PwC 2023 Budget Digest

Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth and Value Addition

Content

1 At a Glance

Macroeconomic Indicators

Description	2021 Actual	2022 Target	As at Sept 2022	2023 Target	Medium Term-Target (2023 - 2026)
Growth in Real GDP (Inc oil)	5.4%	3.7%	4.0%*	2.8%	4.3%
Growth in Real GDP (Non - oil)	6.9%	4.3%	6.2%*	3.0%	4.0%
End of Period Inflation	12.6%	28.5%	37.2%	18.9%	8%±2
Overall Fiscal Budget Deficit (% of GDP)	11.3%	6.6%	7.4%	7.7%	6.3%
Gross International Reserves	>= 4.3	>= 3.5	>= 2.9	>=3.3	>= 4.0

*As at June 2022

Source: 2023 Budget Statement; Ghana Statistical Service Bulletin (September 2022); 2022 Budget Statement

Real GDP Growth per Sector

	Agriculture	Industry	Services
2021 EoY	8.4%	-0.8%	9.4%
Q2, 2022	4.9%	1.8%	5.4%
2022 EoY Projected	0.7%	6.0%	2.9%
2023 Forecast	2.6%	3.9%	1.7%

EoY = End of year

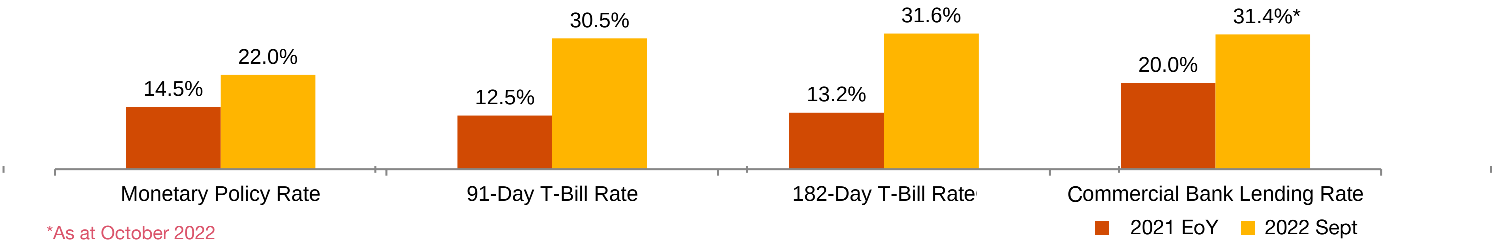
Source: 2023 Budget Statement

Exchange Rates

	2021 EoY	Q3, 2022	%∆ YtQ3 (Depreciating)
USD/GH¢	1/6.01	1/9.61	59.90%
EUR/GH¢	1/6.83	1/9.42	37.92%
GBP/GH¢	1/8.13	1/10.70	31.61%

Source: Bank of Ghana Monthly Exchange Rate Indicators

Interest Rates



*As at October 2022

Source: Bank of Ghana Monthly Interest Rates

1 At a Glance

Revenue

Taxes on Income and Property
GH¢59.81 billion
GH¢39.60 billion

Taxes on Domestic Goods and Services
GH¢44.90 billion
GH¢30.13 billion

International Trade Taxes (Import Duties)
GH¢14.02 billion
GH¢9.40 billion

Refunds
(GH¢6.36 billion)
(GH¢3.86 billion)

Grants
GH¢2.40 billion
GH¢1.50 billion

Non-Tax Revenue
GH¢23.04 billion
GH¢15.16 billion

Others
GH¢6.15 billion
GH¢6.15 billion

▷ GH¢143.94 billion
▷ GH¢98.08 billion

▷ 2023 Budget ▷ 2022 Projected Outturn

Source: 2023 Budget Statement

Expenditure

Compensation to Employees
1
GH¢44.99 billion
GH¢38.48 billion

Use of Goods and Services
2
GH¢8.05 billion
GH¢5.88 billion

Interest Payments
3
GH¢52.55 billion
GH¢44.01 billion

Grants to other Government Units
4
GH¢30.08 billion
GH¢23.99 billion

Capital Expenditure
5
GH¢27.69 billion
GH¢15.72 billion

Subsidies
6
GH¢0.35 billion
GH¢0.33 billion

Social Benefits
7
GH¢0.55 billion
GH¢0.17 billion

Other Expenditure
8
GH¢26.74 billion
GH¢8.34 billion

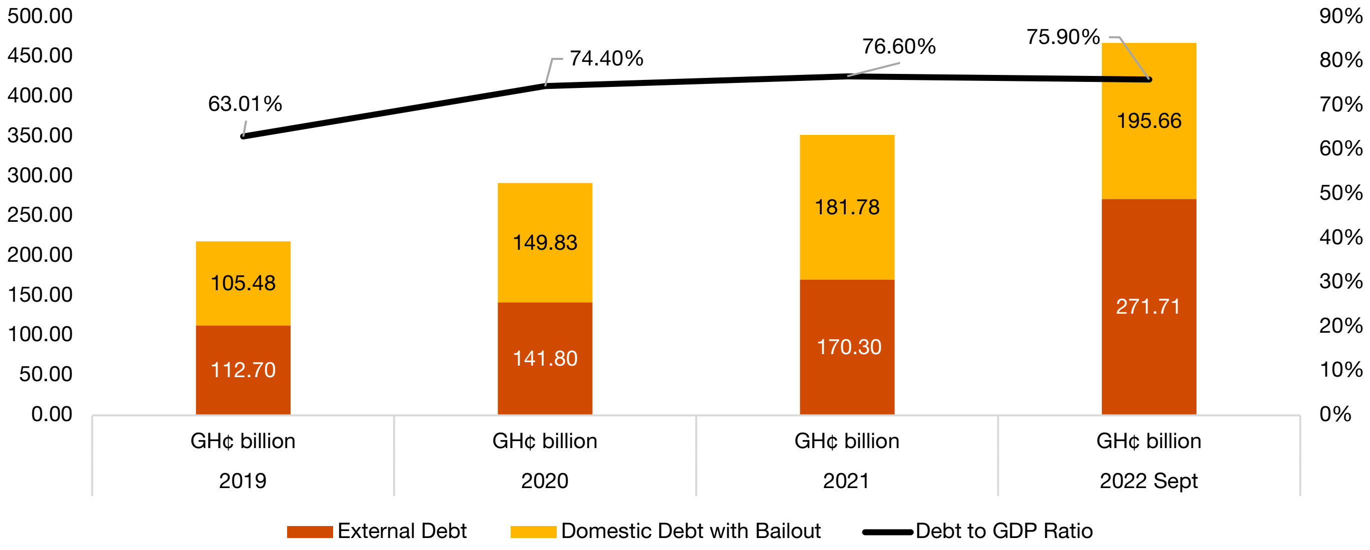
Total
GH¢191.00 billion
GH¢136.92 billion

▷ 2023 Budget
▷ 2022 Projected Outturn

Source: 2023 Budget Statement

1 At a Glance

Public Debt



Government's 7-point Agenda

- Aggressively **mobilise** domestic revenue
- Streamline and rationalise expenditures
- Boost local productive capacity
- Promote and diversify exports
- Protect the poor and vulnerable
- Expand digital and climate-responsive physical infrastructure
- Implement structural and public sector reforms.

Key Tax Measures

Direct Tax

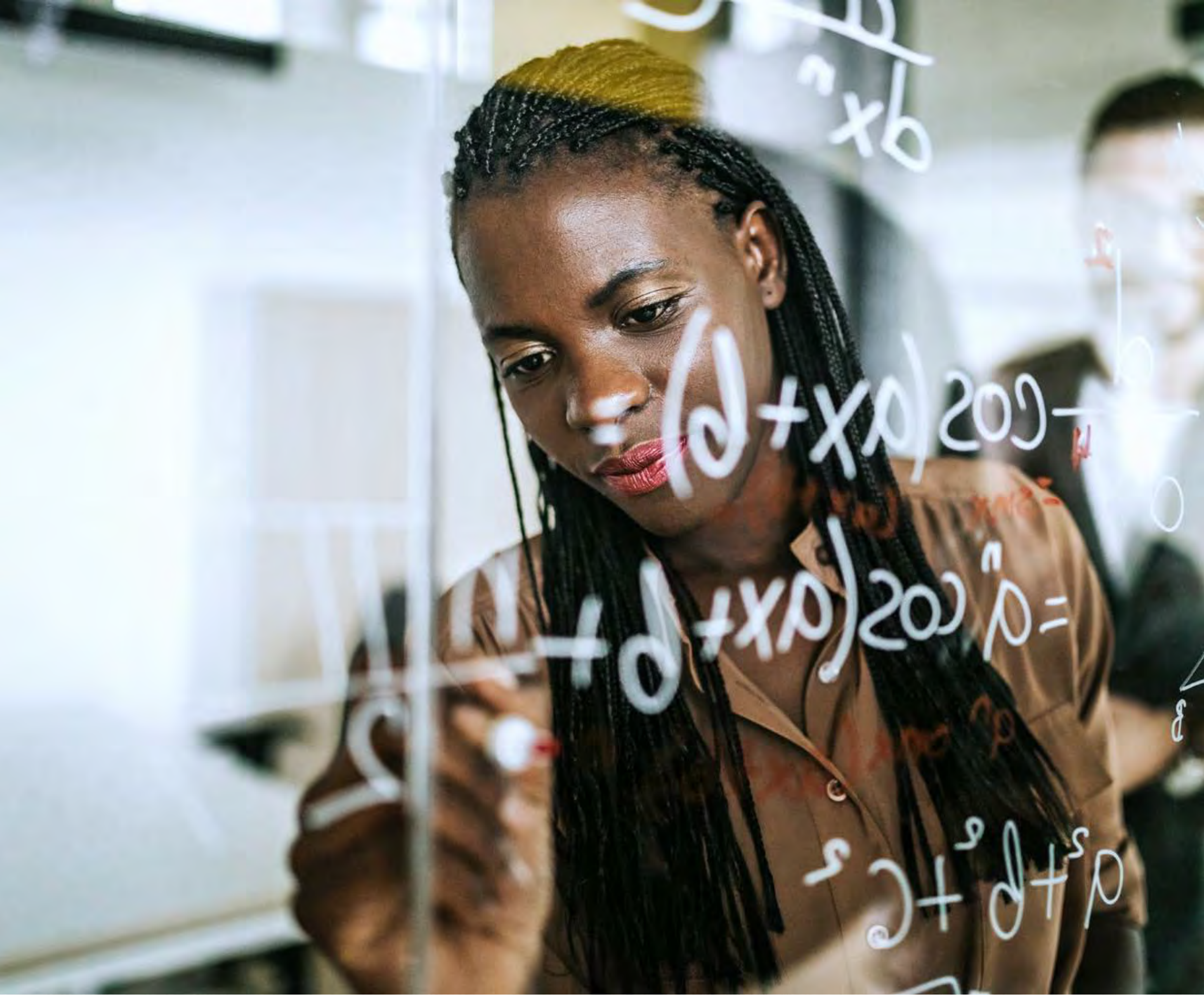
- Introduction of a 35% marginal income tax rate for individuals and revision of the upper limits for vehicle benefits.
- Introduction of a minimum chargeable income system.
- Unification of the provisions on carry forward of tax losses.
- Restriction of foreign exchange loss deduction to actual losses.
- Conversion of the National Fiscal Stabilisation Levy ("NFSL") to Growth and Sustainability Levy ("GSL") to cover all entities.
- Increase the 1% concessional income tax rate to 5%.
- Modification of the regime for taxing capital gains.

General administrative and other revenue measures

- Freeze on new tax waivers for foreign companies.
- Review of tax exemptions for free zones and extractive industries.
- Electronic VAT invoicing to cover all VAT taxpayers by 2024.
- Introduction of electronic Tax Clearance Certificate ("TCC").

Indirect Tax

- Increase in the standard Value Added Tax ("VAT") rate from 12.5% to 15%.
- Review of VAT registration threshold.
- Reduction in the Electronic Transfer Levy ("E-Levy") rate from 1.5% to 1% of transaction value and removal of daily threshold.
- Withdrawal of benchmark discount policy on imported goods.
- Introduction of a self-clearance system for imports of goods at the ports.



2 Commentary

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Commentary

On Thursday, 24 November 2022, the Honourable Minister for Finance, Hon. Ken Ofori Atta, presented the 2023 Budget Statement and Economic Policy of Government (“2023 Budget Statement” or “the Budget”) to Parliament.

The 2023 Budget Statement, themed **“Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth and Value Addition”,** is set in the context of the Government’s agenda towards streamlining expenditure and improving domestic revenue mobilisation, while continuing to protect the poor and vulnerable. The policy measures outlined in the Budget are consistent with those announced by H.E. President Akufo Addo in his 30 October 2022 address to the nation on the economy.

In his address to the nation, H.E. President Akufo Addo acknowledged that the Ghanaian economy is in a crisis. Similarly, in his Budget presentation, the Minister for Finance acknowledged the challenges Ghanaians and businesses operating in Ghana have faced due to various factors, including the convergence of shocks from the war in Ukraine and the lingering impact of the COVID-19 pandemic. The Minister acknowledged that the planned and steady recovery of the economy from the pandemic was derailed by downgrades in credit ratings by international rating agencies, which adversely affected investor confidence, strengthening of the United States Dollar and delays in passing the Electronic Transfer Levy (“E-Levy”) Act.

Ghana has therefore had to deal with an increase in expenditure (mainly debt servicing), reduction in revenue, limited sources of external funding – having lost access to the international capital markets, depreciation of the Cedi against major trading currencies and undue pressure on the financial system.

The general expectation of the business community was for the 2023 Budget to lay out policy priorities, including details of the Enhanced Domestic Programme that was promised during the mid-year review. The mid-year review indicated that the Enhanced Domestic Programme would complement the Ghana CARES Programme and would form the basis of discussion and ultimately, agreement with the International Monetary Fund on a medium-term road map to support Ghana’s economy.

The 2023 Budget Statement announced a seven-point agenda aimed at restoring macroeconomic stability and accelerating Ghana’s economic transformation. The seven points are as follows:

1. Aggressively mobilise domestic revenue;
2. Streamline and rationalise expenditures;
3. Boost local productive capacity;
4. Promote and diversify exports;
5. Protect the poor and vulnerable;
6. Expand digital and climate-responsive physical infrastructure; and
7. Implement structural and public sector reforms.

The Budget also makes reference to a Post-COVID-19 Programme for Economic Growth (PC-PEG), in which the seven-point agenda is said to be further articulated, stating that the 3 critical imperatives on which the PC-PEG is hinged are: (1) successfully negotiating a strong IMF programme, (2) coordinating an equitable debt operation programme, and (3) attracting significant green investments.

Given the economic difficulty in which we find ourselves as a country and the clear need for urgent fiscal consolidation, we are not surprised that the Government has focused on aggressive revenue mobilisation and reduction in expenditure as two of the key initiatives that underpin the 2023 Budget and the medium-term plan.

We have spoken on previous occasions about Ghana’s low level of revenue mobilisation, as reflected by a **13%** tax to GDP ratio compared to the West African average of about **18%**.

With reduced access to the international capital markets and faced with significant financial obligations in the form of interest payments, compensation to Government employees etc., there really was no other alternative than to focus more intensely and urgently on domestic revenue mobilisation. The 2023 Budget Statement therefore proposes the following new tax measures in a bid to increase revenue:

- Increase in the standard Value Added Tax ("VAT") rate from 12.5% to 15%.
- Introduction of a 35% marginal income tax rate for individuals and revision of the upper limits for vehicle benefits.
- Review of tax exemptions for free zones and extractive industries.
- Freeze on new tax waivers for foreign companies.
- Fast-track of the implementation of the Unified Property Rate Platform programme in 2023; and
- Reduce the E-levy rate from 1.5% to 1% of transaction value and removal of daily non-taxable threshold.

These revenue measures will no doubt generate further debate on whether the push over the years to widen the tax net has been effective.

While the increase in VAT will certainly affect all consumers, whether they are existing taxpayers or not, a school of thought is that once again the tax measures will disproportionately affect existing taxpayers and does not do enough to draw in those who still sit outside the tax net.

Our view is that at a time of economic crisis as is currently the case, everyone who is able to do so should contribute to the recovery effort. Some of the additional tax measures are therefore a necessity at this time; however, their implementation should run alongside a more aggressive and more consistent effort by the Ghana Revenue Authority to cast the net wider to draw in the many other citizens who should, but are not paying their fair share of taxes, as we aim to achieve the targeted 20% ratio of tax revenue to GDP on a consistent basis.

As would also be expected in a time of economic crisis, expenditure management is a key area of focus for Government in 2023.

The 2023 Budget Statement signals a number of initiatives that seek to rationalise Government expenditure and respond to concerns raised by the general public about the need to reduce the cost of running Government business, while directing as much of our scarce resources as is possible to support the less privileged in our society. Government has indicated some expenditure management initiatives including the following:

- Implement action of the Government directives on expenditure measures;
- Integrate public procurement approval processes with GIFMIS to ensure that projects approved are aligned with budget allocation;
- Review of key Government programmes to reflect relevance, promote efficiency, and ensure value for money; and
- Review the efficiency of Statutory Funds.

These expenditure management initiatives set out in the Budget are welcome and demonstrate a positive start to addressing the concerns of the citizenry in this regard. The key however lies in the timely and aggressive implementation of these expenditure management measures, including monitoring and evaluation of the impact of these measures on our overall fiscal consolidation effort.

Related to this, it would have been helpful if Government had indicated the extent of cost savings we seek to achieve from these measures so that the general public is better informed and able to independently assess the effort that Government is also making to reduce the cost of running Government business to the barest minimum at a time that taxes are increasing. This additional level of transparency is particularly important given that the cost of running Government's big flagship programmes e.g. the Free SHS will apparently remain unadjusted, at least in the short term.

The 2023 Budget Statement sets out a renewed vision to boost local production for local consumption and to promote exports. 2022 has been a year in which Ghana has suffered significantly from currency depreciation and its pass-through effect on inflation, including food inflation.

There can be no doubt that any effort to support exports and overall local production, so that our reliance on imports is significantly reduced, is welcome and needs to be pursued with urgency. The broad policy intent of providing support to local industry needs to be further distilled into specific and measurable elements so that local businesses can clearly understand what support is available and the extent to which the Government will partner with them to drive the export and local consumption agendas further.

A major area of concern with respect to our economy is the level of debt we are faced with. Ghana's total debt stood at **GH₵467.37 billion** i.e.**75.9%** of GDP as at 30 September 2022, with about **58.1%** of this position being financed by external debt. The **13.3%** growth in external debt from the **48.4%** recorded in 2021 has largely been attributed to the depreciation of the local currency and is estimated to have added approximately **GH₵93.9 billion** to the debt stock.

In his presentation to Parliament, the Minister noted that Ghana is now considered to be at high risk of debt distress. The Minister also announced that the Government is committed to bringing our debt to sustainable levels over the medium to long term and will be implementing a debt exchange programme, working with the general public, the investor community and development partners.

This has created significant uncertainty for businesses, particularly financial institutions, as well as the general public, as the Budget did not provide details of the planned debt exchange programme that it announced. As such this remains an area of significant uncertainty, which continues to generate speculation, rumour and possible misinformation. We encourage the Government to provide some information as soon as possible to reduce the level of speculation and to enable businesses and households to plan effectively.

Other medium to longer term measures announced as part of the Budget include:

- Imposition of a debt limit on non-concessional financing, including placing a moratorium on new financing for 2023;
- Undertaking major structural reforms in the public sector by reviewing the operations of 36 State-owned Enterprises, 8 Special Purpose Vehicles, 90 Joint Venture Companies, 38 Regulatory institutions, 68 Statutory Bodies and 6 Subvented Agencies;
- Enforce compliance with legal and regulatory framework on foreign exchange;
- Initiation of measures to overhaul the tax structures in the extractive industry; and
- Expand the gold purchase programme by Bank of Ghana to support FX Reserve accumulation and promote local currency stability.

Overall, the Budget confirms that Ghana's economy is in a difficult place. 2022 has been a difficult year and there is no doubt that 2023 will be a more difficult year for businesses, households and citizens in general.

However we believe that **"Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth & Value Addition"** is attainable, subject to rigorous implementation of the policy measures that have been announced. The policy direction set out in the Budget is clear; we look forward to more specifics that will guide effective implementation toward achieving the results that we all desire.

Much of what Government plans for 2023 and the medium term hinges on the outcome of Government's engagement with the IMF and other key stakeholders, including Ghana's creditors. Overall, it is clear that there is much work to be done all round to achieve the stability and growth that we desire. This will require all stakeholders to put their shoulders to the wheel and to support the drive to fundamentally change the structure of our economy so that it can be more resilient.

Even as we call on Government to provide more specific details of its planned expenditure management initiatives and the debt exchange programme in particular, we recognise that we also have our part to play by working constructively with Government and other stakeholders to contribute where we can, including honouring our own social and civic obligations.

We call on others to join in this effort to help steer our country through these difficult times and to set our economy on a sustainable footing for the long term.

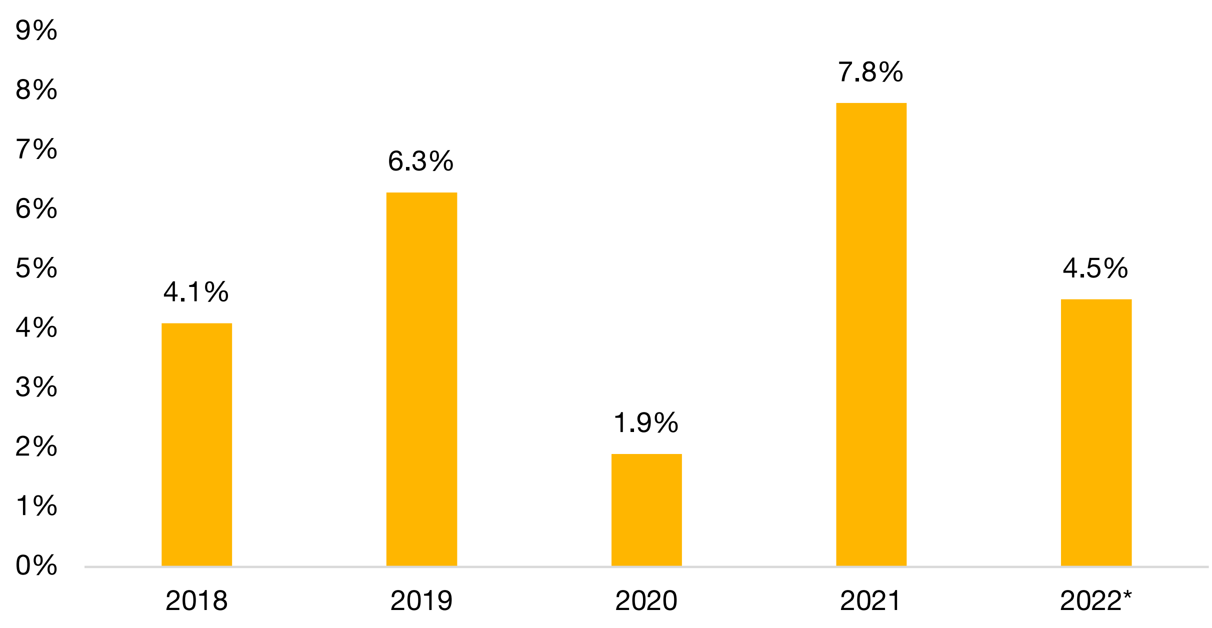
3 Sector Reviews

Manufacturing

Overview of the Manufacturing Sector

The manufacturing sector in Ghana experienced fluctuations in growth between 2018 and 2021 with the lowest growth of 1.9% recorded in 2020 due to the enforcement of mobility and border restrictions. These restrictions were introduced to limit the spread of the coronavirus disease (COVID-19) and this led to the slowdown of business operations and trade. Growth improved significantly to 7.8% in 2021 following the easing of restrictions and the roll-out of vaccination programmes globally. However, growth in the sector is projected to decline to 4.5% in 2022 as a result of the impact of current macroeconomic challenges.

Figure 1: GDP Growth in the Manufacturing Sector



*Projected GDP growth for 2022

Source: 2023 Budget Statement

Globally, the sector continues to contend with the aftermath of the COVID-19 pandemic coupled with the ongoing Russia-Ukraine war. These events have contributed to major disruptions in global supply and value chains as well as the slowdown in growth across world economies. A key fallout from these events has been the escalating price levels.

In a bid to resolve the historical structural issues of the Ghanaian economy, there is increased focus on import substitution and export-oriented industries.

Key Initiatives from the 2023 Budget

Implementation of the components manufacturing policy to support the production and supply of components and spare parts for the automotive industry.

Establishment of Export Trade Houses (“ETHs”) in selected markets to promote made-in-Ghana products.

Introduction of three additional vehicle assembly plants under the Ghana Automotive Development Programme.

Establishment of a private equity fund with an initial capitalisation of GH¢400 million to support Small and Medium Enterprises (“SMEs”) with equity funding.

Establishment of a GH¢500 million special credit programme – Development Bank Ghana (“DBG”) Emergency Economic Programme (“DEEP”) to support businesses in the agribusiness value chain.

Development of Special Economic Zones (“SEZ”) policy under the Ghana Economic Transformation Project (“GETP”).

Facilitation of the entry of 200 Ghanaian companies into the African Market under the Africa Continental Free Trade Agreement (“AfCFTA”) and 360 women and youth-led SMEs.

Withdrawal of forex support on importation of specific goods and non-critical products to help curb further depreciation of the Ghana cedi.

Completion of the Textile and Garment Manufacturing, and Pharmaceutical policies.

Government’s commitment to making Ghana a globally competitive manufacturing and trading hub in Africa as underpinned by the Ten Point Industrial Transformational Agenda is commendable. This is also aligned with the priority areas identified in the African Union (“AU”) Agenda 2063. Given the increasing global focus on climate change, Government should consider implementing policies that incentivise industrial and manufacturing establishments introduced in the country to employ alternative and sustainable energy solutions and practices that help to reduce emissions and mitigate the long-term effects of climate change.

The ongoing AfCFTA implementation presents several opportunities for manufacturing companies, including potential access to wider markets, supply and value chains. Local manufacturing companies will need to be strategically positioned to take advantage of the opportunities AfCFTA presents.

The pursuit of strategies such as the integration of local companies operating within the same sector or the implementation of measures to strengthen company internal structures will afford local companies the opportunity to benefit from economies of scale as well as increased competitive advantage.

The Bank of Ghana’s directive to withdraw forex support for the importation of specific goods and non-critical products which could be produced locally is laudable. In addition to encouraging the consumption of locally produced goods, this will in the long-term help stabilise the Ghana cedi. However, the success of this initiative will depend on Government’s commitment and the industry’s capacity to meet any substantial increases in demand for the locally produced goods in a sustainable manner.

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Financial Services

The Budget is hinged on the positive outcome of three (3) critical imperatives, which are outlined as:

- Successfully negotiating a strong IMF support programme
- Coordinating an equitable debt operation programme
- Attracting significant green investments

An efficient and well-performing financial services sector is key to driving this agenda given the contribution this sector makes to the GDP of the services subsector. The financial services sector is expected to drive the foreign exchange reforms initiated by the Bank of Ghana, strategic focus on agricultural initiatives, and the eventual outcome of the IMF programme.

Banking

The banking subsector is essential in ensuring that there is free flow of funds within the economy with the Bank of Ghana playing a significant role in the expected restoration of macroeconomic stability and acceleration of economic transformation. Government expects the sector to drive a number of interventions including:

- FX Reforms
- Agriculture Financing
- Digital Initiatives
- Private Sector Focus Funding
- Boosting Agribusiness

Banking Interventions

Bank of Ghana	Development Bank of Ghana ("DBG")	Other Commercial Banks and relevant banking sector institutions
FX Reforms • Overseeing and ensuring compliance with legal and regulatory framework on foreign exchange. • Expanding the Gold purchase programme to support FX Reserve accumulation and promote local currency stability. • Purchasing foreign currency mining companies and international oil companies to address the significant local currency depreciation. • Continuing the special Forex Auction for Bulk Oil Distribution Companies ("BDC's") to assist with the importation of petroleum products • Elimination of foreign exchange assistance for the importation of non-essential goods that can be made domestically.	**Focus on Agriculture Financing** • Government through DBG, Ghana Incentive-Based Risk sharing System for Agricultural Lending (GIRSAL) and the Ghana Commodity Exchange (GCX) has commenced engagements with the private sector to develop a strategic plan that will serve as the basis for intervention to formalise and improve the domestic aggregator system. • DBG to approve GH₵500 million special credit programme dubbed "the DBG Emergency Economic Programme ("DEEP") to support businesses in the agribusiness value chain over the next 5 years with a focus on priority sectors including poultry, cereals, pharmaceuticals, tourism, textiles and garments. **Digital Initiatives** • DBG to assist in the implementation of significant interventions such as YouStart, Economic Enclaves, 1D1F and Tech Hubs. **Private Sector Focus Funding** • Commencement of processes to establish private equity fund to support SMEs with equity funding.	**Boosting Agribusiness** • Agreements between Ministry of Finance and ABSA, ADB and STANBIC to operationalise the Interest Rate Subsidy Scheme which currently has identified 23 agribusinesses in the rice, soya and poultry value chains for support. • MoUs with the Ghana Association of Banks ("GAB") for the implementation of the YouStart Commercial Programme. • Agreements with 11 commercial banks for the implementation of the YouStart Commercial Programme. • ARB Apex Bank and its network of banks to support prioritised sectors in the rural economy through interest rate subsidies and direct financing under the AfDB-supported Post-Covid Skills and Productivity Enhancement Project. • Onboarding of 4 Participating Financial Institutions (PFI's) to assist DBG expand loan channels.

Banking

Bank of Ghana would require support from all economic actors, public and private in complying with the foreign exchange policies outlined in the Budget Statement in order to improve the Cedi's performance against major trading currencies. It is our expectation that the Central Bank's engagement with the IMF would result in positive outcomes which are expected to curtail the continuous depreciation of the local currency. The Budget indicates that a debt exchange programme will be the preferred approach to the impending debt restructuring. Although the details of the programme remain unclear, any debt exchange programme would impact financial services institutions as they hold significant investments in Government bonds and treasury bills.

DBG's role in supporting the achievement of the 2023 Budget objectives is clearly defined and focuses mainly on agriculture, entrepreneurship and value addition. The various funding initiatives should improve access to credit and in turn encourage local production of food and other items thereby reducing the dependence on imports and its attendant forex issues. It would be interesting to understand how DBG's private equity fund would provide support to SMEs as well as monitor and supervise them to ensure effective use of the funding to be provided. A clear understanding and agreement on the timelines for achieving the desired results is key.

From our review of the Budget, it is unclear the incentives to be provided (if any) in the form of subsidies and Government reliefs to financial institutions for their involvement in some of the flagship interventions and programmes. The current macroeconomic conditions mean the Government is on a revenue drive and seeks to reduce subsidies and incentives. However, there may be a case to incentivise commercial banks to encourage their full participation to support the target businesses of the respective programmes.

Insurance

The National Insurance Commission (NIC) through the Ghana Agricultural Insurance Pool (GAIP) is expected to spearhead the development of agricultural insurance for farmers. GAIP provides traditional agricultural insurance and an index-based weather insurance products to commercial farmers and small-holder farmers. Eligible farmers are set to benefit from an estimated US$400 million in agricultural insurance in 2023 according to the Budget Statement.

In the face of climate change, weather-related risks hinder agricultural productivity gains, therefore weather-related agriculture insurance will be very beneficial to commercial farmers. However, penetration and accessibility may be a challenge. In tandem with Government's vision to promote agriculture and champion the consumption of locally produced food, insurance companies may require incentives to increase awareness of this product and augment the efforts of GAIP to enrol more commercial farmers onto this product. A good consideration will be to add this as a requirement to access credit from Government's funding initiatives for agriculture. It will also be helpful for the Government/ GAIP to elaborate on the eligibility criteria.

Pensions

National Pensions Regulatory Authority (NPRA) has enrolled 6.2% (476,213 persons) of the country's workforce on the 3rd Tier pension scheme. The Authority, with the help of the Cocoa Farmers Pension Scheme, aims to further increase this to 15% in 2023.

The projected increase in the membership of the Tier 3 Scheme may drive the growth of Assets Under Management (AUM). However, given that increase in membership does not necessarily translate into proportionate increase in value of contribution (i.e. informal contribution is less regular and income levels fluctuate easily), Government and NPRA must actively intensify education of the target group. The National Pensions (Amendment) bill may provide more clarity on the aspiration of Government in this regard.

Capital markets

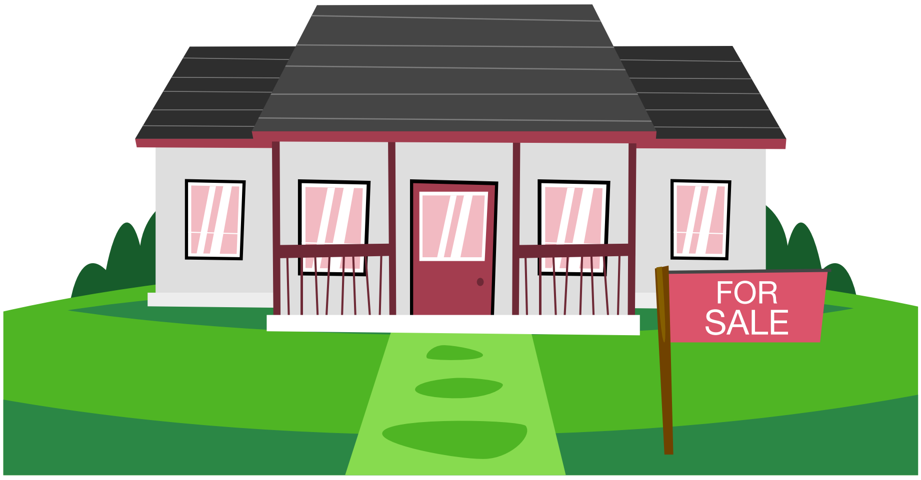
Based on a recent Debt Sustainability Assessment conducted by the Ministry of Finance, Ghana is considered to be at high risk of debt distress. Government plans to implement a debt exchange programme to address challenges identified in the country's debt portfolio in collaboration with relevant stakeholders including the Ghanaian public, investor community and development partners.

The capital market has in the recent past recorded significant withdrawals of clients' investments following speculations about the Government's debt restructuring programme. In response to the development, the Securities and Exchange Commission, in a directive dated 20 October 2022, instructed market operators to adopt the Mark-to-Market approach in valuing clients' investments. This affected the market value of clients' investments, thus accelerating the pace of investment withdrawals. The official announcement of the proposed debt exchange programme, as captured in the 2023 Budget Statement is likely to further spur the rate of client investment withdrawals, potentially creating liquidity challenges for market actors.

Investor Protection Fund

The Government plans to set up an Investor Protection Fund. To this end, the Government intends to propose an amendment to the Securities Industry Act, 2016 (Act 929) which provides a legal framework for the establishment of the Investor Protection Fund.

An Investor Protection Fund may ensure that investors are compensated in the event of a defaulting debt holders' asset not being sufficient to meet investors' admitted claims. In our view, this may contribute to the restoration of investor confidence which appears to be low due to the various rating downgrades and the recent decline in investment valuations. Investors will be keen to know the extent of protection, source of funding and the autonomy of the Fund as they will expect to draw confidence from this initiative.



National Home Ownership and Investment Scheme

Government plans to develop a legal and regulatory framework for the National Home Ownership and Investment Scheme and pursue a continuous skills development programme for the Ghana Institute of Securities.

Homes are underlying assets for a significant portion of investments in the capital markets. The proposed arrangement to develop relevant legislation to regulate home ownership investment schemes is therefore welcome since it is likely to enhance investments in the real estate industry.

Public Financial Management

Introduction

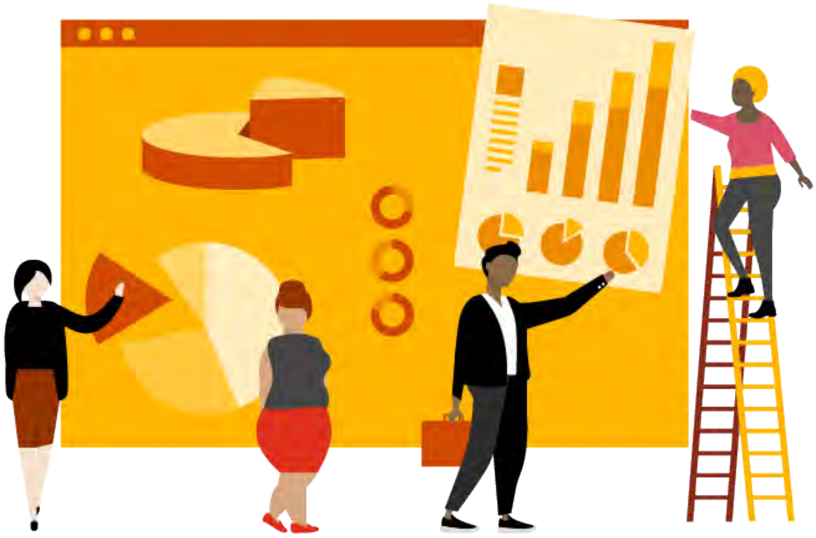
The Budget presented to Parliament by the Minister for Finance, Ken Ofori Atta on 24 November 2022 seeks to implement reforms that will enhance Public Financial Management (PFM) but more importantly, restore and sustain macroeconomic stability and resilience through inclusive growth and value addition. These measures include among others revenue mobilisation, strengthening internal audit function in MDAs, restructuring of the Internal Audit Agency, expenditure commitment and procurement control and enforcement of sanctions under the PFM.

Specifically, Government is seeking to strengthen internal audit functions; enhance the credibility of the budget process; continue the implementation of the Ghana Integrated Financial Management Information System (GIFMIS); carry out payroll reforms and audit as well as State Owned Enterprise (SOE) reforms and comprehensive public sector reform.

Given the macroeconomic pressures as a result of the unsustainable debt stock, rising inflation, depreciation of the cedi and the twin effects of COVID-19 and the Russia-Ukraine war, the Government has initiated discussions with the IMF on a new country programme to help restore macro-economic stability.

Ghana's previous IMF programme in April 2015 was anchored on the need for strong PFM reforms; it is therefore not surprising that the Finance Minister announced various PFM reforms and expenditure measures in the presentation of the 2023 Budget. Most of these measures are likely to be included in the ongoing IMF negotiations.

It is also worth noting that the Public Expenditure and Financial Accountability (PEFA) assessment conducted in 2018 revealed some key weaknesses and gaps in Ghana's PFM systems. It is fulfilling to note that a five-year PFM Strategy (2022 - 2026) has been developed to address the weaknesses identified. The strategic activities outlined will need to be adequately funded to enable Government address and achieve the measures outlined. In addition, strict enforcement of applicable PFM laws and regulations will be required to achieve the desired results.



GIFMIS Implementation and Enforcement

The 2023 Budget Statement indicated that all Government expenditure transactions are expected to be processed through GIFMIS or any other electronic platform in use by the Government in line with Section 25(6) of the PFM Act; otherwise appropriate sanctions would be applied to defaulters.

The Government of Ghana's measure to migrate all earmarked funds namely consolidated funds, statutory funds, Internally Generated Funds (IGF), and donor funds onto the GIFMIS platform by 2023 is commendable. The migration will address completeness in financial reporting, a major challenge of GIFMIS since inception.

The integration of GIFMIS and interfaces with other key institutional databases such as GRA revenue management systems, Ghana Integrated Electronic Procurement System (GHANEPS) are key to ensure transparent reporting and wider stakeholder participation in key areas of the Public Financial management cycle.

GIFMIS remains the core financial management system for Government of Ghana, Covered Entities subsisting on the Consolidated Fund Resources and other Public Funds, such as Internally Generated Funds (IGF), Statutory and Donor Funds.

The scope of GIFMIS implementation has been limited to the Consolidated Fund and certain IGF sources over the years. In addition, not all MDAs/MMDAs have been able to fully utilise GIFMIS due to operational challenges.

There is a critical need to extend both the coverage and scope to all covered entities and funding sources in order for Government to achieve full compliance with the International Public Sector Accounting Standards (IPSAS) which the Government adopted to implement in 2014.

In line with PFM regulations and to support adequate reporting as required by international standards, there are key modules such as inventory management, order management, treasury management and Enterprise Asset Management (eAM) that need to be implemented.

These modules will ensure efficient transaction processing through automation of business processes, enhance reporting and accountability across institutions and perform Automatic Bank Reconciliation (ABR), a non-existent function in GIFMIS currently.

The above measures require additional investment to improve the GIFMIS functionality and usage by all entities. It is imperative for Government to provide adequate funding to drive these improvements.

Human Resource Management and Payroll

The 2023 Budget highlighted some key interventions with respect to payroll and human resource management. These include, among others, the freeze on all public sector employment, expunging ghost names from payroll through periodic audits, linking of the Ghana card to the payroll, placing moratorium on granting of extension of employment after retirement and completing the roll-out of HRMIS and its integration to the payroll and GIFMIS.

Projected expenditure for compensation of employees for 2023 is 24% of total Government expenditure after interest payment. The Minister for Finance indicated that HRMIS for payroll costs will be interfaced with GIFMIS to further eliminate ghost names and reduce Government compensation of employees expenditure considerably. As negotiations with the IMF are currently ongoing, this is a critical area of reforms that need to be undertaken to cut down expenditure. However, whilst we agree with the Government on these measures, key sectors such as education and health should be given key consideration and should not be hampered by the freeze on public sector employment.

Expenditure Management and Procurement Control

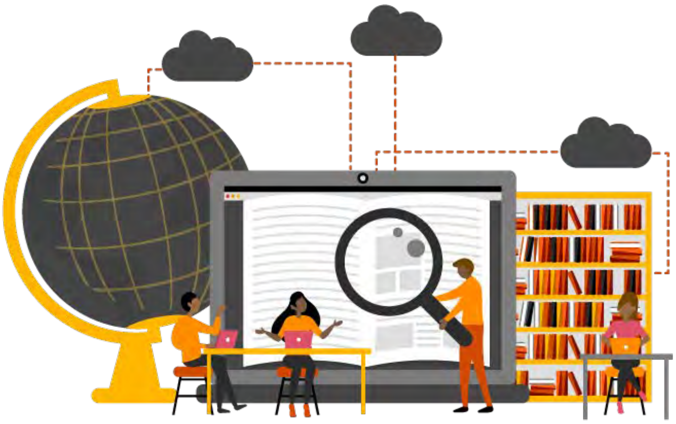
Government proposed key expenditure measures in the 2023 Budget to support its fiscal consolidation. These include the reduction of the earmarked funds from the current 25% of tax revenue to 17.5% of tax revenue, continue action of the 30% reduction of salaries of the President, Vice President Ministers, Deputy Ministers and other political office holders, negotiate public sector wages, manage public sector hiring within current budgetary constraints, reduce fuel allocations to political appointees and heads of MDAs, MMDAs and SOEs by 50%, among others.

While these measures may lead to expenditure reduction, we believe that there is the need to downsize Government machinery in addition to the implementation of the measures outlined, to achieve a more sustainable outcome.

Several calls have been made on the review of Government's flagship programmes such as the Free Senior High School (Free SHS), One District one Factory, Planting for Food and Jobs, Livelihood Empowerment Against Poverty (LEAP), School Feeding Programme among others. The recommendations from the ongoing Public Expenditure Review (PER) exercise by the World Bank should lead to structural reforms of some of these initiatives which have been a huge burden on Government expenditure, notwithstanding the good intention of Government for the introduction of these programmes.

Finally, Government should speed up the full implementation of the GHANEPS and address any challenges emanating from the pilot programme. This system as noted by Government is expected to promote procurement transparency, budget commitment control and enhance accountability.

Government should enforce the various provisions in the Public Procurement Act as well as the PFM Act in addition to the related controls and approvals as outlined in the 2023 budget statement.



Strengthening of Internal and External Audit Functions

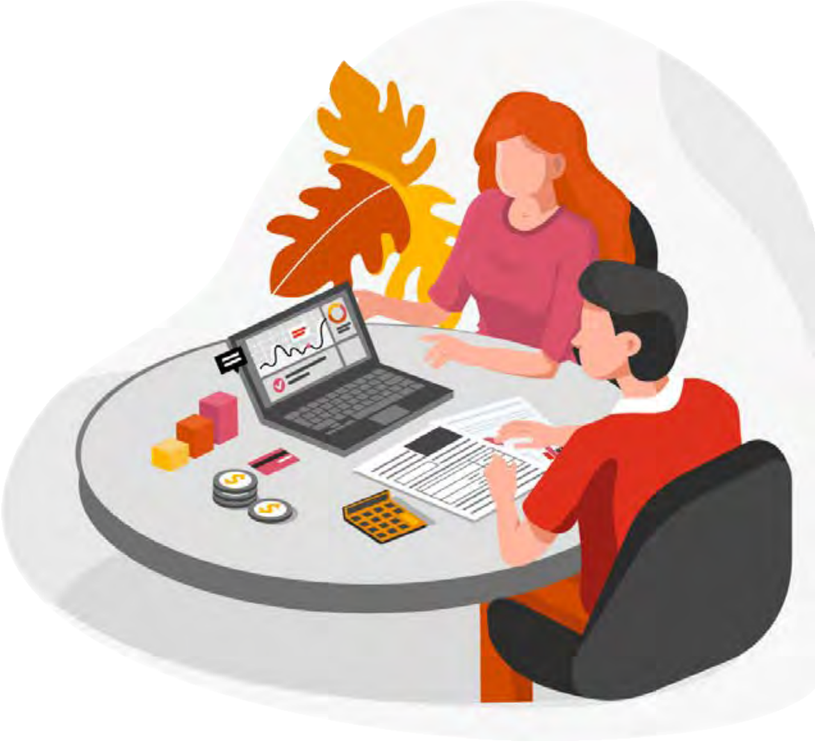
Government indicated the restructuring of the Internal Audit Agency’s operations to, among others, provide the needed independence, technical capacity and professionalism to support the fight against financial irregularities in public institutions.

As we commend the Government for this effort, we want to emphasise that this process needs to be fast-tracked. The recent name and shame publications by the Internal Audit Agency should be commended.

All Covered Entities are enjoined under the Public Financial Management Act, 2016 (Act 921) to prepare annual statements indicating the status of implementation of all external and internal audit recommendations, and forward same to the Minister, Parliament, Office of the President and the Auditor-General within six months after the end of each financial year.

The Ministry of Finance has also established a system for the review of all the annual statements submitted by Covered Entities with strong follow-up action by Government to ensure compliance and strengthen the internal control environment in Public Institutions.

The external audit and parliamentary scrutiny are to ensure that transparency, accountability and integrity is upheld and that public entities are held accountable for their decisions and actions as well as omissions in managing public resources.



However, PFM oversight capabilities of Parliament will need to be improved to enforce punitive measures against actors who disregard the PFM Act.

Whilst the recovery of GH¢2.2 billion out of approximately GH₵4.0 billion disallowed expenditure for 2017 to 2020 reported to Parliament by the Audit Service Recovery Task Force is commendable, measures to ensure timely audits and review of audit reports will make the legislative scrutiny more relevant and effective.

We believe the strict enforcement of the various PFM initiatives and reforms outlined in the 2023 Budget and effective collaboration among relevant PFM actors and agencies will be key for the Government in restoring trust and sustaining macroeconomic stability and resilience.

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Infrastructure

Introduction

Infrastructure remains an important driver of Ghana's economic growth through connectivity, trade and providing access to key amenities such as electricity, water, healthcare, amongst others.

Government continues to show commitment to the development of the country's key infrastructure as it looks to spend approximately GH¢10.2 billion on related projects and initiatives in 2023. This represents an 11% increase from the prior year compared to 30% and 23% increases in 2022 and 2021 respectively. It also indicates Government's re-focus to limit fiscal spending in light of the current economic challenges.

The spending constraint presents the opportunity to review and innovate infrastructure financing, planning and development to reduce the spending pressure on public funds. In general, Government is looking to spend more of the budgeted funds in improving and developing roads (52%), water and sanitation (18%), transport infrastructure such as railways, ports and airports (18%) and other infrastructure (12%).

Transport and Logistics

Government continues to invest in supporting the maintenance, upgrade and development of road, drainage and bridge infrastructure across the country. We have noted that the Government intends to reintroduce road tolls as it plans to structure a Public Private Partnership arrangement to develop the Accra-Tema Motorway and Extensions Project.

We believe that a suitable tolling structure as well as the steps taken to prepare for viability gap funding in the proposed transaction, will be important to attract the investor interest in the Accra -Tema Motorway Project and other road projects.

In recent years, the Government has been keen to revamp the railway sector as part of efforts to support the industrialisation drive. Together with Ghana's road, airport and port infrastructure, the railway subsector has an important role in trade facilitation and in positioning Ghana as a key multi-modal hub within the West African sub-region. Landlocked countries such as Mali, Burkina Faso and Niger could potentially be attracted to use Ghana's rail infrastructure for their exports and imports if it is made competitively advantageous.

This includes water, sanitation, housing and communications

Ghana's rail infrastructure also provides the country with a more suitable option to transport ores and other minerals from the mines to processing plants and ports. A key example here is the Western Line, which has sections planned for completion in 2023.

Given the capital-intensive nature of rail projects and the current public spending constraints, rail infrastructure development in Ghana will benefit from some more strategic investment, particularly under Public-Private Partnership concession arrangements. Government has taken important steps to support the development of the technical capacity of human resources in the sector. Building local capacity will be important as the country's railway network develops and creates job opportunities across the country.

Ghana's port and airport infrastructure development is crucial in positioning Ghana as a multimodal transport hub in the subregion. The impact of this could include the promotion of more efficient trade facilitation channels and support for the development of other economic sectors including tourism. With strategic planning and investment in the key infrastructure and its associated ecosystem, the country can generate more diversified revenue to support economic growth.

Some of the key projects indicated at various stages of development, planned to be completed or set to commence in 2023 include the Construction of the Boankra Inland Logistics Terminal (BILT) , Takoradi Port Expansion Project, Volta Lake Transport Improvement Project, Kumasi Airport Expansion Project (Phase II), Tamale International Airport and Sunyani Airport (Phase II).

Energy

Ghana's power sector infrastructure continues to see investment and strategic decisions to expand power supply capacity while managing power transmission and distribution challenges.

With access to electricity improving in recent years, Government must prioritise sustainable solutions by harnessing the opportunities from renewable energy across the country.

The Government has taken steps towards Renewable and Alternative Energy Development Programme including initiatives such as the 912kW Jubilee Solar PV Project and the Nuclear Power Programme. Going forward, collaboration with the private sector, channelling lessons from other countries and encouraging investment in resilient and sustainable power infrastructure will be important in achieving Ghana's Net Zero ambitions per its Energy Transition Framework. Harnessing Ghana's natural gas resources to encourage the use of cleaner energy in power generation is a step in the right direction. However, adequate planning and the supporting infrastructure must be developed to ensure that this can be sustained in the long term.

Other Infrastructure

In the 2023 Budget Statement, the Water and Sanitation sub-sector has seen one of the most significant expenditure allocation increases compared to the other infrastructure sub-sectors for 2023. This demonstrates Government's commitment to propel the country to achieve clean water and sanitation for all. In 2023, the Government plans to extend its construction of water supply facilities across key cities and towns in the country with a special focus on rural water supply through the Rural Water Management Programme.

With large scale programmes such the Greater Accra and Greater Kumasi Metropolitan Water and Sanitation Project, Government initiatives will be key in providing access to sanitation infrastructure, improving liquid and solid waste management across the country.

Natural reserves, heritage sites and other locations of cultural value in Ghana demonstrate the country's important tourism potential. The sector has the potential to support the diversification of Government's revenue sources while creating employment and income opportunities to support inclusive and sustainable development. Government should continue to explore strategic partnerships and investment in eco-tourism as well as the associated hospitality and leisure infrastructure to help maximise the economic potential of the sector. Government's consideration of the PPP approach is a step in the right direction to promote private investment and more efficient management of these facilities.

Outlook for Ghana's Infrastructure Sector

Government has taken steps to help position Ghana's infrastructure and other sectors to be more sustainable and focus on climate resilience. This is an encouraging approach to driving sustainable outcomes for Ghana's socio-economic development. Green financing is increasingly becoming an important and competitive source of funding for infrastructure development.

More importantly, the terms and conditions usually associated with green financing help put in place measures to enforce Environmental, Social and Governance (ESG) considerations and compliance. Collaboration with the private sector to invest in Ghana's infrastructure development across its key economic sectors remains important. However, it is important that these arrangements are strategically planned and implemented to ensure mutual benefit to Government and private proponents but more importantly provide resilient and sustainable developments that will help drive Ghana's economic growth.

Infrastructure Sector Budget Allocation Summary

Ministry of Roads and Highways	**[GH₵5.2 billion]**
Ministry of Transport	**[GH₵1.2 billion]**
Ministry of Railway Development	**[GH₵618 million]**
Ministry of Works and Housing	**[GH₵474 million]**
Ministry of Sanitation and Water Resources	**[GH₵1.8 billion]**

Total allocated expenditure for the sector: GH₵10.2 billion

Some Key Infrastructure Projects Planned for 2023

- Development of 27.7km of the Accra-Tema Motorway and Extensions Project
- Implementation of the Tarkwa Water Supply Project
- Development of Phase I of the Container and Multi-Purpose Terminal with a 600m quay wall at the Takoradi Port
- Development of Phase II of Sunyani Airport
- Completion of Construction and Operationalisation of the 97.9 km Tema-Mpakadan Railway Line (Standard Gauge)

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Technology/Cyber

Efforts to digitalise the Ghanaian economy with specific focus on the Ghana card as a single point of identification for citizens to access all national services is commendable.

The registration, however, has faced certain challenges. Most critical of these is the credibility of the data. Even though the National Identification Authority (NIA) has taken measures to prevent the capturing of invalid data; this achievement can only be cemented through systematic artificial intelligence-based data cleansing.

Riding on progress made in the Ghana card registration exercise, the Ministry of Communication and Digitalisation charged users of telecommunication services to ensure registration of all SIM cards by end of November 2022, failing which sim cards would be deactivated. The implementation of this directive has been wavy for the most part leading to many discomforting experiences for the Telcos and their customers as well as the Ministry itself.

As at October 2022, 18.9 million SIMs (44.28%) of mobile numbers had been successfully registered and linked to respective Ghana card IDs. Similarly the Ghana Revenue Authority, banks, pensions and related institutions have commenced the processes of registering and mapping existing profiles with the Ghana Card IDs of customers.

Government should consider further strenthening of the national identity database by consolidating national biometrics and non-biometric identity data from various sources (Electoral Commision, SSNIT and the Passport Office) under the National Identification Authority per the NIA Act. This will ensure better enforcement of information security controls, focus national security efforts and provide much more insight into individual financial activities for tax planning purposes.

Per the NIA act, only the National Identification Authority is mandated to hold and handle biometric data of citizens.

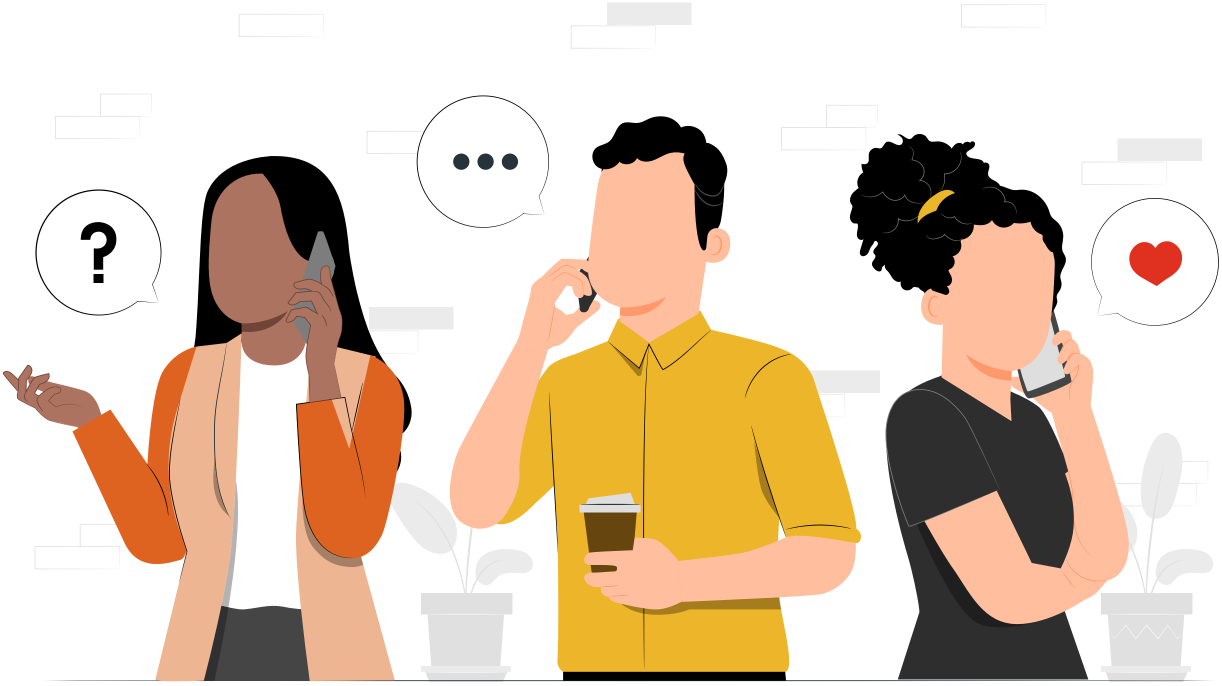
E-Levy

The introduction of the e-levy in 2022 and further withdrawal of the daily non-taxable threshold of GH₵100 is a threat to the digitisation agenda of Government and may slow down the growth and eat away some of the gains made.

Increases in Telecommunications cost and data charges

The proposed 15% increase in data charges by the telecommunications chamber as announced on 11 November 2022, also has the potential to derail significant gains made by the country in the digital adoptions rate in-country and should be carefully considered.

The Government of Ghana should consider the reduction of Communications Service Tax to ease the burden on citizens. This could have a ripple effect of improving the digitisation of the economy.



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Legal/Regulatory Landscape

Review of the 1992 Constitution

Government, under the auspices of the Ministry of Parliamentary Affairs, intends to engage key stakeholders such as Parliament, the Electoral Commission, Political Parties among others with the view to building consensus towards the review of the 1992 Constitution of Ghana.

The Electoral Commission would also be supported to perform its regulatory function in support of political parties by reducing the incidence of monetisation in politics.

While citizens and key actors in the private and public sectors generally agree to the need for the review of Ghana's Constitution, there have been some disagreements among key stakeholders due to the content of the proposed changes and the mode of implemention of the review.

It is therefore commendable that the Government plans to prioritise consensus building among key stakeholders prior to commencing the review process. We urge everyone involved in the constitutional review implementation to focus on critical issues that most people generally agree need changing.

Climate Change and responsible mining

Government plans to use bilateral engagements to expand consultations on debt-for-nature swaps while increasing private sector investments as key opportunities for accelerating the transition to low carbon growth.

By addressing the dual crises of debt and climate change, Government intends to build climate-proof resilience into the economy, with the aim to better equip the country to handle future shocks and protect existing infrastructure, property, lives and livelihoods.

Government's engagement of the private sector will focus on increased private capital investments via public-private partnerships, climate resilient infrastructure projects, and voluntary and compliance carbon markets. Government also plans to encourage responsible and sustainable small-scale mining in 2023 and beyond.

While a law on Public-private partnerships exists, Government needs to expand the scope of the law to address the debt for climate change initiative or initiate a new law addressing all pertinent issues arising from this proposal. Government may also consider incentivising private investors in these sectors to achieve its objectives.

It is important that the scourge of illegal mining is tackled but at the same time, Goverment must focus on delivering alternative livelihood empowerment programmes for persons who may be displaced as a result.

Proposed Laws/Bills for the Regulation of Social Services

Government has laid before Parliament a number of laws concerning Pensions, Wildlife Resources Management, Intestate Succession, Ghana Commission for UNESCO, National Vaccine Institute, and Grains Development Authority. In 2023, Government will draft and present 42 proposed laws which among others will concern matters such as Advertising Council, Aged Persons, Affirmative Action (Gender Equality), Atomic Energy Commission, Anti-Doping, Broadcasting, Chemical Weapons and Industrial and Consumer Chemicals, Child Justice Administration, Children, Civil Service, Cooperatives, Community Service Sentencing and Consumer Protection.

When passed, Ghana will for the first time have a law regulating consumer protection, community sentencing and affirmative action and assented by Parliament and the President respectively. We expect these laws to provide a bundle of rights and responsibilities for citizens while providing a legal basis for regulatory action state agencies may exert on subjects.

Government also expects to deepen the implementation of the Right to Information (RTI) Law across public institutions, implement a framework for the safety of journalists in Ghana, enact a new Broadcasting law and pass a subsidiary legislation for the RTI Act.

The role of the media as the fourth estate in a democratic country like Ghana cannot be overemphasised. We therefore agree with the Government on the need for journalists to be protected from intimidation and violence. At the same time, journalists must prioritise professionalism, neutrality and defence of our democracy at all times in their work. Government may consider using the National Commission for Civic Education (NCCE) in the education on the RTI law throughout the country so there is an increase in requisitions of information under the RTI law from the general public.

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4 Tax Matters

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Direct Taxes

The provisional performance for income and property taxes ("direct taxes") for the first nine months was GH¢24.79 billion compared to a programmed amount of GH¢25.60 billion. This resulted in a 3.16% adverse variance and mainly accounts for the shortfall in total tax revenues by 2.68% for the first nine months of the year. Government expects that by the close of 2022, total direct tax revenue will be GH¢39.59 billion as against a budgeted amount of GH¢38.98 billion. This means that by the end of the year, direct taxes will be expected to be close to target with a favourable variance of 1.56% (GH¢0.61 billion).

In 2023, Government expects to mobilise direct tax revenues of GH¢59.81 billion, representing an ambitious 51.07% growth over the projected outturn for 2022. To achieve this revenue growth, some tax policy measures have been announced to complement existing measures. The direct tax policy measures proposed include the following:

Review of the upper limits for vehicle benefits provided to individuals

Government proposes to review the upper limits for vehicle benefits given to individuals.

The provision of motor vehicle and/or fuel to leaders of an entity or its employees may result in additional tax payments if the vehicle or fuel benefit is available for private use of that individual. Currently, the maximum taxable amount for such benefits is GH¢600 per month.

We agree with Government's proposal to review the upper limit of such benefits. This is because the monthly deemed benefits have remained unchanged since 2016 and do not currently reflect the typical vehicle running expenses per month. However, in revising the upper limits, Government should recognise that such motor vehicles are typically used for both business and private purposes and as such the deemed benefit should be less than the typical running cost per month. In our estimation, any deemed benefit that is more than 30% of the average monthly running cost may be excessive. In addition, we recommend that the upper limits should be indexed to avoid situations where there are no revisions for a long period.

We recommend that entities providing such benefits should review the contracts under which such provisions are made and prepare to update payment (for example payroll) systems as soon as the amendments are publicised. There may be the need to gross-up related payments, for example, salaries to ensure that salaries are not eroded by the additional taxes arising from the change in the upper limits.

Additional income tax band with a marginal tax rate of 35%

Government has proposed to introduce an additional income tax band with a marginal tax rate of 35%.

Government intends to re-introduce a 35% marginal tax rate for resident individuals, a repeat of what was enforced in August 2018. After several pushbacks, the rate was reduced to 30% applicable to monthly equivalent chargeable income above GH¢20,000 from January 2019 to date.

We do not agree with Government's proposal to increase the top tax rate for resident individuals to 35% especially at a time when the inflation rate is in excess of 40%. Even without an introduction of the 35% tax rate, the real take-home income of compliant individuals is reduced. The introduction of a 35% increment will effectively and significantly apply only to those employed in the formal sector and make them worse off with reduced scope for savings and investments required for the economic growth of our country. The proposed increase will further reduce the attractiveness to operate in the formal sector thereby increasing the proportion of the informal sector with its undesirable consequences. We recommend that Government rather focuses on compliance to reduce the PAYE to self-employed tax ratio projected to increase to over 18:1 for 2023. Government should conduct a study to evaluate the extent to which the Ghana Card project has improved tax revenue generation and make changes to achieve the intended revenue generation objectives.

In addition, following recent practice, we expected the monthly equivalent tax-free band to be increased from GH¢365 to about GH¢402, effective 1 January 2023, to accommodate the agreed minimum wage increase. We propose that the minimum wage should be made an exempt amount to avoid spending time and the nation's resources to follow the practice of revising tax bands as a result of minimum wage changes.

Although Government is yet to publicise the associated chargeable income range for the 35% tax band, employers should identify those with fixed net salaries and plan for an increased cost of employment. For employees without such protection clauses, employers should consider the extent to which salaries can be increased to mitigate the loss in net salary as a result of the increase in tax rate.

Introduction of a return and a withholding tax rate on the gains from realisation of assets and liabilities and review of the optional 15% tax rate on such gains

Government proposes to introduce a return and a withholding tax rate on the gains from realisation of assets and liabilities and review the optional tax rate of 15% on gains from realisation of capital assets for individuals.

Currently, individuals who make gains from the realisation of assets and liabilities are expected to self-declare their gains when filing their annual income tax returns. As an alternative, such persons can opt to pay a separate 15% income tax on gains made without consolidating with other income.

An express withholding tax rate on payment for capital assets should reduce disputes arising on the withholding tax treatment of payment for such assets. This may however not be the case for realisation of liabilities and we propose that the Government should not introduce withholding tax on realisation of liabilities without very clear guidance. We recommend that the withholding tax for payment of capital assets, where applicable, should not be different from payment for non-capital assets. As such the base for the withholding tax should be the gross (and not gains) and the withholding tax returns should be the same. This will ease compliance and avoid disputes which tend to delay Government revenues.

On the review of the 15% optional tax rate, we suggest that Government proceeds carefully increasing the rate as it will have an adverse impact on investment decisions. Any optional rate in excess of half of the top marginal income tax rate may be counterproductive.

Implementation of minimum chargeable income system

Government has proposed to introduce a minimum chargeable income system.

Minimum chargeable income system is where Government sets a threshold for chargeable income for income tax purposes for specified persons. The threshold could be a percentage of turnover or a formula based on some parameters. Where the actual chargeable income of those persons are below the minimum threshold, they will be required to apply the minimum chargeable income. This will likely apply to specified persons including:

- Persons who continuously declare business or investment losses for a long period of time;
- Businesses with smaller chargeable income that do not reflect the nature of their operations;
- Businesses that do not maintain accurate accounting records; and
- Individuals whose chargeable incomes do not reflect their lifestyles.

Given that there is already a presumptive tax regime in our tax laws, we expect that there will be much clarity on the minimum chargeable income system in order not to confuse taxpayers. We also expect some exclusions/exemptions in order not to overburden entities in certain sectors such as the financial services and the extractive sectors. Further, the presumptive tax system should be reviewed or abolished (since the revenue based tax aspect of the law has not been enforced for about 7 years) and the minimum chargeable income system standardised for specified persons. Whatever form the minimum chargeable income system will take, it could rake in more revenue if compliance is heightened and sector specific circumstances are considered. To encourage formalisation of businesses, the minimum chargeable income criteria for audited businesses should be more attractive than that of unaudited business. Therefore, assuming the criteria for audited businesses is say 1% of revenue, that for unaudited businesses should be say 2%.

Unification of provisions on carry forward of tax losses

Government has proposed to unify provisions on carry forward of tax losses.

Generally, businesses operating in Ghana can carry forward tax losses for three years. Businesses operating in specified priority sectors can carry forward tax losses for five years. The proposal by Government to unify the provisions on carry forward losses would mean that all businesses in Ghana would be able to carry forward their tax losses for the same number of years, irrespective of the sector they are engaged in.

If the general number of years businesses are allowed to carry forward is increased to five years to align with that of the priority sectors, it would mean that taxpayers in general would be able to utilise their accumulated tax losses for a longer period. On the other hand, if the years granted to businesses in the priority sectors are reduced to three years, the tax incentive for these priority sectors would be lost and that would be counterproductive to businesses in these sectors.

We recommend that the carry forward years should not be reduced below five years. This will give an incentive for businesses to take higher risk to help grow our economy.

Restriction of foreign exchange loss deduction to actual losses and capitalisation of realised exchange loss on capital assets

Government has proposed to restrict foreign exchange loss deduction to actual losses and capitalise realised exchange loss on capital assets.

Currently, taxpayers are permitted to deduct both realised and unrealised exchange losses. However, with the proposal to restrict foreign exchange loss deduction to actual losses, taxpayers will now be limited to foreign exchange losses that have been realised. Given the rapid depreciation of the Ghana Cedi in recent times, taxpayers with exposure to foreign exchange fluctuations will see an increase in their tax payable to the GRA as any unrealised exchange losses will be disallowed.

Further, the proposal to capitalise realised exchange losses on capital assets is likely to adopt the treatment under the old income tax law (the repealed Internal Revenue Act). Under the repealed law such losses on capital assets were treated separately and granted capital allowance at 10%. We will not encourage Government to adopt the procedure under the repealed law as it made the treatment of such foreign exchange losses difficult to define and track.

Businesses should plan and properly account for deferred taxes should the Government implement the proposed changes.

Conversion of NFSL to GSL to cover all entities

Government has proposed to convert the National Fiscal Stabilisation Levy ("NFSL") to Growth and Sustainability Levy ("GSL") to cover all entities.

The NFSL is a levy of 5% imposed on the profit before tax of companies and *institutions operating in some specific sectors of the economy. The proposal is to extend the levy to cover all entities with some variations as follows:

- Category A (5% of Profit before Tax): For existing NFSL entities plus six additional sectors;
- Category B (2.5% of Profit before Tax): Excluding entities in Categories A and C;
- Category C (1% of Production): For entities operating in the extractive sector.

We recognise the need for additional revenue to finance legitimate Government expenditure and a spread of the burden is more equitable. However, with this measure, the Government should not introduce the 35% income tax rate.

The NFSL, now to be renamed as GSL, has always been presented as a temporary or short-term measure since 2009 (with a gap year in 2012). The 2020 Budget and the National Fiscal Stabilisation Levy (Amendment) Levy, 2019 (Act 1011) provided an end date of December 2024 for the NFSL. With this announcement supported by projections for 2025 (in the 2022 Budget Statement) and for 2025 and 2026 (in the 2023 Budget Statement), we recommended that businesses should consider the NFSL/GSL as a non-temporary income tax and plan their activities accordingly.

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*The selected entities are banks (excluding rural and community banks), non-bank financial institutions, insurance companies, telecommunication companies, breweries, inspection and valuation companies, mining support companies, and shipping lines, maritime and airport terminal operators.

Pursuance of Additional Oil Entitlement (“AOE”) from the Jubilee Field

Government has proposed to pursue Additional Oil Entitlement (“AOE”) from the Jubilee Field.

Under the current petroleum management laws of Ghana, Ghana is entitled to additional percentage of oil companies’ share of crude oil on each separate field once profitability passes a certain agreed rate of return. In the petroleum agreements entered into by Government so far, AOE has been at a maximum of 30% Government take. Given that tax provisions in petroleum agreements have already been negotiated by the State and ratified by Parliament, it will be interesting to see whether the Government intends to renegotiate existing petroleum agreements with the international oil companies or the new measure will be applied to new petroleum agreements.

Upstream oil and gas entities operating in the Jubilee Field should engage independent tax consultants to review their activities and plan for any unaccounted AOE.

Introduction of tax on Gross Gaming Revenue

Government has proposed to introduce a tax on Gross Gaming Revenue to replace corporate income tax and VAT. In addition, a token withholding tax on winnings will be introduced.

Government’s proposal to introduce a tax on Gross Gaming Revenue to replace corporate income tax and VAT on betting companies will help Government raise revenue from companies in the lottery and betting industries. An obligation on betting companies to withhold on lottery winnings before payout to winners would also help the Government to tax the earnings of gamblers and also widen the tax net.

Regarding the proposal to introduce withholding tax on winnings, we recommend that Government should reassess the decision to abolish the 5% marginal tax on lottery winnings effective 2018. In the spirit of burden sharing, we recommend that lottery winnings should be subject to the same withholding tax as winnings on other games of chance.

Waiver of tax on early Tier 3 withdrawals

Government has proposed a waiver of tax on early withdrawals from Tier 3 Provident Funds and Personal Pension schemes for eligible persons.

One of the measures introduced by the Government in 2020 to assist employees or self-employed individuals who lost their jobs or businesses due to COVID-19 was a waiver of the applicable taxes on early withdrawal from Tier 3 provident funds and personal pension schemes. This policy measure has since been effected. Before the COVID-19 related measure was introduced, Tier 3 withdrawals from either:

- the provident fund scheme before its 10th anniversary by individuals in the formal sector; or
- the personal pension scheme before its 5th anniversary by individuals in the informal sector attracted a final withholding tax of 15% in law and practice.

With the new proposal introduced by the Government, all individuals from the formal sector who lose their job permanently or capital due to the current economic crises would also qualify for the waiver as a tax relief in 2023.

While this initiative is commendable, we recommend that guidelines should be issued to provide clarity on the qualification criteria for accessing the tax relief, supporting documentation required for eligibility, as well as the applicable timelines in order to prevent abuse.

Revision of vehicle income tax and income tax stamps

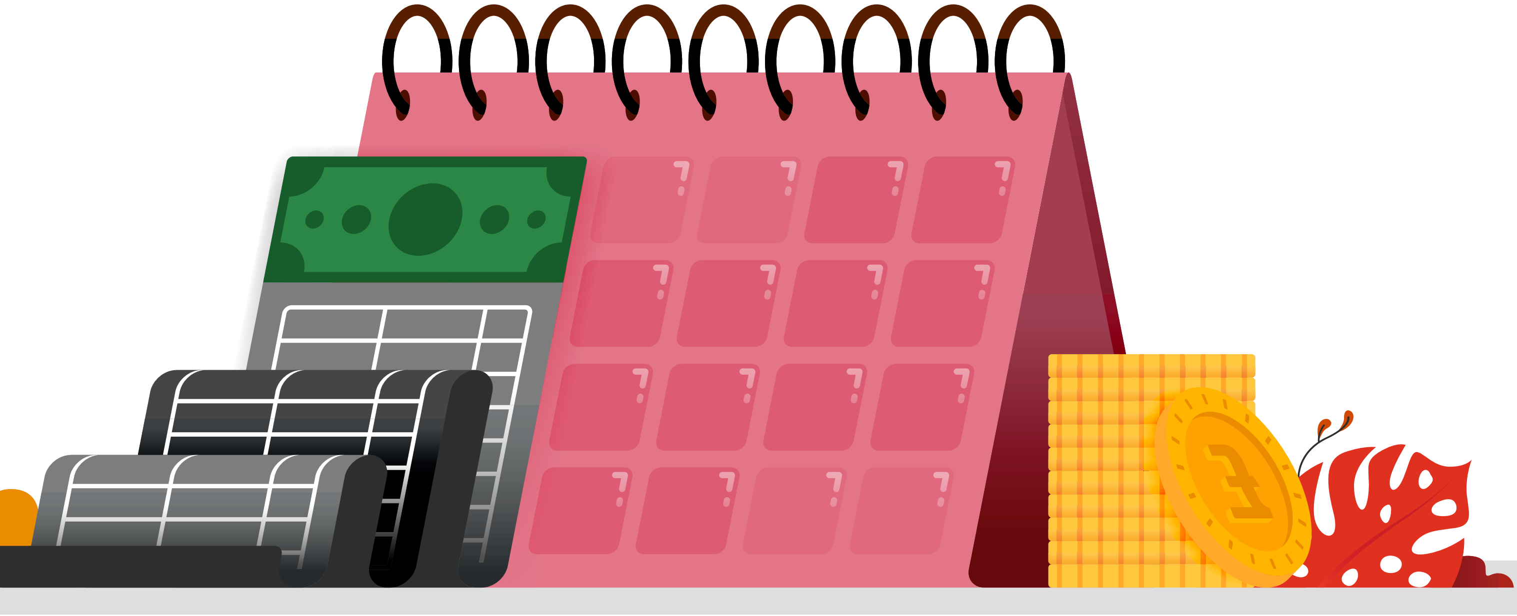
Government has proposed a review of the vehicle income tax and income tax stamps

In 2021, Government introduced some COVID-19 alleviation measures which included the suspension of vehicle income tax and income tax stamps for some qualifying traders, transport providers and other service providers. The proposal to restore and revise vehicle income tax and income tax stamps will increase the tax payable by affected persons, and also lead to hikes in transport fares. The measure would certainly help Government to raise revenue from self-employed persons operating in the informal sector. This move will certainly expand the tax base of the country and the new rates to be charged should be sufficient to reflect the volume of income earned by the respective self-employed persons.

The Vehicle Income Tax Sticker and Income Tax Stamp rates were last reviewed in 2013. Therefore, we recommend that going forward the amount should be indexed to say prior year inflation so the amount remains realistic.

Indirect Taxes

As our economy navigates the impacts of the global pandemic and the Russia-Ukraine crisis, the provisional performance for taxes on domestic supply of goods and services and international trade (jointly referred to as "indirect taxes") for the three quarters of 2022 stood at GH¢27.11 billion, compared to a programmed amount of GH¢26.92 billion. Despite the projected shortfall from VAT, E-Levy and excise taxes, there is an overall 0.7% favourable variance from indirect taxes for the first nine months. Revenue from international trade taxes, NHIL, GETFL, CHRL and CST accounts for the favourable variance for the first nine months. Government expects to collect an amount of GH¢39.53 billion in indirect taxes by the end 2022. This would represent a GH¢0.93 billion excess over the revised 2022 target. For 2023, Government intends to grow indirect tax revenue by 49% to GH¢58.90 billion and increase it to GH¢110.74 billion by 2026. Government seeks to grow revenues by limiting exemptions, roping in the informal sector and enhancing compliance. The proposed measures made in respect of indirect taxes are as follows:



Increase in the standard Value Added Tax (“VAT”) rate

Government has proposed an increase in the standard VAT rate from 12.5% to 15% of the taxable value of supplies.

The standard VAT rate which is imposed on the supply of taxable goods and services is expected to see an upward adjustment in rate by 20% (that is from 12.5% to 15%). Government is targeting an additional GH¢2.7 billion from the increase in the VAT rate to support road infrastructure development and fund the Government’s digitalisation agenda.

If the tax measure is approved without significant modifications, the effective standard VAT (plus associated levies of NHIL, GETFL and CHRL) rate on supplies will increase from 19.25% to 21.9%, effectively making the standard VAT rate 15.9% according to GRA’s procedure for determining taxes. The increase in the VAT rate may lead to hikes in prices of general goods and services which will further worsen the inflation rates in our country.

We hope that Government will consider the following with the aim of restoring macroeconomic stability and accelerating economic transformation:
- consolidate the associated levies of NHIL and GETFL with VAT and set the standard VAT rate at no more than 20%;
- set the VAT Flat rate at 5%;
- the criteria for operating the VAT Flat Rate Scheme should be based on taxable supplies value and not whether goods or services are supplied or whether the supplier is a retailer or not; and
- repeal the CHRL.

The above measures will “boost local productive capacity” and “promote and diversify exports” which are two of the seven-point agenda on which the 2023 Budget is anchored. Our suggestions are in line with Government’s Post-COVID-19 Programme for Economic Growth (PC-PEG) and its desire to reduce the threshold on earmarked funds from the 25% to 17.5% of Tax Revenues.

We recommend that suppliers and customers should plan to accommodate the expected increase in the prices of goods and services. Suppliers may need to decide whether to absorb the cost or transfer it to customers depending on the nature of the goods.

Review of VAT registration threshold and VAT exemptions

The VAT threshold for registrable persons is to be reviewed and major reforms undertaken with respect to VAT exemptions.

Currently, a person is required to register for VAT if that person makes taxable supplies exceeding GH¢200,000 within a 12 month period or its quarterly equivalent. This monetary threshold has been in effect since 2016. Government has not indicated what the new threshold will be. However, an upward adjustment is expected to account for factors such as inflation, cost of doing business, etc. It remains to be seen if the Government will seek to continue with its approach of maintaining a common minimum threshold for both standard and flat VAT Schemes or adopt varied minimum taxable supply requirements. It also remains to be seen whether the upper limit for the VAT Flat Rate Scheme, which is currently at GH¢500,000, will be adjusted accordingly.

Considering the desire of Government to use levies and deny deductions, we recommend that the taxable supplies range for operating VFRS should be between GH¢0.48 million and GH¢1.2 million. A supplier that makes taxable supplies in excess of GH¢1.2million should be able to seek support to account for VAT as a standard rate supplier. We wish to remind the Government to also review upwards the monetary registration trigger for promoters of public entertainment.

Regarding review of VAT exemptions, we recommend that Government makes the law more certain, such as specifying the petroleum list which is yet to be done almost nine years after the law was introduced.

Reduction of Electronic Transfer Levy (“E-Levy”) rate from 1.5% to 1% and removal of daily non-taxable threshold

The Government proposes to reduce the rate of E-Levy by 0.5% and eliminate the daily tax-exempt threshold as a first measure to others.

The E-levy has been a controversial issue for stakeholders since its introduction through to its eventual passage by Parliament in March 2022 at a rate of 1.5%. It was anticipated that the levy would widen the tax net as well as contribute significantly to the Government’s developmental agenda. However, the projected performance of less than 10% (at GH¢0.59 billion) of the initial revenue target of GH¢6.9 billion suggested a second look at the levy. It is therefore not surprising that Government has heeded to the calls by stakeholders and has proposed to reduce the rate to 1%.

The Minister of Finance has also indicated that extensive consultation with stakeholders is ongoing and should result in further review of other aspects of the levy. Taxpayers should expect some amendment to the various exemptions granted by the E-Levy Act. This would likely make up for some of the anticipated shortfall that may result from the 0.5% reduction.

Government needs to address questions regarding the protection or reliefs available to cushion the poor if the daily threshold on transfers is removed. Similarly, would the Government remove the daily interbank threshold of GH¢20,000? Are the E-Levy and the removal of the limits not adversely affecting the Government’s digitalisation agenda?

We recommend that the daily threshold should not be removed or reduced to encourage electronic transactions and the growth of the industry which would result in increased revenue for Government. Reducing or removing the daily threshold could reduce trust for reasons assigned to the design of tax policies by the Government.

Withdrawal of benchmark discount policy on imported goods in 2023

The benchmark value discount policy will be phased out in 2023.

In March 2022, the benchmark value discount policy originally introduced by the Economic Management Team (“EMT”) in 2019 was reviewed. The review resulted in the GRA applying reduced discounts of 30% and 10% on the customs values of selected imported general goods and imported vehicles respectively.

This proposal seeks to entirely reverse the benchmark value discount policy. It is expected that this would positively impact revenue mobilisation efforts at the various ports of entry. The policy withdrawal clearly signifies the Government’s intent to renew its focus on import-substitution and the export orientation agenda. It is expected that the policy roll-back would discourage importation and consequently ease the pressure on the Ghana Cedi and the international trade deficit situation. Additionally, local industries with the capacity to meet demand now have an even playing field to compete and thrive.

Although no timeline was provided in the Budget for phasing out of the benchmark discount policy, it is expected that the EMT will expressly or impliedly issue a directive sometime in the coming weeks to that effect.

We hope that our Custom authorities will begin to place more reliance on the use of transaction value in determining custom duties and taxes rather than the over-reliance of reference or benchmark value which may not be in line with the customs valuation approach.

It is imperative that the Government explores avenues to cushion ordinary consumers in the face of imminent price hikes of imported goods. The withdrawal of foreign exchange support by the Bank of Ghana for importation of specific items e.g. poultry, rice etc will further worsen the plight of consumers.

Approval and implementation of the 2022 ECOWAS CET

Government intends to adopt and implement the 2022 version of the ECOWAS Common External Tariff ("CET").

Every five years, the Harmonised Commodity Description and Coding System ("HS") is updated globally, and in line with it, countries or regional trading blocs update the classification of products that pass through their borders. The update may require updates to tariffs (taxes) in the HS or tariff schedules.

However, Cabinet and Parliament are yet to approve the 2022 version of the ECOWAS CET to allow GRA to implement and configure tax systems to recognise any changes in the updated framework.

We expect the new CET to contain some additional tariff lines, headings as well as amendment of rates where necessary. We advise importers to engage with tax consultants to check the likely impact of the 2022 version on their businesses.

Introduction of Self-clearance system at the ports

The Government proposes to allow importers to self-clear goods at the ports without recourse to Customs House Agent.

Presently, the clearance of goods at the ports typically requires the services of a Customs House Agent ("CHA"). Only a few taxpayers have the dispensation to clear their imports themselves.

The idea of using CHAs has been occasioned by the fact that relatively few people understand customs and port processes and procedures and the need for easy tracking of those who clear items from our ports. However, in recent times, some CHAs have engaged in fraudulent activities in clearing goods at the port. This may have informed the Government's decision to allow importers to clear goods by themselves and minimise the perceived opacity and complexity that has characterised port operations.

The measure is also coming at a time when the Government has invested significantly in port technology to make self-clearance possible and easy.

It is expected that persons who will be authorised to self-clear their imports will be required to meet certain minimum qualifications such as having a valid tax clearance certificate for commercial imports. In addition, those who self-clear should be traceable by the use of the Ghana Card for individuals and business registration documents for entities.

Increase of excise duty rate for spirits and revision of excise on tobacco products

Government intends to increase the excise duty rate on spirits and harmonise the excise taxes on tobacco products to align with ECOWAS protocols.

Government intends to increase excise duty on spirits which currently ranges from 10% to 25% of ex-factory price or customs value. We expect that the new ad-valorem rate for spirits would be increased to at least 47.5% so as not to be lower than the maximum excise duty rate for beer. We also anticipate that the spirits used solely in laboratories or in compounding drugs would remain zero-rated for excise duty.

Government also intends to align the imposition of excise duty on tobacco products with ECOWAS protocols. ECOWAS directive C/DIR.1.12.17 on the harmonisation of excise duties on cigarette and tobacco products in Member States commenced implementation in January 2018. The intent of the directive is to ensure that across the ECOWAS sub-region, both ad-valorem duty and specific duty are applied on tobacco products. Per the directive, the ad-valorem duty must be at least 50% of ex factory price or at least the customs value, while the specific duty must be at least US$0.02 per stick (for cigarettes, cigars and cigarillos) or at least US$20 per net kilogram for all other tobacco products.

Ghana currently imposes only ad-valorem excise duties on tobacco products with rates of up to 175% of ex-factory price on various categories of tobacco products. We do not expect any upward revision to these rates. However, it is anticipated that specific excise duty would be introduced in January 2023 in addition to the ad-valorem duty which currently applies to tobacco products.

We commend Government for taking steps to comply with the ECOWAS Directive on the Harmonisation of Excise Duties on Tobacco Products in ECOWAS Member States.

Excise duty on electronic smoking devices and liquids

The Government intends to impose excise duties on electronic smoking devices and liquid, which until now, is not part of the items on which excise duties applied.

The proposed measure to levy excise duties on electronic smoking devices and liquids by Government seems necessitated in part by the need to regulate the consumption of these products. This measure, if implemented properly, would generate additional revenue and reasonably limit access to these products due to the likely increase in prices due to the tax.

Tax Administration and Other Revenue Measures

The provisional performance for tax revenue for the first nine months was GH¢49.1 billion compared to a programmed amount of GH¢50.4 billion. This 2.6% adverse performance variance accounts for part of the 2.9% shortfall in domestic revenues for the first nine months of the year. Government expects that by the close of 2022, tax revenues will be GH¢75.3 billion against a (mid-year revised) budgeted amount of GH¢74.4 billion. This means that by the end of the year, tax revenues are expected to have a favourable variance of GH¢0.9 billion amounting to about 1.0% of the revised budget for 2022.

The 2023 Budget provides some key administrative measures to be implemented by Government to boost revenue generation, improve efficiency and reduce revenue leakages in the administration of taxes. The administrative measures proposed in the 2023 Budget are to help the Government meet its tax revenue target of GH¢112.4 billion, representing an ambitious 49.27% growth over the projected outturn for 2022.

The tax administration and other revenue measures proposed in the 2023 Budget include:

Freeze on new tax waivers for foreign companies

Government intends to put a freeze on new tax waivers for foreign companies

This measure complies with the Exemptions Act, 2022 (Act 1083) which entered into force in September 2022. Government is signalling to foreign investors that they should not expect any exemption on customs duties and taxes on any item imported, and other domestic taxes not provided in the tax laws.

This measure may adversely affect the Ghana Investment Promotion Centre's efforts at attracting foreign investors with special tax incentives. Also, the objective to create Industrial Parks and Special Economic Zones under the Ghana Economic Transformation Project (GETP) by the first quarter of 2023 should be carefully considered in light of the freeze on new tax waivers.

Foreign companies seeking to do business in Ghana should take note of this pronouncement and ensure their plans are prepared on the basis that no special tax concession will be available as long as the freeze remains in force.

Review of tax exemptions for free zones and extractive industries

Government intends to review tax exemptions for free zones, mining, and oil and gas companies.

Free Zone Enterprises enjoy several tax concessions including tax exemptions on items imported into the free zone area, 10-year income tax holiday and 15% company income tax on exports. Government may be considering reducing the income tax holiday period, and/or increasing the income tax rate on exports. Government should also consider the potential repercussions of varying the tax incentives of free zone entities to their disadvantage.

Ghana’s extractive sector is largely made up of the mining and oil and gas sectors. The main participants in these industries have agreements with Government that contain some tax exemptions and stability clauses. In reviewing the exemptions, Government needs to be cautious in order not to trigger avoidable litigations and arbitrations as several of these agreements have stability clauses that protect the entities. If the indication is for future agreements, Government will need to be in a stronger negotiating position to achieve reduced exemptions.

Government should also consider the impact of tax incentives in attracting investments into Ghana. If Government demonstrates that it can, at any time, arbitrarily depart from legislated and negotiated tax agreements without broad consultation, investors would no longer be attracted by these incentives in future negotiations.

Electronic VAT invoicing to cover all VAT registered businesses by 2024

Government has launched the first phase of the electronic VAT invoicing system (e-VAT) and expects to cover all VAT registered businesses by 2024.

Government announced the introduction of e-VAT in the 2022 Mid-Year Budget Review. The purpose of e-VAT is to enable GRA to have a real-time view of VAT-related transactions for the collection of the tax and to make electronic invoicing (e-invoicing) the sole medium for issuing VAT invoices.

After piloting the measure with selected taxpayers Government on 1 October 2022 officially launched the first phase of the measure to cover large companies who account for a significant percentage of VAT collections. Government is now focused on extending the measure to all taxable suppliers by 2024.

We commend the digitalisation of our tax processes and the progress made so far in implementing this measure in phases. We are, however, of the view that the successes achieved so far are as a result of the nature of the companies (i.e., their ability to speedily implement changes due to their size and complexity) that were piloted, and that if well-thought out safeguards are not considered the extension of this measure to all taxpayers may not achieve the expected outcomes.

We recommend that for the next phase of implementation, Government considers the size and complexities of taxpayers and their ability to install the necessary IT infrastructure that would enable improved compliance. We also recommend that the Government should actively engage the taxpayers in the next phase through educational campaigns and consultations for their views and grievances to be taken on board and considered for the implementation of the measure.

Expanding transactions for which TCC is required

Government to expand the requirement for the Tax Clearance Certificate ("TCC") to cover additional transactions and ultimately improve tax compliance.

Government as part of the National Digitisation Programme ("NDP") has digitalised the issuance of TCCs effective 1 October 2022. Taxpayers seeking the TCC are required to apply online through the GRA Taxpayers Portal (which is also accessible on the Ghana Taxpayers App). This measure should encourage taxpayers to fulfil their tax obligations including paying taxes on time. With this background, the Government intends to increase the scope of activities for which a TCC may be required. Broadly those activities include dealing with the Customs Authorities, applying for a licence for excise purposes, title registrations, entering into Government contracts and renewal of practising licence.

The introduction of an electronic TCC and expanding the scope of activities for which TCCs may be require is a laudable measure as it reduces the costs, time and efforts involved in applying and receiving TCCs. It may also improve tax compliance and increase Government revenues.

We will recommend that the GRA intensifying educational campaigns on this measure especially on the processes involved and any additional requirements with the digitalised approach.

Some key tax measures

Direct tax measures

- Introduction of a 35% marginal income tax rate for individuals and revision of the upper limits for vehicle benefits.
- Modification of the regime for taxing capital gain.
- Increase in the temporary concessionary tax rate from 1% to 5%.
- Introduction of a minimum chargeable income system.
- Unification of the provisions on carry forward of tax losses.
- Restriction of foreign exchange loss deduction to actual losses and capitalisation of realised exchange loss on capital assets.
- Conversion of the National Fiscal Stabilisation Levy ("NFSL") to Growth and Sustainability Levy ("GSL") to cover all entities.
- Pursuance of Additional Oil Entitlement ("AOE") from the Jubilee Field.
- Introduction of a tax on Gross Gaming Revenue to replace corporate income tax and VAT. In addition a token withholding tax on winnings from games of chance will be introduced.
- Waiver of tax on early withdrawals from Tier 3 Provident Funds and personal pension schemes for eligible persons.
- Revision of vehicle income tax and income tax stamps.

Indirect tax measures

- Increase in the standard Value Added Tax ("VAT") rate from 12.5% to 15%.
- Review of VAT registration threshold and VAT exemptions.
- Reduction in the Electronic Transfer Levy ("E-Levy") rate from 1.5% to 1% of transaction value and removal of daily non-taxable threshold.
- Imposition of excise duty on electronic smoking devices and liquids.
- Withdrawal of benchmark discount policy on imported goods in 2023.
- Approval and implementation of the 2022 ECOWAS Common External Tariff ("CET").
- Introduction of a self-clearance system for imports of goods at the ports.
- Increase of excise duty rate for spirits, cigarettes and tobacco products.

General administrative and other revenue measures

- Freeze on new tax waivers for foreign companies.
- Review of tax exemptions for free zones and extractive industries.
- Electronic VAT invoicing to cover all VAT registered businesses by 2024.
- Expanding transactions for which Tax Clearance Certificate ("TCC") is required.

5 Appendix

Appendix 1

Summary of Central Government Revenue 2022-2023

Government Revenue Millions of Ghana Cedis	2022 Revised Budget (A)	2022 Proj. Outturn (B)	2023 Budget (C)	Variance (E=C-A)	Variance (F=B-A)	Variance (G=C-B)
Tax Revenue	**74,425.75**	**75,264.89**	**112,357.89**	**37,932.14**	**839.14**	**37,093.00**
Taxes on Income and Property	**38,976.21**	**39,594.10**	**59,813.22**	**20,837.01**	**617.89**	**20,219.12**
PAYE	11,814.22	11,571.22	15,680.27	3,866.05	-243.00	4,109.05
Self Employed	934.76	662.94	856.09	-78.67	-271.82	193.15
Companies	16,477.19	16,906.07	23,947.40	7,470.21	428.88	7,041.33
Company Taxes on Oil	3,144.85	3,743.37	8,589.68	5,444.83	598.52	4,846.31
Others	6,605.19	6,710.50	10,739.78	4,134.59	105.31	4,029.28
Other Direct Taxes	5,307.12	5,209.39	7,268.37	1,961.25	-97.73	2,058.98
o/w Royalties from Oil	*2,484.22*	*2,604.93*	*4,129.42*	*1,645.20*	*120.71*	*1,524.49*
o/w Mineral Royalties	*2,574.05*	*2,134.52*	*2,547.10*	*-26.95*	*-439.53*	*412.58*
National Fiscal Stabilisation Levy	613.10	599.79	2,216.39	1,603.29	-13.31	1,616.60
Finsec clean-up Levy	288.94	365.15	377.23	88.29	76.21	12.08
Airport Tax	396.03	536.17	877.79	481.76	140.14	341.62
Taxes on Domestic Goods and Services	**30,028.34**	**30,130.22**	**44,888.80**	**14,860.46**	**101.88**	**14,758.58**
Excises	**6,177.43**	**5,447.46**	**6,333.93**	**156.50**	**-729.97**	**886.47**
Excise Duty	670.88	566.31	1,186.56	515.68	-104.57	620.25
Petroleum Tax	5,506.55	4,881.15	5,147.37	-359.18	-625.40	266.22
o/w Energy Fund Levy	50.09	44.56	59.81	9.72	-5.53	15.25
o/w Road Fund Levy	2,454.25	2,130.99	2,496.28	42.03	-323.26	365.29
VAT	**15,402.92**	**14,920.48**	**23,715.01**	**8,312.09**	**-482.44**	**8,794.53**
Domestic	8,950.15	8,257.63	15,611.81	6,661.66	-692.52	7,354.18
External	6,452.77	6,662.85	8,103.20	1,650.43	210.08	1,440.35
National Health Insurance Levy (NHIL)	**3,040.76**	**3,285.01**	**4,644.36**	**1,603.60**	**244.25**	**1,359.35**
Customs Collection	1,144.45	1,177.88	1,498.39	353.94	33.43	320.51
Domestic Collection	1,896.31	2,107.13	3,145.97	1,249.66	210.82	1,038.84
GETFund Levy	**3,094.32**	**3,718.86**	**4,644.36**	**1,550.04**	**624.54**	**925.50**
Customs Collection	1,146.36	1,348.08	1,498.39	352.03	201.72	150.31
Domestic Collection	1,947.96	2,370.78	3,145.97	1,198.01	422.82	775.19
Communication Service Tax	**580.95**	**632.22**	**782.29**	**201.34**	**51.27**	**150.07**
E-Transaction Levy	**611.00**	**594.09**	**2,235.11**	**1,624.11**	**-16.91**	**1,641.02**
Covid-19 Health Levy	**1,120.96**	**1,532.10**	**2,533.74**	**1,412.78**	**411.14**	**1,001.64**
Taxes on International Trade	**8,573.28**	**9,397.57**	**14,015.79**	**5,442.51**	**824.29**	**4,618.22**
Imports	**8,573.28**	**9,397.57**	**14,015.79**	**5,442.51**	**824.29**	**4,618.22**
Import Duty	8,573.28	9,397.57	14,015.79	5,442.51	824.29	4,618.22
Tax Refund	**-3,152.08**	**-3,857.00**	**-6,359.92**	**-3,207.84**	**-704.92**	**-2,502.92**
Social Contributions	**511.23**	**407.81**	**630.72**	**119.49**	**-103.42**	**222.91**
SSNIT Contributions to NHIL	511.23	407.81	630.72	119.49	-103.42	222.91
Non-Tax Revenue	**15,960.74**	**15,163.18**	**23,043.67**	**7,082.93**	**-797.56**	**7,880.49**
Retention	8,318.61	7,275.68	10,627.62	2,309.01	-1,042.93	3,351.94
Lodgement	7,642.13	7,887.50	12,416.05	4,773.92	245.37	4,528.55
Fees & Charges	653.00	731.64	941.89	288.89	78.64	210.25
Dividend/Interest & Profits (Others)	298.00	380.84	403.69	105.69	82.84	22.85
Dividend/Interest & Profits from Oil	6,452.00	6,595.51	10,719.65	4,267.65	143.51	4,124.14
Surface Rentals from Oil/PHF Interest	7.35	13.95	15.83	8.48	6.60	1.88
Property Rate Collection	39.40	0.00	165.44	126.04	-39.40	165.44
Yield from Capping Policy	192.96	165.56	169.55	-23.41	-27.40	3.99
Other Revenue	**4,756.04**	**5,740.68**	**5,520.43**	**764.39**	**984.64**	**-220.25**
ESLA Proceeds	3,925.94	4,380.56	3,889.47	-36.47	454.62	-491.09
Energy Debt Recovery Levy	2,739.05	2,739.05	2,658.84	-80.21	0.00	-80.21
Public Lighting Levy	222.50	142.50	257.01	34.51	-80.00	114.51
National Electrification Scheme Levy	148.19	99.28	171.46	23.27	-48.91	72.18
Price Stabilisation & Recovery Levy	816.20	1,399.73	802.16	-14.04	583.53	-597.57
Delta Fund	565.70	924.88	1,108.71	543.01	359.18	183.83
Pollution and Sanitation Levy	264.40	435.24	522.25	257.85	170.84	87.01
Domestic Revenue	**95,653.76**	**96,576.56**	**141,552.71**	**45,898.95**	**922.80**	**44,976.15**
Grants	**1,188.38**	**1,503.81**	**2,403.73**	**1,215.35**	**315.43**	**899.92**
Project Grants	1,188.38	1,503.81	2,403.73	1,215.35	315.43	899.92
Total Revenue and Grants	**96,842.14**	**98,080.37**	**143,956.44**	**47,114.30**	**1,238.23**	**45,876.07**

Appendix 2

Summary of Central Government Expenditure 2022-2023

EXPENDITURE	2022 Revised Budget (A)	2022 Proj. Outturn (B)	2023 Budget (C)	Variance (E=C-A)	Variance (F=B-A)	Variance (G=C-B)
Compensation of Employees	**37,948.99**	**38,475.72**	**44,990.03**	**7,041.04**	**526.73**	**6,514.31**
Wages and Salaries	32,955.76	33,547.25	38,730.78	5,775.02	591.49	5,183.53
Social Contributions	4,993.23	4,928.47	6,259.25	1,266.02	-64.76	1,330.78
Pensions	1,483.55	1,418.39	1,859.70	376.15	-65.16	441.31
Gratuities	356.65	269.94	447.08	90.43	-86.71	177.14
Social Security	3,153.03	3,240.15	3,952.47	799.44	87.12	712.32
Use of Goods and Services	**5,866.62**	**5,880.11**	**8,048.00**	**2,181.38**	**13.49**	**2,167.89**
o/w ABFA	1,865.83	1,989.80	3,701.68	1,835.85	123.97	1,711.88
o/w Non-ABFA	4,000.78	3,890.31	4,346.32	345.54	-110.47	456.01
Interest Payments	**41,361.59**	**44,011.69**	**52,550.37**	**11,188.78**	**2,650.10**	**8,538.68**
Domestic	31,345.64	32,511.69	31,297.84	-47.80	1,166.05	-1,213.85
External (Due)	10,015.95	11,500.00	21,252.53	11,236.58	1,484.05	9,752.53
Subsidies	**326.48**	**326.48**	**350.55**	**24.07**	**0.00**	**24.07**
Subsidies on Petroleum Products	326.48	326.48	350.55	24.07	0.00	24.07
Grants to Other Government Units	**23,683.88**	**23,994.04**	**30,078.76**	**6,394.88**	**310.16**	**6,084.72**
National Health Fund (NHF)	1,868.47	1,888.28	2,500.28	631.81	19.81	612.00
Education trust Fund	1,788.20	1,808.36	1,869.56	81.36	20.16	61.20
Road Fund	1,418.31	1,434.30	1,004.86	-413.45	15.99	-429.44
Petroleum Related Funds	28.95	29.27	24.08	-4.87	0.32	-5.19
Dist. Ass. Common Fund	3,036.95	3,066.58	4,554.03	1,517.08	29.63	1,487.45
o/w ABFA	310.97	341.41	616.95	305.98	30.44	275.54
Ghana Infrastructure Fund (ABFA Capex)	870.72	955.94	1,727.45	856.73	85.22	771.51
Retention of Internally Generated Funds (IGFs	8,318.61	7,275.68	10,627.62	2,309.01	-1,042.93	3,351.94
Transfer to GNPC from Oil revenue	1,851.16	2,857.41	2,345.83	494.67	1,006.25	-511.58
Other Earmarked Funds	4,502.51	4,678.22	5,425.05	922.54	175.71	746.83
Youth Employment Agency	317.63	330.15	345.40	27.77	12.52	15.25
Student's Loan Trust	3.36	3.40	3.15	-0.21	0.04	-0.25
Export Development Levy	230.58	233.18	181.80	-48.78	2.60	-51.38
Ghana Airport Authority	396.03	536.17	877.80	481.77	140.14	341.63
Mineral Development Fund	297.51	300.86	205.06	-92.45	3.35	-95.80
Mineral Income Investment Fund	1,190.03	1,203.45	820.26	-369.77	13.42	-383.19
GRA Retention	2,063.90	2,067.50	2,989.16	925.26	3.60	921.66
Plastic Waste Recycling Fund	3.47	3.51	2.42	-1.05	0.04	-1.09
Social Benefits	**169.69**	**169.69**	**545.07**	**375.38**	**0.00**	**375.38**
Lifeline Consumers of Electricity	169.69	169.69	150.00	-19.69	0.00	-19.69
Transfers for Social Protection	0.00	0.00	395.07	395.07	0.00	395.07
Other Expenditure	**10,784.99**	**8,338.52**	**26,739.91**	**15,954.92**	**-2,446.47**	**18,401.39**
ESLA Transfers	4,429.55	4,216.02	3,087.31	-1,342.24	-213.53	-1,128.71
Energy Sector Payment Shortfalls	6,355.44	4,122.50	23,652.60	17,297.16	-2,232.94	19,530.10
Capital expenditure	**13,700.23**	**15,724.93**	**27,693.87**	**13,993.64**	**2,024.70**	**11,968.94**
Domestic Financed	**4,207.11**	**4,207.11**	**11,685.31**	**7,478.20**	**0.00**	**7,478.20**
o/w ABFA	1,035.19	915.03	5,392.45	4,357.26	-120.16	4,477.42
o/w MDAs CAPEX ABFA	3,171.92	3,292.08	6,292.86	3,120.94	120.16	3,000.78
Foreign financed	**9,493.12**	**11,517.82**	**16,008.56**	**6,515.44**	**2,024.70**	**4,490.74**
TOTAL EXPENDITURE	**133,842.47**	**136,921.18**	**190,996.56**	**57,154.09**	**3,078.71**	**54,075.38**
APPROPRIATION	**145,472.35**	**153,944.41**	**227,805.33**	**82,333.00**	**8,472.06**	**73,860.92**
Total Expenditure	133,842.47	130,175.26	190,996.54	57,154.09	-3,667.21	60,821.28
Arrears (net change)	1,900.00	12,434.68	14,435.33	12,535.33	10,534.68	2,000.65
Amortisation	9,729.88	11,334.47	22,373.46	12,643.58	1,604.59	11,038.99

6. Research and Insights from PwC

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July 2022

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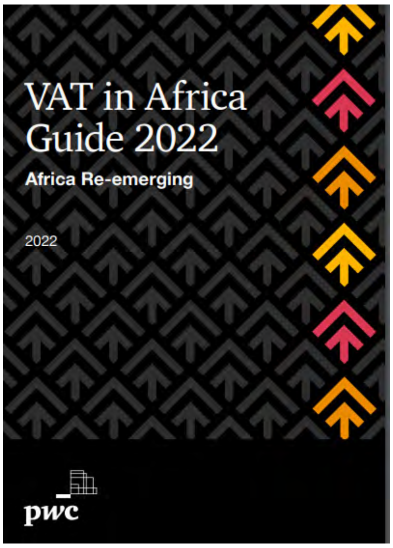

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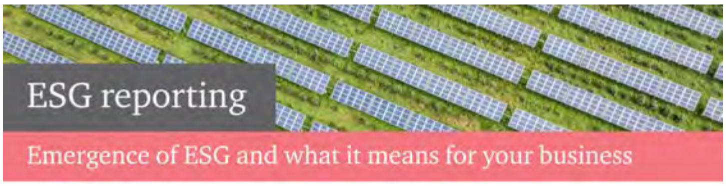

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Please note that the Budget measures may be subject to amendments during debates in Parliament. We therefore recommend that you seek professional advice before taking decisions based on these measures.