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TAX HIGHLIGHTS OF THE 2025 BUDGET

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On Tuesday, March 11, 2025, the Honourable Minister of Finance, Dr. Cassiel Ato Baah Forson, presented to Parliament the Government of Ghana's 2025 Budget Statement and Economic Policy, themed "Resetting the Economy for the Ghana We Want."

The Minister stated that, in accordance with section 14 of the Public Financial Management Act, 2016 (Act 921), and to maintain macroeconomic stability within the fiscal framework, the government's fiscal policy objectives are focused on the following:

- Rationalising government expenditure and eliminating wasteful expenditure;
- Optimising domestic revenue mobilization through the broadening of the tax base, increased non-tax revenue collection, adopting enhanced tax compliance measures, and modernisation of tax administration through digital technology;
- Increasing the share of domestic capital expenditure to spur economic growth and job creation;
- Reducing public debt to sustainable levels and adopting prudent debt management practices to support debt sustainability;
- Reducing the fiscal deficit progressively in accordance with an amended Fiscal Responsibility Act to promote fiscal and debt sustainability; and
- Restoring confidence in Ghana's economy.

Accordingly, to ensure the achievement of these fiscal policy objectives, the budget statement outlines specific tax and revenue measures. Below are key highlights of these measures:

- Abolition of Specific Taxes
- Reduction of the Tax Refund Ceiling
- Minimum Wage to be zero-rated

- Review of Energy Sector Levies
- Increase in the Growth and Sustainability Levy for the mining sector, as well as extending the Sunset Clause thereon and Extension of Sunset Clause in Special Import Levy
- Re-introduction of Road Tolls
- Strengthening of Legal and Regulatory Regime for Non-Tax Revenues
- Commencement of a Sustained Tax Education for Small and Medium Enterprises (SMEs)
- Value Added Tax (VAT) Reforms

Abolition of Specific Taxes

The Minister indicated that, in line with the government's commitment to improving domestic revenue mobilisation, various non-oil tax revenue measures are being considered which would ultimately ensure that non-oil tax revenue efforts increase by 0.6 percentage (0.6%) points of GDP annually. Despite this commitment, the following taxes, considered 'nuisance taxes' have been programmed for abolition:

i 10% withholding tax on winnings from lottery, otherwise known as the "Betting Tax";
ii Electronic Transfer Levy (E-Levy) of 1%;
iii Emission Levy on industries and vehicles;
iv VAT on motor vehicle insurance policy; and
v 1.5% withholding tax on winning of unprocessed gold by small-scale miners.

According to the minister, the removal of these taxes will ease the burden on households and improve their disposable incomes. Additionally, it will support business growth and improve tax compliance.

Reduction of the Tax Refund Ceiling

The Minister stated that, based on a study conducted in recent years concerning the use of tax refunds in the last eight (8) years, it was discovered that GHS29.11 billion had accrued to the tax refund account with only 12.5 billion, representing forty-three percent (43%) of the total accrued amount being used for tax refund purposes. Furthermore, GHS16.6 billion, representing fifty-seven percent (57%) of the total amount accumulated in the tax refund account had been misapplied, constituting a grave violation of the Revenue Administration Act, 2016 (Act 915) and the Public Financial Management Act, 2016 (Act 921). As a result, there were virtually no tax refund arrears over the period.

In light of the circumstances, the government proposed a reduction of the current tax refund ceiling by 2 percentage points (2%) from six percent (6%) to four percent (4%) of Total Revenue as defined in section 69 of the Revenue Administration Act, 2016 (Act 915). The Minister emphasized that by reducing the tax refund ceiling, the government would save about GHS3.8 billion, which amount would be enough to close the revenue shortfall from the removal of the E-Levy amounting GH₵1.9 billion and the Betting Tax of GH₵180 million.

To effect this proposed Tax Refund ceiling reduction, it must be noted that the Revenue Administration Act, 2016 (Act 915) will be amended accordingly.

Comment:
It is interesting how the reduction in the percentage points can amount to a saving because the abolished taxes are part of the total revenue, hence their removal automatically affects the amount available to the refund account. It is rather freeing fiscal space to enable the government to have enough funds available for spending, especially when refunds are less than the amount available in the fund. The other concern is what happens when the refund claims rise beyond the new ceiling?

Minimum Wage to be zero-rated

In accordance with Government policy, the Minister stated that the 2025 minimum wage recently negotiated with the National Tripartite Committee will be zero-rated. This is consistent with the government's resolve to protect the poor and the vulnerable.

Comment:
This is merely the age-old determination of the first tax-free band in the Individual Income Tax Table. It is thus not anything new nor novel to budgeting and fiscal arrangements.

Review of Energy Sector Levies

The Minister intimated that the Energy Sector Levies Act (ELSA) would be reviewed to consolidate the following levies into one:

i. Energy Debt Recovery Levy,
ii. Energy Sector Recovery Levy (Delta Fund), and
iii. Sanitation & Pollution Levy.

The proceeds from this consolidation will be used to cater for the energy sector shortfalls and to service the inherited debt service obligation. It is worthy to note that this review does not increase the levies affected by the consolidation.
The rest of the energy sector levies, however, including the Road Fund Levy, Energy Fund Levy, Price Stabilisation & Recovery Levy, Public Lighting Levy and National Electrification Levy will remain to support the achievement of their intended objectives.

Comment:
Just as the rest of the energy sector levies are established for certain intended purposes, so are the levies listed to be consolidated. At best, the first two may be consolidated as they are both intended for energy sector debt recovery, however, the same cannot be said of the Sanitation & Pollution Levy. With the level of pollution in our country, this levy needs to be a stand-alone for its intended purposes. It requires strict monitoring to ensure it is applied as prescribed to rid our nation of insanitary conditions and pollution.

Increase in Growth and Sustainability Levy for the mining sector, as well as extending the Sunset Clause thereon **and Extension of Sunset Clause in Special Import Levy**

To ensure that Ghana takes advantage of the increase in global gold prices and to effectively capitalize on the benefits of the extractive sector, the Minister indicated that, the government intends to increase the Growth & Sustainability Levy from 1% on the gross production of mining companies to 3%, as well as extending the Sunset Clause thereon from 2025 to 2028, to enable the nation have its fair share of the windfall from the increase in gold prices. Additionally, the government proposes to extend the sunset clause in the Special Import Levy to the year 2028. These measures will enable us to harness our natural wealth and channel it towards productive infrastructure and human capital.

Comment:

It is interesting to note that most of these mining companies have stability clauses in their mining development agreements which may likely need to be renegotiated before such a policy decision can be implemented. With freezing stability clauses, it will be difficult, if not impossible, to exact these tax revenues. Economic stability clauses may be possible of resolution. More so, this levy is not a deductible expense, hence increases the cost of doing business for the mining companies. The possible alternative would have been to negotiate an increase in the rate of mining royalties, which are deductible expenses for corporate tax purposes, and have the same effect as the levy as the tax base is on gross revenue.

Re-introduction of Road Tolls

The government, according to the Minister of Finance, intends to roll out a technologydriven solution to re-introduce road tolls in 2025 as part of the Big Push Programme.

Comment:
This is a very welcoming fiscal policy decision and should come with an upward review of the previous road toll rates. Saloon vehicles should have the rates reviewed upwards from the then GHS0.50 to GHS1.00 and the others from GHS1.00 to GHS2.00. Long distance commercial vehicles/buses could be made to pay GHS5.00. Revenue generated can support the payments due to road contractors and also pay for the maintenance and upgrading of roads in the country.

Strengthening of Legal and Regulatory Regime for Non-Tax Revenues

As part of the reform efforts to improve Non-Tax Revenue (NTR) streams and enforce the framework for improved service delivery, the government intends to do the following:

i. Introduce an overarching NTR Legislation,
ii. Amend the existing relevant laws and
iii. Develop a National NTR Strategic Policy/Framework
iv. Explore and operationalize a regulatory framework for the collection, management and reporting of property rates consistent with the Medium-Term Revenue Strategy (2024-2027) and the Local Government Act.

Comment:
This is another welcoming policy but still requires strict monitoring. The policy should ensure compliance with reporting requirements as well as the establishment of performance contracts for the managers of state-owned enterprises. Fees and charges need constant review in respect of those that are for economic services provided by the government.

Commencement of a Sustained Tax Education for Small and Medium Enterprises (SMEs)

The Minister stated that there is a low compliance rate for SMEs and Personal Income Tax (PIT) (compliance rate below thirty percent (30%). Consequently, the government will embark on an aggressive and sustained tax education campaign in the next 2-3 years to ensure improved compliance and tax revenue mobilization. Further, the government will also institute quarterly dialogue on tax issues among GRA, MoF and the business community to ensure that issues affecting businesses are addressed promptly.

Comment:
This idea has always been trumpeted with very little follow-up action. It also falls short of discussing how the modified taxation (presumptive tax system) in the Second Schedule to the Income Tax Act, 2015 (Act 896) is going to be rolled out to rope in the taxation of SMEs. This provision has been in the tax law for the past 10 years. SMEs need a tax rate structure amenable to their scale of operations and income.

Value Added Tax (VAT) Reforms

VAT reforms to be undertaken this year are to be done with the primary aim of reviewing the current distortions and cascading structure of the VAT regime. More specifically, the Minister stated that Ghana's VAT regime combines both VAT and sales tax principles with a flat rate, standard rate, and levies, which has inevitably rendered it inefficient.
To resolve this issue, the government has requested Technical Assistance from the Fiscal Affairs Department of the International Monetary Fund (IMF) to provide recommendations on VAT reforms and will, in the interim, inaugurate a VAT Reform Task Force to hold broad consultation with key stakeholders for their inputs.

The parameters for the VAT reforms which are to be completed this year will include:

i Abolishing the COVID-19 Levy;
Reversing the decoupling of GETFund and NHIL from the VAT;
ii Reducing the effective VAT rate for households and businesses;
iii Reversing the VAT flat rate regime;
iv Upwardly adjusting the VAT registration threshold to exempt micro and small businesses from the collection of VAT; and
v Improving compliance through public education and awareness.

Comment:
These are good and long overdue reviews and most welcoming news to businesses and taxpayers. The only question is why wait for the Fiscal Affairs Department of the IMF if it is indeed a thought-through and prudent revenue calibration measure? This is so because a Task Force is also said to be in the offing. Any further delays in the proposed reviews will affect revenue inflows.

Conclusion

While we welcome the review and removal of taxes to ease the burden on individuals and businesses, considering the already low performance of the existing taxes, it is imperative that the tax measures do not create a revenue gap without alternatives to fill or even increase revenue collection.

An even more important area government must pay attention to in terms of filling the revenue gaps created by the tax measures is the prevention of corrupt practices in the administration and collection of taxes, which has the potential to continually reduce tax performance no matter how individuals and businesses are taxed.

Failure to effectively address the issue of corruption could lead to an endless loop of removing taxes introduced by previous governments in the name of easing the burden on taxpayers only to introduce new taxes without an effective and efficient solution to the revenue mobilization challenges of the country.

Tax compliance has always been the key to increased revenue mobilisation. Efforts should thus be stepped up in enforcing tax compliance through continuous tax education, regular tax verification visits to taxpayers to verify their value added tax returns, continued tax audits, sustaining the current automation drive by the Ghana Revenue Authority, reviewing and monitoring the tax exemptions regime to avert any leakages and slippages, and enforcing the provisions of the tax laws in respect of penalties and interest on overdue tax liabilities.

In all the above, revenue officers must be well remunerated and incentivised through payment of their performance bonuses to spur them on in their continued efforts at meeting their revenue targets and giving off their best in the domestic revenue mobilisation drive. This goes to address any corruption and corruption-related mindedness of revenue officers that derails domestic revenue mobilisation efforts.

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