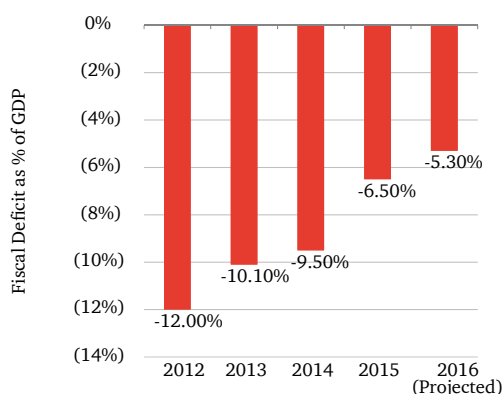
Deficit

- Based on revenue and expenditure outturns for the first three quarters of the year, the overall Budget balance on a cash basis registered a deficit of GH¢6,744.9million, equivalent to 5.1% of GDP. This was against a deficit target of GH¢7,583.4million, equivalent to 5.7% of GDP.
- The overall Budget deficit for the first three quarters of the year was financed from both domestic and foreign sources. Domestic financing amounted to GH¢4,680.4million, against a target of GH¢2,905.7million.

Foreign financing of the deficit was GH¢2,064.5million, against a target of GH¢4,677.7million.

Foreign financing of the deficit was
GH¢2,064.5million.

Deficit changes since 2012



Source: Ghana Budget Statement 2016

National Budget | 2016 Budget Highlights

The Economy

Government secured a US\$1billion Eurobond at a coupon rate of 10.8% with a maturity of fifteen years.

The public debt stock stood at 69.1% of GDP as at the end of September 2015.

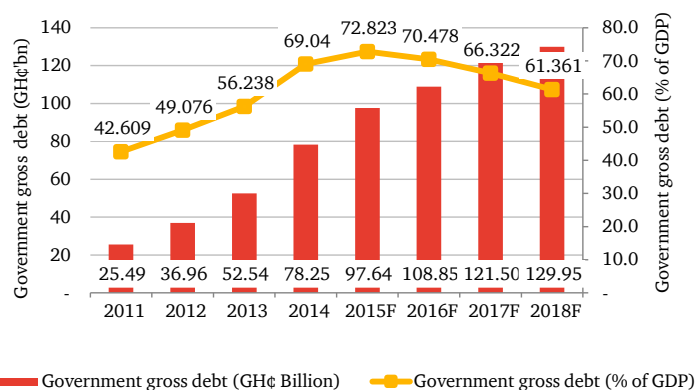
Government's target deficit for the Medium-term is 3.0% by 2018. With a current year-to-date deficit of 5.1%, Government is poised to realise its medium term goal if all the measures in place are pursued aggressively.

With the introduction of the Income Tax Act 896 in January 2016, and the increase in withholding tax on services for residents from 5% to 15%, domestic tax revenues is expected to increase. The proposed removal of tax exemptions for some companies is likely to increase revenue generation although this could harm foreign direct investment. This is expected to increase the top line, i.e. revenues, which will have the effect of offsetting Government spending, thereby reducing the deficit.

Public debt

- The public debt stock stood at 69.1% of GDP as at the end of September 2015 from 70.15% of GDP in December 2014. On nominal basis, the provisional debt stock as at September 2015 stood at GH¢92,161.8million (US\$24,285.1million).
- This was made up of GH¢54,488.3million (US\$14,357.9million) for external debt and GH¢37,673.6million (US\$9,927.2million) for domestic debt.

Government gross debt/Gross debt -GDP ratio (2011-2018F)



Source: IMF World Economic Outlook

- Government secured a US\$1billion Eurobond at a coupon rate of 10.8% with a maturity of 15 years. The bond is a soft amortising bond to be repaid in three instalments of US\$333million in years 2028 and 2029, and US\$334million in 2030.

Total petroleum receipts for the first three quarters of 2015 amounted to US\$341.5million.

For the recent Eurobond, Government's coupon rate of 10.8% was much higher than Kenya's 6.9% (10-year) and 5.9% (5-year) and Zambia's 8.6% (10-year) Eurobond. It appears investors have rated Ghana as riskier than contemporary countries due to the unfavourable macroeconomic conditions compared to when Ghana issued its first ever Eurobond in 2007.

Petroleum Receipts

Total petroleum receipts for the first three quarters of 2015 amounted to US\$341.5million. This compares unfavourably against a projected US\$780.1million over the same nine-month period; and a full year projection of US\$1,236.4million. The total petroleum receipts projections for 2016 are US\$502.1million, down from a projections of US\$1,236.4million for the full year 2015.

Government's petroleum revenue is expected to drop by 48% from the projected US\$969.6million in 2016. This is based on the Ministry of Finance (MoF)'s revised Benchmark Revenue (BR) Crude Oil price of US\$ 53 per barrel for 2016, instead of the US\$86 per barrel estimated using the 7-year moving average per the Petroleum Revenue Management Act (PRMA). This reflects the projected BR crude oil price is based on the IPE Dated Brent prices from Bloomberg.

Total petroleum receipts for the first three quarters of 2015 amounted to US\$341.5million.

Composition of Petroleum Receipts	Jan - Sept 2014 (Actual) US\$m	Jan - Sept 2015 (Actual) US\$m	Jan-Dec 2015 (Budget) US\$m	Jan-Dec 2016 (Budget) US\$m
Royalties	143.3	91.7	185.2	111.7
Carried and Participating Interest	371.5	237.8	479.6	293.0
Corporate Income Tax	263.9	11.6	485.9	27.9
Surface Rentals	0.7	0.4	1.5	1.1
Royalties from SOPCL	0.2	0.0	0.0	0.0
PHF Interest	0.1	0.0	0.0	0.0
Price differentials	0.3	0.0	0.0	0.0
Gas Receipt	0.0	0.0	84.2	68.4
Total	780.1	341.5	1,236.4	502.1

Source: Ghana Budget Statement 2016

2016 Budget Highlights

Direct Taxation

*Implementation of the Income Tax Act 2015
(Act 896) from 1st January 2016.*

The Budget introduced a number of measures to directly impact the revenues earned from direct taxation. Direct taxation is expected to form about 42% of Government's tax revenue and as such any mechanisms to either boost its collection, widen its base or close opportunities for leakages will be welcome.

In the area of direct taxation, the 2016 Budget focused mainly on tax policy and administrative measures as opposed to the introduction of new taxes or variation in tax rates as seen in prior year Budgets. This step was however expected, given that a Income Tax Act 896 was passed in September 2015, and addresses some of the key concerns and proposals raised in the past by taxpayers.

Implementation of Income Tax Act 2015 (Act 896)

Act 896 which was recently passed by Parliament, will be fully implemented in January 2016. The new Act which replaces Act 592 of 2000, seeks to simplify the income tax regime and improve tax compliance. The Act is also expected to yield additional tax revenue equivalent to 0.3% of GDP.

Act 896 was passed and assented to the President on 1 September 2015. This Act will repeal Act 592 from January 2016. The new law contains several key changes but at this stage we present below 5 of the key revenue generating and compensating measures contained in the law:

Revenue generation:

The basis of taxation has moved from modified worldwide to full worldwide basis. This means that residents will now be taxed on all incomes regardless of source and whether or not foreign income earned is brought into Ghana;

The practice of carrying forward unutilised capital allowances has been abolished;

Gains realised on disposal of assets are to be included in business or investment income and taxed at the applicable income tax rate. This largely represents an increase in the "capital gains tax" rate from 15% to 25% as applicable for most entities;

Increase in the general withholding tax rate on services for residents from 5% to 15%; and Mortgage interest which previously was available for all individuals will now be restricted to just one building for a life time per person.

Obviously the above mentioned revenue generating measures will have some administrative challenges for which taxpayers will require guidance. For instance, how will the GRA monitor and ensure that foreign sourced income of residents which are never remitted to Ghana are taxed? How will entities with unutilized capital allowances at the end of the 2015 year of assessment be expected to treat the allowances?

Compensating measures:

The carry forward of tax losses which were previously limited to business entities in particular industries, is now available for at least three years for all businesses. The number of years the losses can be carried forward will depend on the industry in which the entity operates; Capital losses may now be offset against gains;

A higher portion of interest on related party loans may now be available for tax deduction following the increase in the generally accepted capital structure for entities of debt: equity ratio from 2:1 to 3:1. Reduction of resident withholding tax rate on goods from 5% to 3% and increase in the threshold for withholding tax on goods and services from GH¢500 to GH¢2,000; and

All entities to be on the self-assessment regime unless stated otherwise. This means that the practice of receiving estimated tax assessments from tax authorities and having to spend time objecting will be eliminated or in some cases, significantly reduced.

Review of Income Tax Threshold Bands

To improve the fairness, progressivity and also provide tax relief to the minimum wage earners, the existing minimum income which is exempted from income tax will be increased from GH¢1,584 to GH¢2,592 per annum.

When this is implemented, resident individuals will enjoy a tax benefit on the first GH¢ 216 of their monthly income. As such persons earning just the minimum wage will have all of their income fully protected from tax.

Depending on the tax bands that will be made available by Government, a tax saving of up to GH¢ 69 per month is expected.

Addressing revenue leakages resulting from illicit financial flows

To ensure compliance and improve tax administration, measures to address revenue

leakages resulting from illicit financial flows will be implemented.

Measures such as the signing of a Memorandum of Understanding (MoU) for the automatic exchange of information between Ghana and the Netherlands will help in the efforts to fight tax evasion especially in respect of cross border transactions between countries.

Overall, the tax policy and administrative measures outlined in the Budget largely align with the actions spelt out in the IMF September 2015 Staff Report which seeks to institute tax reforms, modernise the GRA and enhance revenue generation through the broadening of the tax base. It is interesting to note that the new Income Tax Act 896 has also amended the Banking Act 2004 (Act 673) such that Banks are required to report or provide additional information on suspicious transactions to the Financial Intelligence Centre.

Introduction of Revenue Administration Act

As part of the GRA modernisation and reforms, the Revenue Administration Bill will be laid in Parliament in 2016.

Review of Personal
Income Tax threshold
bands.

Addressing revenue
leakages resulting
from illicit financial
flows.

National Budget | 2016 Budget Highlights

Direct Taxation

.....
Passage of Revenue Administration Bill in 2016.
.....

.....
Establishing joint audit teams.
.....

.....
Review of taxpayer segmentation.
.....

.....
Monitoring and review of Free Zones and review
of exemption lists.
.....

.....
Expanding the tax net using Geographic
Positioning systems.
.....

The introduction of the Revenue Administration Act is long over-due considering that the GRA has been in operation since 2010. However, we commend Government on steps taken to harmonise, to the extent possible, the administration of tax laws in Ghana. It is our expectation that when passed, the Revenue Administration Act will truly harmonise tax administration within the various divisions of the GRA and also enable taxpayers to offset credits of one tax type against the tax liabilities of another tax type. As such, the objective of making the GRA the one-stop shop for tax administration in Ghana would have been substantially achieved.

Joint audit teams

Establishing joint audit or investigation teams with membership drawn from both Domestic Tax Revenue Division (DTRD) and Customs Division to conduct audits and investigations

After the merger of the three revenue agencies into the GRA in the year 2010, tax audits relating to income tax, VAT and customs have still been conducted by separate teams.

This has been flagged by taxpayers as inconsistent with the integration of the three revenue agencies into GRA and their expectations for tax audits to be conducted on all tax types at once.

We expect the implementation of this provision to reduce the time incurred by taxpayers in assisting with audits by different teams from the DTRD and the Customs division. GRA would through this also improve on its efficiency in use of taxpayer information across all tax types.

Review of taxpayer segmentation

Reviewing the current thresholds for classification of persons as large, medium or small to reflect current trends.

In line with the fact that Government intends to increase the threshold of VAT to GH¢ 200,000, it may be helpful that Government also increases the Small Taxpayer Classification threshold from GH¢90,000 to GH¢200,000.

This will help consolidate the administrative procedures for both the VAT and corporate tax regimes and facilitate the implementation of the 6% presumptive tax on small taxpayers as introduced in the Income Tax Act.

Monitoring of Free Zones Enterprises

To ensure compliance and improve tax administration, Government will intensify the monitoring of Free Zones Enterprises by rolling out the Integrated Free Zones Unit in line with the 2nd GRA Strategic Plan 2015 – 2017.

In addition, the Customs and Domestic tax offices will revalidate all existing exemptions on file leading to a new list and new implementation guidelines from January 2016.

The Free Zones Act has been in existence for about 20 years and it is therefore not surprising that Government intends to review it as part of its efforts towards tax reforms and structural reform program.

The scope of the review and the monitoring is however unclear in that:

Migrating to electronic platform integrating all tax offices.

(i) Will the review result in further increases in tax rates or another matter of concern? In recent times, the maximum tax rate for free zones have increased from 8% to 25%.

(ii) Should the industry expect to see a change in the 70% minimum sale to the foreign market as a condition for maintaining a free zones status?

Further information is also required on the nature of the list the tax offices will be reviewing - is it the case that the mining industry should expect to see a new mining list and/or the petroleum list will be made available to the public? For completeness, will the mining list and the new petroleum list outline which mining and petroleum equipment should not be subject to import duties and VAT?

Widening the tax net using Geographic Positioning Systems

The GRA commenced the process of widening the tax net using Geographic Positioning Systems to map the location of unregistered taxpayers and to include them in the tax register. Businesses in the Greater Accra Region have been mapped.

The initiative to locate and get unregistered taxpayers registered with the view to increasing the tax net is encouraging. However, we recommend that as a starting point, Government implements the ad valorem presumptive tax it has promised over the years as part of measures to widen the tax base.

Migrating to electronic platform integrating all tax offices.

For 2016 and the medium term, all processes will be moved to an electronic platform and shift to a functional form of administration in all tax offices accelerated to ensure compliance and improve tax administration.

The GRA, in the year 2015, rolled out its electronic platform to help taxpayers process various tax functions online and automate the tax process. The portal's use is currently limited to filing and payment of VAT returns but as indicated in the Budget, moves are being made to extend the use of the electronic platform to other taxes types and services.

This is a step in the right direction that will reduce the administrative time spent on tax compliance and this should hopefully improve Ghana's performance in future World Bank Doing Business Surveys – a survey conducted to rank the ease of doing business across countries using various criteria including time spent towards tax compliance.

2016 Budget Highlights

Indirect Taxation

.....
*Review of policy on
sliding scale excise
duty on malt and
non-indigenous beer.*
.....

In 2016, Government expects total revenue and grants to exceed target. This performance is attributable to on-going tax administration reforms, implementation of new tax measures, particularly, the 2.5% increase in VAT, special petroleum tax (which are both indirect taxes) and improvement in the efficiency in tax collection.

Over the years, Government has increasingly expected the bigger part of tax revenue to be generated from indirect taxes. It is therefore not surprising that the Customs Act, 2015 (Act 891) was passed in 2015 in addition to the Value Added Tax Act, 2013 (Act 870) and Excise Duty Act, 2014 (Act 878) which became effective in 2014.

Judging from the 2016 Budget, it appears that Government will tow a similar line to the previous Budget with respect to generation of tax revenues through indirect taxes – accounting for over 58% of projected tax revenues. Consequently, there are proposed significant changes in the areas of indirect taxes and administrative enhancements.

Re-imposition of Excise duty on Cider beer

To promote the product as a local and infant industry, the excise duty on Cider was fixed at zero percent. After four years of the incentive, local manufacturers have been provided with the requisite policy support to compete effectively. Therefore, there will be a re-imposition of an excise duty rate of 17.5% on Cider.

In 2010 Government changed the basis of determining excise duties on beer from specific to ad valorem. The change also saw the exclusion of indigenous beer from excise duties at a time where non-indigenous beer attracted excise duties of 50% (and currently a maximum rate of 47.5%).

With the proposal to re-introduce the excise duty on Cider beer at 17.5%, we would expect that excise duty on non-indigenous beer will be

adjusted so that it is in all cases not lower than the excise duty on indigenous beer. Perhaps, the reduction in the sliding excise duty bands on beer from 4 to 3 bands is one of the steps to achieve this.

Review of policy on sliding scale excise duty

To provide an incentive for brewery companies to use local raw materials for the production of beer and malt, a sliding scale excise duty was introduced for brewery companies that substitute local raw materials for imported ones. After implementing the policy for three years, Government has reviewed the policy and is proposing to reduce the scale from 4 bands to 3 bands to improve the efficiency of administration.

Currently non-indigenous beer attracts excise duty rate of 10% - 47.5% depending on the proportion of local raw materials to total materials used in the production of the beer. In the case of malt, excise duty rate of 2.5% - 17.5% applies depending on the local content of the malt. The review of the sliding scale regime was mentioned in the 2015 Budget. Completing the review and indicating next steps is welcome news since from time to time, after appropriate stakeholder consultation, tax policies should be reviewed and revised to ensure that the intended objectives are being achieved.

It is unclear whether the reduction from 4 to 3 bands will see an increase in the minimum and maximum Excise Duty rates of non-indigenous beer and malt. However for the sake of certainty for businesses we recommend that the relevant laws are passed and guidelines issued soon to enable affected businesses make the necessary changes to their systems and models and excise duties correctly accounted for.

.....
Annual turnover threshold for VAT registration to be increased from GH¢120,000 to GH¢200,000.

.....
Abolishing of VAT Relief Purchase Order.

.....
Immediate transfer of VAT on financial services to Bank of Ghana.

Upward revision of the VAT registration threshold

A new threshold of GH¢200,000 is being proposed to reduce the number of VAT registered persons. The goal is to improve VAT administration and ensure that only large and medium taxpayers who are more capable of complying with VAT accounting and invoicing requirements, are mandatorily required to be registered for VAT.

The annual turnover threshold for mandatory VAT registration is currently GH¢120,000. We welcome the reasons given by Government for the increase in threshold. However we recommend that the ad valorem presumptive tax that Government has mentioned in prior Budgets and in the 2016 Budget to consolidate VAT and income tax for small taxpayers and/or the informal sector be implemented.

Abolishing of VAT Relief Purchase Order

The GRA and MOF have indicated the abolition of the VAT Relief Purchase Order (“VRPO”) and the establishment of the General Refund Account.

Currently, VRPOs are typically used by relieved persons/ taxpayers in certain industries and under specific agreements with Government in order to reduce the amount of cash tax refunds paid out.

With the proposed abolishment of the regime, affected taxpayers will incur VAT and claim a credit on their VAT returns or apply for a VAT refund where applicable.

The refund approach (which is an alternative to the VRPO regime) to granting relief from VAT should lead to a cleaner operation of the VAT regime and the likely reduction of abuses of tax concessions.

However appropriate steps should be taken by Government to reduce delays in paying refunds where applicable.

B-Tracking and e-Monitor System

CAGD is developing a platform which will facilitate the transfer of VAT on financial services from the Commercial Banks to BoG. The system has been installed and the training of staff has commenced towards full implementation in 2016.

The VAT laws currently require that VAT is paid to the GRA by the last working day of the following month in which the VAT was charged. The VAT that should be remitted to the GRA is only after a credit has been taken for VAT incurred on qualifying purchases.

With the implementation of the B-Tracking and e-Monitor System Government should clarify if the intention is to make VAT on financial services a flat tax in which case no VAT credit will be allowed. If not, then clarity will be required on how banks will take credit for qualifying VAT credits. It will also be important to clarify if a special deadline will be introduced for VAT on financial services.

National Budget | 2016 Budget Highlights

Indirect Taxation

Implementing the excise tax stamp.

Implementation of excise tax stamp

The excise tax stamp project for taxable supplies of goods will be fully rolled out to ensure compliance and improve tax administration.

The Excise Tax Stamp Act, 2013 (Act 873) should have been effective 2 March 2015. A key purpose for the introduction of this measure was to enable the GRA better monitor tax on excisable goods – whether produced locally or imported – in order to curb loss of Government revenue. However the market has not yet had any excisable products affixed with any Tax Stamps due to implementation challenges.

Adopting the Common External Tariff.

To ensure a successful roll out Government should continue to hold consultative meetings with stakeholders to identify the reason for the failure upon the initial inception.

Review of tax exemption.

The appropriate technology and administrative procedures, including payment for the stamps by the taxpayer, must be reviewed to amend all shortfalls associated with the existing system.

Common External Tariff

Ghana continues to work towards the implementation of the ECOWAS Common External Tariff (CET) which is a major platform for a Customs Union that will facilitate free trade and ensure greater economic integration within the region. Ghana has completed several activities to ensure the smooth implementation of the new regional tariff early next year. The CET Bill is currently before Parliament.

Currently, the typical maximum import duty rate in Ghana is 20%. With Ghana adopting the CET, it is expected that some goods not originating from member countries will attract duties of 35%.

Based on the 2015 Budget, Ghana was expected to adopt the CET in January 2015; this date was revised to July 2015. We are aware that Government has been providing some information on CET to businesses. However we hope that Government implements the CET as soon as possible in order not to miss revenue targets from import duties.

Review of tax exemptions

GRA and MoF will reinforce the measures taken so far to reduce the negative impact of exemptions on the tax base which also lead to uneven playing fields for businesses and tax payers in general including warehousing practice.

These measures include improved coordination between MoF and GIPC leading to possible amendment of the GIPC Act and administrative review of the free zones regime following recent amendments.

We expect that the proposal on warehousing practices will be centred mainly on bonded warehouses to safeguard Government revenue. It is unclear at this time whether as part of the measures to be introduced, Government would alter the length of time during which goods can be legally kept in a bonded warehouse before the payment of duties and imported VAT.

Although GIPC's involvement in the tax exemption process is commendable as it should streamline the tax concession process and better monitor revenues lost through the granting of exemptions, the process should be managed carefully in order not to hamper investor confidence and to put into jeopardy the ability of the GIPC to market Ghana as a viable investment destination.

Rolling out the electronic Point of Sale device project fully

The Electronic Point of Sale device project for taxable supplies of goods and services will be fully rolled out to ensure compliance and improve tax administration.

In countries where Electronic Point of Sale (PoS) devices that are approved by the tax authorities are used, the PoS devices are used as a means of validating tax invoices, and output tax that is charged is communicated contemporaneously to the tax authorities. In addition, invoices issued using the device are the only invoices that are acceptable for purposes of claiming a VAT credit/deduction.

If we can infer then Government's proposal to introduce this device could be a way of ensuring that the accurate amount of VAT is reported in line with the objectives of plugging all tax leakages. In addition, the device will also help ensure that the amount of tax that is deducted is the amount that is actually charged. In any case, the introduction of the device is likely to be a welcome one if it replaces the hand-written VAT invoices.

Extensive use of Tax Identification Number (TIN)

The Ghana Revenue Authority is to continue to insist that importers quote their TIN and tax office code whenever they are transacting business at the ports. Efforts are being made to extend the use of TIN to other sectors to facilitate the identification of eligible taxpayers. The TIN will eventually form part of the re-launch of the National Identification initiative to serve multiple national requirements.

The proposal to extend the use of TIN to "other sectors" (including as part of National Identification), although long over-due, is commendable as a step in expanding the tax net to reduce the burden on the few traceable taxpayers.

There have been recent efforts by the GRA to encourage the re-registration of taxpayers. As part of this re-registration, new TINs are issued to taxpayers by the GRA and in some cases at the Registrar General's Department. Similar collaborative efforts must be extended to other sectors of the economy to facilitate the effectiveness and efficiency of the proposal to extend the use of TIN to other sectors.

There must also be strong disincentives for not having a TIN. For instance employees and independent contractors that do not have TIN should be subject to additional withholding tax of say 10%. In addition persons over the age of 18 should not be allowed to acquire or renew passports and drivers licence if they do not have a valid TIN.

Government should also implement a centralised system and remove bottlenecks of registrations to encourage registration. Steps should be taken not to compromise the integrity of the system and it should be possible for third parties to verify the authenticity of TIN provided to them by persons claiming to be registered.

Rolling out the electronic PoS devices.

Linking tax identification to national identification system.

2016 Budget Highlights

Sectoral Outlook

ECONOMIC SECTOR

The total Budget allocation to the Economic sector for 2016 is GH¢2,345 million, representing 5% of the National Budget and constituting an increase of 16% over the 2015 Budget. Budget allocation to the Ministries within the sector are shown in the table below:

GH¢ million			
Ministry	2015	2016	% of total (2016)
Power/Petroleum	800	925	39%
Food and Agriculture	412	502	21%
Lands and Natural Resources	276	294	13%
Environment, Science Technology and Innovation	243	274	12%
Trade	184	259	11%
Fisheries & Aquaculture	73	53	2%
Tourism	33	39	2%
TOTAL	2,021	2,345	

The Energy sector has typically received the largest contribution of the Economic Sector's budgetary allocation, with an average budgetary allocation of 43% over the past 3 years. Other significant allocations have been to Food and Agriculture and Land and Natural Resources.

Key initiatives outlined in the 2016 Budget for the Economic sector are as follows:

Ministry of Power

- Installation of 1,053 MW generation capacity;
- Commencement of the construction of seven primary substations;
- Implementation of rooftop systems of up to 20,000 buildings under the National Solar Rooftop Programme;
- Scaling up of the on-going Rural LPG Promotion Programme to cover more communities in deprived areas;
- Institutional development and capacity building in ECG, NEDCO and regulatory agencies under the GEDAP 3 project;
- Also the procurement of power barges will go a long way to improve the power crisis in the country;
- Connection of over 1,500 communities to the national grid from various interventions; and
- Continuation of the implementation of the projects under the Millennium Challenge Compact.

A key constraint to Ghana's economic growth is the unreliable and inadequate supply of electricity. Over the past three years in particular, the country has suffered one of its worst power crises and this has negatively impacted on businesses and the economy as a whole. It is no surprise that key stakeholders were very interested in the provisions of the 2016 Budget with regard to power generation, and it is no surprise that the Manufacturing Sector continues to decline two years in a row, and that the Industrial Sector as a whole recorded a 0.3% growth in 2015.

The Budget Statement indicates an addition of 2,230 MW to the current installed capacity of 2,831 MW as at December 2014 (Energy commission, 2015). This is considered quite a bold initiative, and if successful, would greatly enhance power generation.

Also, the procurement of power barges will go a long way to improve the power crisis in the

Development of the Pwalugu Multi-purpose Hydro Project will commence.

Government to install 1,053 MW generating capacity.

country. However, the power sector has challenges with funding to procure fuel and this could impact on the ability to generate power even with the additional capacity.

The electricity distribution sector has also been earmarked for significant improvement in 2016. Projects under the Millennium Challenge Compact and GEDAP 3 are expected to improve reliability and transmission losses in the country.

It cannot be overemphasised that power is an integral requirement for achieving the overall objectives of the Economic Sector, key among which are expanding the manufacturing base, employment creation and agricultural self-reliance. Government's ability to resolve the power crisis and implement the initiatives in the 2016 Budget could be the critical success factor in "Consolidating Progress towards a Brighter Medium Term".

Ministry of Petroleum

- Development of a Natural Gas Implementation Strategy to address the infrastructure requirement, funding and institutional mandates for Gas Sector Agencies;
- Development of a Gas Policy and Gas Bill;
- Finalisation of the Local Content Policy draft for the Petroleum Downstream sector and its presentation to Cabinet for approval; and
- Installation of FPSO J.E.A Mills and the completion of all subsea installations will pave the way for oil and gas production in the Tweneboa-Enyenra-Ntomme (TEN) Project with first oil expected in the third quarter of 2016.

Government's plans to finalise the Local Content Policy is laudable and in line with the Ministry's objective to sustain and optimise the exploration, development and utilisation of oil and gas endowment for the overall benefit of Ghanaians. However, the major problem will arguably be its implementation, which has been the bane of most of Government's policies. For this policy to work

effectively, Government must ensure that the necessary systems, controls and mechanisms are put in place.

Ministry of Food and Agriculture

- Continuation of Government's drive to accelerate agriculture modernisation and sustainable natural resource management;
- Implementation of rice development strategy;
- Improvement of the road network in the cocoa growing communities. For the 2015/16 cocoa season, COCOBOD has set aside US\$150,000 for the rehabilitation of cocoa roads;
- Funding of the Shea Unit of COCOBOD as part of COCOBOD's operational activities to revamp the Shea industry. The Shea Development Strategy ("SHEDS") has been formulated in close collaboration with stakeholders to provide a long-term development perspective for the Shea sector.

Government to develop a Natural Gas Implementation Strategy to address infrastructure requirements.

Implementation of rice development strategy as well as the improvement of the road network in the cocoa growing communities will commence.

National Budget | 2016 Budget Highlights

Sectoral Outlook

.....
Collaboration with the private sector to establish two fish feed production units to support aquaculture and shrimp production.
.....

.....
Roll out of the Fisheries Nucleus-Out grower Input Support Scheme along the Volta Lake.
.....

.....
Enactment of the Consumer Protection Law.
.....

.....
Government will begin operations at the Komenda Sugar Factory and create another sugar factory at Savelugu.
.....

The Agricultural Sector employs approximately 56% of the total population. (Ghana Economy Profile 2014). For a sector that employs over 50% of the economy, one would expect a significant growth rate. With an insufficient growth of 0.04% in 2015, Government will need to focus on modernisation and accelerate commercialisation of the sector with a focus on adding value to agricultural commodity processing in the country.

Certainly, agriculture remains a significant contributor to economic growth and we urge Government to continue with its initiatives to promote sustainable agriculture for improved yield, food security and sustainable employment.

Ministry of Fisheries and Aquaculture:

- Roll out of the Fisheries Nucleus-Out grower Input Support Scheme in 25 fishing communities along the Volta Lake with private sector collaboration;
- Promote the production of shrimps, Mollusca, clams and tilapia yielding an estimated amount of US\$500million annually;
- Collaboration with the private sector to establish two fish feed production units to support aquaculture and shrimp production; and
- Rehabilitation of six fish landing sites at Mumford, James Town, Teshie, Anloga, Tapa-Abotoase and Dzemeni under the West Africa Regional Fisheries Project (WARFP).

Government continues to work on creating a suitable enabling environment for the Fisheries and Aquaculture sub-Sector, and has placed emphasis on attracting private sector investment in the sub-Sector. This is a good initiative by the Ministry as this will help reduce Government's dependence on Development Partners for activity in the sub-Sector.

We note that much focus seems to be on increasing production volumes. However, Government must do well to enhance quality control and food safety to protect consumers and enhance Ghana's fish quality to meet international standards for export.

Ministry of Trade and Industry

- Enactment of the consumer protection law to enhance confidence and strengthen buyer position in the marketplace;
- Establishment of 95 new Business Advisory Centres (BACs) and train about 35,000 rural poor people at the district level in community-based income generating activities;
- Start operations at the Komenda Sugar Factory and another sugar factory at Savelugu.

In previous Budget Statements, Government has expressed its desire to make Ghana a major manufacturing, and export-oriented economy. The enactment of the Consumer Protection Law will no doubt provide protection for buyers and is therefore a move in the right direction. With the exception of the establishment of a new sugar factory, the 2016 Budget however contains very little with regards to expanding the manufacturing base of the economy. Expanding the manufacturing base would create more jobs and promote local production that can contribute towards balancing the trade deficit especially if it leads to importation of less goods and an increase in the exportation of made in Ghana' goods .

Government to continue infrastructural developments in the education sector.

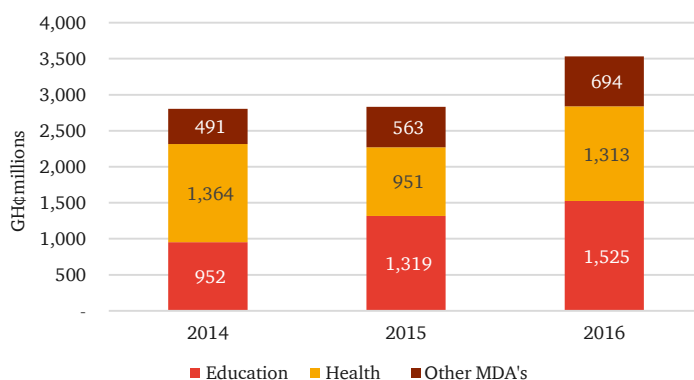
Government continues to increase its Infrastructural spending in the Health Sector.

SOCIAL SECTOR

Over the past three years, Budget allocation to the Social Sector has been largely skewed towards the Education and Health Sectors with an average of 65% and 33% of the Social Sector Budget to the two sectors respectively.

Under the 2016 Budget, Government will continue with policy actions to improve access and quality of education, health care delivery, social security and protection. The Budget allocation to the social sector is GH¢ 10,094million, representing 50.2% of the total Budget allocation to MDAs. In line with past trends, the Social Sector's Budget is primarily allocated to the Education and Health ministries which together account for 98.3% of the sector's Budget.

Social Sector Budget Allocation 2014-2016



Source: Ghana Budget Statement 2016

Ministry of Education

The Ministry of Education will continue to pursue its mandate of equitable access and quality education for all with the objective of national growth and development. The following key projects have been earmarked in the 2016 Budget:

- Commencement of the construction of the University of Environment and Sustainable Development;
- Upgrading of polytechnics into technical universities;
- Establishing 10 new colleges of education in areas that are not well served and absorbing five existing private colleges of education;
- 3% increase in capitation grant and subsidy to cover the registration of BECE candidates in both Government and private institutions; and
- Continuation with the construction of 200 Community Day Senior High schools.

National Budget | 2016 Budget Highlights

Sectoral Outlook

Education is the number one Social Sector priority for Government with a Budget allocation of GH¢6,532million representing 64.7% of the sector's allocation. Compared to the 2015 Budget however, the Ministry's Budget for 2016 has reduced by 3%. Even though the decrease in Budget allocation is small, it could have a significant impact on achieving the overall objective of infrastructure development given that there are still some outstanding initiative's from 2015 which are earmarked for completion in 2016.

According to the 2016 Budget Statement, Government's effort at eradicating schools under trees and improving access to education has resulted in replacing 1,714 out of 2,578 schools under trees with more decent accommodation and facilities. Government also started the implementation of the progressively free SHS and expanded on other social intervention programmes such as the school feeding programme and distribution of books and school uniforms. While these educational social interventions are crucial to ensure universal access to education, they have to be properly targeted to reduce the fiscal burden.

Ministry of Health

To consolidate progress made in the Health Sector over the past years, Government plans to undertake the following activities:

- Complete construction of hospitals and health facilities including: 600-bed University of Ghana Teaching Hospital, 420-bed Ridge Hospital Expansion Project and Upper West Regional Hospital;
- Reduction in doctor and midwife to population ratio from 1:9,000 to 1:7,500 and 1:1,350 to 1:1,300 respectively;
- Increase the number of ambulance stations across the country from 130 to 370, representing a 185% increment;
- Review the Ghana National Plan of Action (GHANAP) on the UN Resolution 1325 on Women in Peace and Security;
- Scale up capitation to Volta, Upper East and Upper West regions; and
- Ensuring a sustainable healthcare financing arrangements with emphasis on strengthening the NHIS, which has been financially challenged in recent years.

Government has allocated GH¢3,386million to the health sector representing a 10% increase from 2015. This allocation will largely be used to support infrastructure projects. These initiatives notwithstanding, the country still faces challenges in financial and geographical access to health care. (Source: Country Cooperation Strategy 2014). It is also interesting to note that Government has indicated that the doctor and midwife to population ratios will be reduced to 1:7,500 and 1:1,300 respectively. This translates to about an addition of 600 and 750 new doctors and midwives respectively.

The achievement of this target could be a challenge due to the fiscal and human resources required as it is currently not clear what allocation is being made for such resourcing considering outstanding arrears in the health sector in Ghana.

Ministry of Gender, Children and Social protection

Government is committed to consolidate its progress in social protection interventions. Government in 2016 will:

- Continue to migrate beneficiaries of LEAP from manual payment of cash to an electronic payments system;
- Expand implementation of the LEAP from the current 150,000 to cover over 250,000 beneficiary households;
- Scale up the School Feeding Programme by 77% to cover 3million pupils nationwide. There is also a planned institution of an electronic payment system to contractors under the programme; and
- Initiate the process for the Amendment of the Children's Act, 1998 (Act 560) and communities sensitised on the rights of children.

The allocation to the Ministry of Gender has been increased by 13% from the previous Budget in 2015 to GH¢49.5million. However, 58% of the allocation is expected to be funded by Development Partners. Given challenges encountered with donor funding in recent times, planned activities are likely to stall if the Ministry is unable to secure these funds.

Government to continue its policies on welfare and protection for children and the vulnerable.

INFRASTRUCTURE

The infrastructure sector is responsible for the provision of roads, transport, water, housing and communication.

Infrastructure spending allocation in the 2016 Budget is GH¢1,419million, which represents a 31% decrease compared to the 2015 Budget. External sources will finance more than two-thirds of the budgeted capital expenditure. The budgetary allocation across the sub-Sectors is as follows:

	GH¢million	
	2015	2016
Roads and Highways	931	625
Water and Housing	463	375
Transport	362	126
Communications	299	293
TOTAL	2,055	1,419

Significant initiatives in the 2016 Budget statement are:

Road and Highways

- Construction and completion of roads in the Western Region Oil Enclave to support the operations of the Gas Plant.

Water and Housing

- Increased access to portions of the Central and Upper West regions;
- Construction of 368 housing units for the security services;
- 1,502 housing units in Saglemi-Ningo Prampram to commence; and
- Construction of 100 housing units for rural and peri-urban households.

Transport

- Establishment of an aerodrome in Ho;
- Construction of the Kwame Nkrumah Interchange, the Fufulso-Sawla road, the Kasoa interchange and the Eastern corridor road; and
- Commencement of the Front End Engineering Design (FEED) of the Eastern railway line.

Communication

- Installation of meteorological equipment including weather surveillance radars, automatic weather stations, vertical wind profilers and weather communication systems;
- Completion of several e-health programmes after successful trials in 2015; and
- Deployment of 600 rack capacity Primary Data Centre.

It is worrying that the most significant allocation of GH¢846million, representing 60% of the total infrastructure Budget is to be sourced from Development Partners. This suggests that the development of the nation's infrastructure is very reliant on externally sourced funds. The question to ask is how sustainable is this funding model particularly as external financing of the Budget has been declining in recent times.

The answer to this question is crucial as it is estimated that to address our infrastructure deficit, Government requires about \$1.5 billion per annum over the next decade (Source: Reuters <http://www.reuters.com/article/2015/06/09/ghana-economy-infrastructure>).

This, no doubt, requires Government to look for more sustainable development financing, and improve domestic resource mobilisation efforts.

Given its resource constraints, Government is looking to Public Private Partnerships (PPPs) to fund infrastructure investments. To attract private sector participation in infrastructure development however, the implementation of the Ghana Infrastructure Investment Fund (GIIF) and the passage of the PPP Bill need to be expedited.

Development of various water projects to ensure potable supply of water in some communities.

Development of additional housing units to reduce nation's housing deficit.

Deployment of a portal infrastructure to provide a platform for content management, e-Forms, document workflow and online payments for various Government agencies.

Continuation of initiatives to monitor and control Government revenues and expenditure.

National Budget | 2016 Budget Highlights

Sectoral Outlook

ADMINISTRATIVE SECTOR

The mandate of the entities under this sector is largely focused on enhancing transparency, accountability and improving efficiency in Government business. This is done through the formulation and implementation of policies and guidelines for the efficient management and development of the public sector. The priorities identified in the 2016 Budget are as follows:

Ministry of Finance (MoF) and its Departments

The 2016 Budget has outlined specific initiatives to consolidate Government's objectives to enhance public financial administration and accountability through the use of technology.

The main areas of focus in 2016 for the Ministry and its Departments such as the Controller and Accountant General's Department (CAGD) include the following:

- Use of the Ghana Development Cooperation Management Information System (Gh-DCMIS) to help account for DP funded projects and programmes;
- Streamlining of IGF and non-tax revenue collection, accounting and reporting by incorporating it with the GIFMIS system;
- Electronic system initiatives such as the B-Tracking, e-Monitor System, e-Travel Card and e-Fuel Card to improve accountability;
- New Public Financial Management (PFM) law to replace existing financial management laws;
- Introduction of electronic input forms by CAGD to allow for speedy processing of entitlements, reduce costs and improved audit trail; and
- The Payroll Database will be interfaced with the SSNIT Biometric data to facilitate regular validation and update of the payroll database.

It is worth noting that the PPP model comes with its own challenges in the form of long gestation and procurement processes, availability of specialist skills, counterpart funding and attractive return on capital.

Government's continued efforts to move to a cashless society was given a boost with

the introduction of e-travel cards and e-fuel initiatives. Although these initiatives reduce the risk of cash handling, there is the need to put in place risk management procedures to secure access rights, control spending limits and ensure appropriate authorisation, approval and reporting of transactions.

In respect of the new PFM law to be introduced, it would be good to have wider consultations to ensure the establishment of an independent fiscal council as suggested by IMF and other economists.

It is also expected that the initiative spearheaded by CAGD in respect of payroll automation, will help streamline the payroll process, reduce cost and continue to strengthen Government's commitment to reducing the incidence of "Ghost" workers.

These initiatives, most of which were introduced in prior period is to close the loopholes associated with payroll administration.

Whilst we applaud Government for these e-finance initiatives, it is important that they are integrated with the existing GIFMIS. It is also essential that these initiatives should be rolled out to all Government reporting entities to achieve an integrated approach to public financial management.

Introduction of e-travel and e-fuel to strengthen cash management.

New PFM law to be introduced to replace existing financial management laws.

Government commits to free, fair and transparent elections in 2016.

Police visibility will continue to be intensified.

The Ghana Armed Forces and Ghana Gas Company will continue to collaborate to protect the gas pipelines.

Electoral Commission (EC)

Government is committed to providing the appropriate enabling environment to ensure fair and transparent elections in 2016. The 2016 Budget has therefore allocated 1.65% (GH¢827million) of the total Budget to the EC. This is significant as compared to the 2015 allocation of GH¢35million which represented only 0.16% of the total Budget.

2016 being an election year, it was expected that there would be a significant increase in the Budget allocation to the EC. The concerns of certain stakeholders on the quality of the voters register, appears to have influenced the significant increase in the Budget allocation.

PUBLIC SAFETY

The Public Safety Sector is responsible for the development of a legal and policy framework, maintaining law and protecting the territorial integrity of the country. For 2016, a total budgetary allocation for this sector is GH¢2.4billion (12% of total Budget allocation to MDAs). The Ministries of Defence and Interior had the highest Budget allocation of 56% of the sector's total Budget followed by Ministry of Interior with allocation of 31%. The remaining MDAs under the sector: Commission on Human Rights and Administrative Justice, Ministry of Justice and Attorney General's Department and Judicial Service were allocated 8%, 3% and 1% respectively.

Ministry of Defence

The Ministry is charged with the duty of initiating, formulating, implementing, monitoring and evaluating policies aimed at safeguarding the sovereignty and territorial integrity of the nation as well as ensuring the protection of life and property. The major initiatives in the 2016 Budget are:

- The Ghana Armed Forces (GAF) will continue to collaborate with Ghana Gas Company to protect the country's gas pipelines; and
- Completion of a 500-bed military hospital at Afari, near Kumasi.

The Ministry is allocated a Budget of GH¢760million in 2016 which is 14% below the 2015 allocation of GH¢880million. Security remains the most crucial aspect in the exploitation and development of any oil-producing economy. In light of this, Government should continue to invest in logistics to assist the military to fully protect the country's oil and gas fields.

Ministry of Interior

The Ministry is charged with the responsibility of ensuring maintenance of internal security within the laws of Ghana to promote peace for national development.

In 2016, the Ministry will continue to work through its agencies to:

- Intensify police visibility with the objective of reducing conflicts and crime;
- Improve disaster risk management; and
- Enhance migration and refugee management programmes.

For 2016, a total Budget of GH¢1,6million was allocated to the sector, this represents an increase of over 30% of the 2015 allocation, probably due to increased administrative supervision in the election year.

National Budget | 2016 Budget Highlights

Appendix 1: Summary of Central Government Revenue 2015-2016

	2015	2015	2015	2015	2016	Var	Var
Cedis (Millions)	Budget	Prog. Target	Prov. Outturn	Proj Outturn	Budget		
		Q1-Q3	Q1-Q3				
	(A)	(B)	(C)	(D)	(E)	(F=E-A)	(G=D-A)
TAX REVENUE	25,406	16,076	17,287	25,120	28,868	3,462	-286
TAXES ON INCOME & PROPERTY	11,229	6,413	6,118	9,488	12,072	843	-1,740
Personal	3,664	2,541	2,292	3,491	4,229	565	-173
Self Employed	259	183	189	274	345	86	15
Companies	3,750	2,378	2,463	4,167	5,501	1,751	417
Company Taxes on Oil	1,652	0	45	52	111	-1,541	-1,600
Others	1,903	1,310	1,129	1,505	1,885	-18	-399
TAXES ON DOMESTIC GOODS AND SERVICES	9,472	6,767	7,435	9,539	11,324	1,852	67
Excises	2,427	1,638	1,882	2,446	2,894	467	19
Excise Duty	213	156	175	212	250	38	-1
Petroleum Tax	2,214	1,482	1,707	2,234	2,643	429	20
VAT	5,749	4,216	4,627	5,809	6,972	1,222	60
Domestic	2,469	1,757	2,038	2,418	2,960	491	-51
External	3,280	2,460	2,589	3,391	4,012	731	111
National Health Insurance Levy (NHIL)	1,003	701	743	1,003	1,145	142	0
Customs Collection	560	395	404	560	613	53	0
Domestic Collection	443	306	340	443	532	89	0
Communication Service Tax	293	211	182	281	314	21	-12
TAXES ON INTERNATIONAL TRADE	4,706	2,897	3,734	6,093	5,473	767	1,387
Imports	3,549	2,355	2,045	3,555	4,753	1,203	6
Import Duty	3,549	2,355	2,045	3,555	4,753	1,203	6
Exports	340	0	81	441	720	380	101
o/w Cocoa	340	0	81	441	720	380	101
Import Exemptions	816	542	1,609	2,097	0	-816	1,281
SOCIAL CONTRIBUTIONS	183	120	260	298	352	169	116
SSNIT Contribution to NHIL	183	120	260	298	352	169	116
NON-TAX REVENUE	5,267	4,028	3,670	4,754	7,210	1,943	-513
Retention	2,833	2,086	1,821	2,408	3,532	699	-425
Lodgement	2,434	1,941	1,849	2,346	3,677	1,244	-88
DOMESTIC REVENUE	30,855	20,224	21,217	30,172	36,430	5,575	-683
GRANTS	1,551	1,694	1,508	2,017	1,608	57	467
Project Grants	1,018	868	718	1,107	1,475	457	90
Programme Grants	533	826	790	910	133	-400	377
TOTAL REVENUE & GRANTS	32,406	21,918	22,725	32,189	38,038	5,632	-217

	2015	2015	2015	2015	2016	Var	Var
Cedis (Millions)	Budget	Prog. Target	Prov. Out-turn	Projected Outturn	Budget		
		Q1-Q3	Q1-Q3				
In Ghana Cedis	(A)	(B)	(C)	(D)	(E)	(F=E-A)	(G=D-A)
EXPENDITURE							
Compensation of Employees	12,313	9,207	8,937	12,313	14,024	1,711	0
Wages & Salaries	10,286	7,732	7,659	10,286	11,723	1,436	0
Social Contributions	2,026	1,475	1,277	2,026	2,301	275	0
Use of Goods and Services	1,970	1,193	1,133	1,856	2,537	567	-114
o/w ABFA	736	280	132	319	303	-434	-417
Interest Payments	9,577	6,624	6,385	9,350	10,491	913	-227
Domestic	8,034	5,314	5,106	7,734	8,317	283	-300
External (Due)	1,543	1,311	1,279	1,616	2,173	630	73
Subsidies	50	50	25	50	50	0	0
Subsidies on Petroleum products	50	50	25	50	50	0	0
Grants to Other Government Units	7,409	5,227	4,614	6,927	9,651	2,243	-482
National Health Fund (NHF)	1,186	822	930	1,301	1,497	312	116
Education Trust Fund	844	627	569	861	1,022	178	17
Road Fund	257	186	194	257	277	20	0
Petroleum Related Funds	5	4	4	5	6	1	0
Dist. Ass. Common Fund	1,586	1,079	735	1,606	2,014	428	20
Retention of Internally-generated funds (IGFs)	2,833	2,086	1,821	2,408	3,532	699	-425
Transfer to GNPC from Oil Revenue	698	422	361	488	567	-131	-209
Social Benefits	61	60	-	61	75	15	0
Lifeline Consumers of Electricity	61	60	-	61	75	15	0
Capital Expenditure	6,957	4,417	4,788	6,584	6,677	-280	-373
Domestic financed	2,557	1,219	790	1,834	1,783	-774	-723
o/w GIIF	967	670	-	1,047	1,198	231	80
o/w ABFA	1,273	185	226	236	530	-743	-1,037
Foreign financed	4,399	3,197	3,998	4,750	4,894	494	350
TOTAL EXPENDITURE	39,153	27,319	27,491	39,238	43,505	4,353	85
APPROPRIATION	44,021	33,042	31,365	44,862	50,110	6,089	841
Total Expenditure	39,153	27,319	27,491	39,238	43,505	4,353	85
Non-Road Arrears	1,239	1,539	1,543	1,909	2,313	1,074	670
Tax Refunds	508	322	386	462	627	119	-46
Amortisation	2,799	3,540	1,827	2,931	3,664	865	132

National Budget | 2016 Budget Highlights

Glossary

Acronyms and Abbreviations

AWS	Automatic Weather Stations
BACs.....	Business Advisory Centres
BECE	Basic Education Certificate Examination
BoG.....	Bank of Ghana
BOP	Balance of Payments
BR	Benchmark Revenue
CAGD	Controller & Accountant General's Department
CET	Common External Tariff
CHPS.....	Community Health Planning and Services
CHRAJ	Commission on Human Rights and Administrative Justice
COCOBOD.....	Ghana Cocoa Board
DTRD	Domestic Tax Revenue Division
DTT	Digital Terrestrial Television
EC	Electoral Commission
ECOWAS	Economic Community of West African States
ECF	Extended Credit Facility
ECG.....	Electricity Company of Ghana
FEED	Front End Engineering Design
E-Forms.....	Electronic-Payroll Input Forms
EU	European Union
FOMC.....	Federal Open Market Committee
FPSO	Floating production storage and offloading
GAF	Ghana Armed Forces
GEDAP	Ghana Energy Development and Access Project
GGC	Ghana Gas Company
Gh-DCMIS.....	Ghana Development Cooperation Management Information System
GDP.....	Gross Domestic Product
GHANAP	Ghana National Plan of Action
GIFMIS.....	Ghana Integrated Financial Management and Information System
GIIF	Ghana Infrastructure Investment Fund
GIPC.....	Ghana Investment Promotion Centre
GNPC	Ghana National Petroleum Corporation
GoG.....	Government of Ghana
GRA	Ghana Revenue Authority
GSF	Ghana Stabilisation Fund
GSDA	Ghana Shared Growth and Development Agenda
ICBC.....	Insurance Corporation of British Columbia
ICT	Information and Communication Technology
IGF	Internally Generated Funds

IMF	International Monetary Fund
IPE	International Petroleum Exchange
LEAP	Livelihood Empowerment Against Poverty
LPG	Liquefied Petroleum Gas
M2+	Broad money supply
MDAs	Ministries, Departments and Agencies
MMDAs	Metropolitan, Municipal and District Assemblies
MoF.....	Ministry of Finance
MoFEP.....	Ministry of Finance and Economic Planning
MOFA.....	Ministry of Food and Agriculture
MOU	Memorandum of Understanding
MPR	Monetary Policy Rate
MRT	Mass Rapid Transit
MW	Megawatts
NACAP	National Anti-Corruption Action Plan
NDA	Net Domestic Assets
NEDCO.....	Northern Electricity Distribution Company
NFA.....	Net Foreign Assets
NPA.....	National Petroleum Authority
OECD	Organisation for Economic Cooperation and Development
OMO	Open Market Operations
OPEC.....	Organisation of Petroleum Exporting Countries
PFM.....	Public Financial Management
PoS.....	Electronic Point of Sale
PPP.....	Public Private Partnership
PRMA.....	Petroleum Revenue Management Act
SHEDs.....	Shea Development Strategy
SHS	Senior High School
SSNIT.....	Social Security and National Insurance Trust
STC	State Transport Corporation
TEN.....	Tweneboa-Enyenra-Ntomme
TIN.....	Tax Identification Number
TSA	Treasury Single Account
UN	United Nations
US	United States of America
VAT	Value Added Tax
VRPO	VAT Relief Purchase Order
WARFP.....	West Africa Regional Fisheries Project
WEO.....	World Economic Outlook
WSR.....	Weather Surveillance Radars
WTI.....	West Texas Intermediate

National Budget | 2016 Budget Highlights

Contact Us

Country Senior Partner

Vish Ashiagbor	Partner	vish.ashiagbor@gh.pwc.com
----------------	---------	---------------------------

Assurance

Michael Asiedu-Antwi	Partner	michael.asiedu-antwi@gh.pwc.com
Oseini Amui	Partner	oseini.x.amui@gh.pwc.com
Maxwell Darkwa	Partner	maxwell.a.darkwa@gh.pwc.com
Sarah-Mary Frimpong	Partner	sarah-mary.frimpong@gh.pwc.com
George Arhin	Partner	george.k.arhin@gh.pwc.com
Abiana Nelson	Senior Manager	abiana.nelson@gh.pwc.com
David Awuah Mensah	Senior Manager	david.awuah.mensah@gh.pwc.com
Destiny Attatsitsey	Senior Manager	destiny.s.attatsitsey@gh.pwc.com
Elsie Ankumah	Senior Manager	elsie.ankumah@gh.pwc.com
Joseph Turkson	Senior Manager	joseph.k.turkson@gh.pwc.com
Prince Adufutse	Senior Manager	prince.adufutse@gh.pwc.com
Richard Ansong	Senior Manager	richard.ansong@gh.pwc.com
Richard Hodasi	Senior Manager	richard.hodasi@gh.pwc.com
Sarah Amankwah	Senior Manager	sarah.amankwah@gh.pwc.com
Thelma Owusu-Banahene	Senior Manager	thelma.owusu-banahene@gh.pwc.com

Advisory

Eric Nipah	Partner	eric.nipah@gh.pwc.com
Jon Jesky	Associate Director	jon.jesky@gh.pwc.com
Augustina Eku Mills	Senior Manager	augustina.e.mills@gh.pwc.com
Elsie Aikens	Senior Manager	elsie.aikens@gh.pwc.com
Enoch Kumi	Senior Manager	enoch.kumi@gh.pwc.com
Kingsford Arthur	Senior Manager	kingsford.arthur@gh.pwc.com
Kwame A Akufo	Senior Manager	kwame.akufo@gh.pwc.com
Serwa Atiase Dzogbenuku	Senior Manager	serwa.dzogbenuku@gh.pwc.com
Sheila Odoteye	Senior Manager	sheila.odoteye@gh.pwc.com
Venan Sondo	Senior Manager	venan.sondo@gh.pwc.com
Winfred King	Senior Manager	winfred.king@gh.pwc.com
Yaw Appiah-Lartey	Senior Manager	yaw.appiah-lartey@gh.pwc.com

Tax

George Kwatia	Partner	george.kwatia@gh.pwc.com
Ayesha Bedwei	Partner	ayesha.a.bedwei@gh.pwc.com
Francis Adiasani	Associate Director	francis.adiasani@gh.pwc.com
Lydia Pwadura	Associate Director	lydia.pwadura@gh.pwc.com
Abeku Gyan-Quansah	Senior Manager	abeku.gyan-quansah@gh.pwc.com
Dzidedze Fiadjoe	Senior Manager	dzidedze.fiadjoe@gh.pwc.com
Gideon Ayi-Owoo	Senior Manager	gideon.ayi-owoo@gh.pwc.com
Gift Matey	Senior Manager	gift.matey@gh.pwc.com
Kingsley Owusu-Ewli	Senior Manager	kingsley.owusu-ewli@gh.pwc.com
Michael Klobodu	Senior Manager	michael.klobodu@gh.pwc.com

Operations

Nelson Opoku	Partner	nelson.b.opoku@gh.pwc.com
Theodora Nti-Appiah	Senior Manager, HC	theodora.nti-appiah@gh.pwc.com
Barbara Coleman	Senior Manager, IFS	barbara.coleman@gh.pwc.com
Naa Norkor Nelson	Senior Manager, Finance	naa.n.nelson@gh.pwc.com
Walter Kaba	Senior Manager, BTS	walter.kaba@gh.pwc.com
Benjamin Kpodo	Manager, Risk & Quality	benjamin.kpodo@gh.pwc.com
Paula Adum-Yeboah	Assistant Manager, CMD	paula.akiwumi@gh.pwc.com

www.pwc.com/gh

Contact us:

Accra Office

No. 12 Airport City
Una Home 3rd Floor
PMB CT42 Cantonments
Accra, Ghana

Tel: +233 30 276 1500
Fax: +233 30 276 1544
www.pwc.com/gh

Takoradi Office

Plot No. 51, Airport Ridge
P.O. Box TD 274
Takoradi, Ghana

Tel: +233 31 202 8416
Fax: +233 31 202 8410
www.pwc.com/gh

Sierra Leone Office

Mark Appleby
No. 2 MIK Drive,
Off Barrack Road, Murray Town
Freetown, Sierra Leone
Tel: +232 (0) 78361701
www.pwc.com/gh

Download further copies from <http://www.pwc.com/gh/en/publications.html>

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers (Ghana) Ltd, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2015 PricewaterhouseCoopers (Ghana) Limited. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers (Ghana) Limited which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.