

Ghana presents 2020 Budget Statement and Economic Policy

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Executive summary

Ghana's Minister for Finance and Economic Planning (the Minister) has presented the 2020 Budget Statement and Economic Policy (the Budget) for the Government of Ghana to Parliament. The theme of the Budget is "Consolidating the gains for growth, jobs and prosperity for all." It was presented to Parliament on 13 November 2019.

This Alert summarizes key aspects of the Budget relating to tax.

Detailed discussion

Article 179 of the 1992 Constitution of Ghana requires that, at least one month before the end of the financial year, the President causes to be prepared and presented to Parliament a budget for the following year. Consequently, on 13 November 2019, the Minister for Finance and Economic Planning presented the Budget to Parliament.

According to the Minister, the broad vision of Government includes creating a robust economy that supports a thriving private sector. Thus, the Minister stated that the Government will continue to stabilize the economy, expand the

coverage of its digitization agenda, develop its human capital and embark on business regulatory reforms. Further, he stated that Government aims at accelerating the growth of its infrastructural development thus declaring 2020 as “year of roads.”

To achieve these policy objectives, the Minister outlined tax measures that will be introduced in 2020. These are outlined below.

Personal Income Tax

Review of the individual income tax bands

The Government is proposing to review the individual income tax bands in the year 2020 to align the tax-free income tax threshold to the new minimum wage. This follows the proposed 12% increment of the minimum wage for public sector workers. As a result, the income of minimum wage earners will be exempt from tax.

Upwards review of personal reliefs

The Government intends on increasing the amount of money offered as marriage relief, child education relief and old age relief to qualified individuals to increase their disposable income. These reliefs were last reviewed in 2015.

Review and passage of laws

E-services legislation

The Government is reviewing the current laws on the taxation of e-services. The objective is to strengthen the existing laws for the taxation of e-services. Accordingly, the Government will issue new regulations and administrative guidelines for the taxation of e-services.

Revenue Administration Regulations and Transfer Pricing Return Regulations

The Government intends enacting the following Regulations in 2020:

- Revenue Administration Regulations
- Updated Transfer Pricing Regulations

Other revenue laws

The Government is also planning to review other major revenue legislation in 2020. The purpose of this review is to remove conflict and block loopholes in the existing laws.

Others

Extension of the National Fiscal Stabilization Levy (NFSL) and Special Import Levy (SIL)

The Government intends to extend the application of the NFSL and SIL for an additional five years. The application of these levies was due to end in 2019.

The NFSL (5%) is imposed on profit before tax of some selected companies and institutions including banks, insurance companies and telecommunication companies.

The SIL (2%) is paid at the port of entry. The SIL is computed on the cost, insurance and freight value of the goods imported.

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