

INSTITUTE OF CHARTERED  
ACCOUNTANTS GHANA

PUBLIC LECTURE

# **2017 BUDGET AND TAX REVIEW: CAN THE GOVERNMENT MEET ITS REVENUE TARGET?**

**BY**

**MARTIN KOLBIL YAMBORIGYA**

# OUTLINE OF PRESENTATION

- **Introduction**
- **Overview of Tax cuts**
- **Revenue Estimates and Performance for 2017 to date**
- **Can Government meet its Revenue Targets?**
- **Strategies to enhance revenue performance**
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# INTRODUCTION

- The 2017 Ghana Budget Statement introduced a number of tax cuts with the aim of freeing up capital in the private sector and boosting growth in the economy.
- The question is with this cuts in taxes, can the government meets its Revenue Target? The question though simple does not require a yes or no question. Taxation is a function of many factors and therefore whether Government will be able to meet the revenue target will depend on these factors.

# OVERVIEW OF TAXES CUTS

The 2017 budget outlined a number of tax policies from complete abolishment to reduction in the tax rates.

<b>NO</b>	<b>TAX TYPE</b>	<b>PRECIOUS RATE</b>	<b>CURRENT RATE</b>	<b>APPLICABLE LAW</b>
1	Gains from realisation of GSE listed securities and SEC approved securities	Up to 25%	Exempt	ITA 2017 (Act 941)
2	VAT and NHIL on financial services	17.5%	Exempt	VAT (Amendment) Act, 2017 (Act 948)
3	VAT and NHIL on domestic airline tickets	17.5%	Exempt	VAT (Amendment) Act, 2017 (Act 948)
4	VAT and NHIL on selected imported medicines	17.5%	Exempt	VAT (Amendment) Act, 2017 (Act 948)

## OVERVIEW OF TAXES CUTS CONT.

5	VAT on real estate sales	5%	Exempt	VAT (Amendment) Act, 2017 (Act 948)
6	VAT for Retailers and Wholesaler of goods traders	17.5%	3%	VAT (Amendment) Act, 2017 (Act 948)
7	Special Petroleum Tax	17.5%	15%	Custom and Excise (Petroleum Related Levies) (Repeal) Act, 2017 (Act 943)
8	Special Import Levy	1%	Abolished	Special Import Levy (Amendment) Act 2017 (Act 944)
9	Spare parts		Abolished	Yet to be gazetted

# REVENUE ESTIMATE AND PERFORMANCE THE YEAR TO MAY 2017

Total Revenue and Grants, including programmed receipts from petroleum for the 2017 fiscal year, is estimated at GH¢44,961.6 million, equivalent to 22.1 percent of GDP, indicating a 33.5 percent increase over the provisional outturn in 2016. Total non-petroleum Revenue and Grants is estimated at GH¢42,603.5 million, equivalent to 21.4 percent of non-oil GDP, representing 29.2 percent increase over the provisional outturn in 2016. (*2017 BUDGET STATEMENT*)

# REVENUE ESTIMATE AND PERFORMANCE THE YEAR TO MAY 2017

- As at the end of May 2017, the DTRD has collected **GHS7,072,992,070.17** out of a target of **GHS7,107,522,260.86** given a negative deviation of 0.49% against **GHS5,517,313,948.49** representing an increase of **28.20%** over the same period last year. (Table 2)
- The Custom Division also collected **GHS4,622,711,087.58** against a target of **GHS5,194,515,857.49** given a negative deviation of 11.01. However, this is an increase over the collection for the same period last year. (Table 3). Though the data for June is not fully available, the indications are that collection is going up especially at the Customs Division.
- This is a clear indication that Government is on course to meeting its revenue target unless something else happen.



**GHANA REVENUE AUTHORITY****DOMESTIC TAX REVENUE DIVISION****SUMMARY REPORT OF REVENUE COLLECTION BY TAXTYPES FOR MAY 2017**

<b>CUMULATIVE COLLECTION AS AT END OF: MAY 2017</b>				<b>2016 Actual Y-T-D</b>	<b>Y-T-D</b>
<b>TAXTYPE</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>% DEV</b>	<b>ACTUAL</b>	<b>% Growth</b>
<b>PAYE</b>	1,855,673,899.74	1,718,801,516.37	7.96	1,512,453,781.05	22.69
<b>SELF-EMPLOYED</b>	122,504,088.36	136,443,483.47	-10.22	116,174,309.87	5.45
<b>CORPORATE</b>	1,835,598,189.91	2,030,950,467.07	-9.62	1,803,539,801.50	1.78
<b>MINERAL ROYALTIES</b>	296,570,695.87	265,619,688.81	11.65	232,772,455.82	27.41
<b>AIRPORT TAX</b>	168,405,459.00	137,290,671.88	22.66	101,604,674.00	65.75
<b>NFSL</b>	52,768,584.07	55,088,161.30	-4.21	62,974,534.90	-16.21
<b>RENT</b>	17,815,104.64	25,449,490.74	-30.00	14,425,774.72	23.49

<b>MGT &amp; TECH FEES</b>	16,033,152.60	22,549,353.42	- 28.90	11,397,646.23	40.67
<b>OTHERS</b>	130,231,717.26	91,002,634.91	43.11	4,929,699.50	2,541.78
<b><i>DIRECT TOTAL</i></b>	<b><i>4,495,600,891.45</i></b>	<b><i>4,483,195,467.98</i></b>	<b><i>0.28</i></b>	<b><i>31,283,184.10</i></b>	<b><i>14,270.66</i></b>
<b>VAT</b>	1,393,056,067.33	1,465,780,850.41	-4.96	3,891,555,861.69	-64.20
<b>NHIL</b>	232,176,011.22	244,296,808.40	-4.96	1,178,979,147.99	-80.31
<b>EXCISE</b>	144,252,804.44	156,980,000.00	-8.11	196,496,524.67	-26.59
<b>CST</b>	139,779,105.95	138,761,801.37	0.73	128,331,970.99	8.92
<b>SPT</b>	668,127,189.78	618,507,332.69	8.02	121,950,443.15	447.87
<b><i>INDIRECT TOTAL</i></b>	<b><i>2,577,391,178.72</i></b>	<b><i>2,624,326,792.88</i></b>	<b><i>-1.79</i></b>	<b><i>1,625,758,086.80</i></b>	<b><i>58.53</i></b>
<b>DTRD TOTAL</b>	<b><i>7,072,992,070.17</i></b>	<b><i>7,107,522,260.86</i></b>	<b><i>-0.49</i></b>	<b><i>5,517,313,948.49</i></b>	<b><i>28.20</i></b>

**GHANA REVENUE AUTHORITY****CUSTOMS DIVISION**

			<b>GHC</b>	
	<b>CUMULATIVE (1ST JANUARY - 31ST MAY 2017)</b>			
<b>REVENUE HEAD</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>DEVIATION</b>	<b>% DEV.</b>
<i>IMPORT DUTY</i>	1,367,432,177.65	1,622,810,679.59	(255,378,501.94)	(15.74)
<i>IMPORT EXCISE DUTY</i>	58,565,196.00	71,411,745.73	(12,846,549.73)	(17.99)
<i>ECOWAS LEVY</i>	65,614,367.00	77,460,815.91	(11,846,448.91)	(15.29)
<i>EDAIF/EXIM</i>	92,668,823.00	78,610,597.74	14,058,225.26	17.88
<i>SPECIAL IMPORT LEVY 1%</i>	17,447,703.00	11,931,121.16	5,516,581.84	46.24
<i>SPECIAL IMPORT LEVY 2%</i>	215,993,833.00	271,596,826.54	(55,602,993.54)	(20.47)
<i>OTHERS</i>	274,018,407.87	379,881,898.99	(105,863,491.12)	(27.87)
<b>IMPORT DUTY &amp; LEVIES</b>	<b>2,091,740,507.52</b>	<b>2,513,703,685.65</b>	<b>(421,963,178.13)</b>	<b>(16.79)</b>

Table 3 (Source GRA)

<b>IMPORT VAT</b>				<b>(6.00)</b>
	<b>1,735,931,574.64</b>	<b>1,846,657,315.42</b>	<b>(110,725,740.78)</b>	
<b>IMPORT NHIL</b>	<b>289,409,295.47</b>	<b>299,794,819.17</b>	<b>(10,385,523.70)</b>	<b>(3.46)</b>
<b>TOTAL IMPORTS</b>				<b>(11.65)</b>
	<b>4,117,081,377.63</b>	<b>4,660,155,820.25</b>	<b>(543,074,442.62)</b>	
<i>SPECIFIC EXCISE TAX</i>	26,630,518.72	8,522,675.47	18,107,843.25	212.47
<i>EXPLORATION LEVY</i>	567.00	-	567.00	
<i>ENERGY FUND</i>	11,950,947.00	11,107,849.09	843,097.91	7.59
<i>ROAD FUND</i>	467,047,677.23	514,729,512.69	(47,681,835.46)	(9.26)
<i>TOR DEBT RECOVERY LEVY</i>	-	-	-	
<i>CROSS SUBSIDY LEVY</i>	-	-	-	
<b>PETROLEUM TAX</b>	<b>505,629,709.95</b>	<b>534,360,037.24</b>	<b>(28,730,327.29)</b>	<b>(5.38)</b>
<b>GRAND TOTAL</b>				<b>(11.01)</b>
	<b>4,622,711,087.58</b>	<b>5,194,515,857.49</b>	<b>(571,804,769.91)</b>	
<i>ENERGY DEBT RECOVERY LEVY</i>	<b>517,761,242.00</b>	<b>550,036,094.30</b>	<b>(32,274,852.30)</b>	<b>(5.87)</b>
<b>SPECIAL PETROLEUM TAX</b>	<b>667,476,028.00</b>	<b>618,507,332.69</b>	<b>48,968,695.31</b>	<b>7.92</b>

# CAN GOVERNMENT MEET ITS REVENUE TARGETS?

As to whether the Government will meet its revenue target will depend on a number of factors:

- Performance of the Economy
- Response from business community
- Efficiency in tax collection by GRA-Improving compliance.
- Attitude of GRA officers
- Proper coordination between tax policy and tax administration
- Minimising corruption at the tax collection
- Management of Tax exemption

# STRATEGIES THAT CAN ENHANCE REVENUE PERFORMANCE

- **Closing tax loopholes**

GRA should put in place measures to close tax loopholes. With input from senior tax officials, an analysis of each type of tax to establish whether there are opportunities to close sector-specific tax loopholes quickly. The analysis should establish whether there are any significant gaps between the expected and the effective tax rates.

- **Operational Drag Net**

GRA should embark on “Operation Drag Net” to quickly bring in potential tax payers who have been out of the tax net in the past but are earning significant income. The requirement for TIN to be used in all transactions will bring more persons into the tax net.

The use of GIS to capture data of the informal sector could go a long way to help increase revenue.

- **Create external checks that enforce compliance**

Often, informal businesses that don't pay taxes nevertheless interact with government agencies as part of normal operations. GRA can work with these agencies to verify the tax status of businesses. The checks can be done with MOF and other contract awarding institutions.

- **Focus resources on improved auditing, processes, and tools**

Auditing will not only detect and penalise evasion attempts but also signal GRA's intention to prioritise more aggressive enforcement. More audit staff should be properly trained and equipped to undertake audit in high risk sectors. Part of the audit process can be automated, the administration should develop specific audit tools, which simplify the procedures to improve the overall quality and consistency of audits.

- **Management of Tax Exemptions**

Measures has also been put in place to ensure that tax exemptions are properly managed to minimise revenue leakage. It is expected that this measure will lead to increase in revenue which could offset the reduction in taxes.



# CONCLUSION

- In conclusion, as George W. Bush and others understood, reducing taxes has a stimulative effect on economic activity which leads to an increase in government receipts.
- I am very optimistic that if the measures put in place by GRA are pursued vigorously it would go a long way to achieving the revenue target.

THANK YOU