

Regulatory Alert

2022 BUDGET HIGHLIGHTS

Budget Highlights (Taxation)

Building a Sustainable Entrepreneurial Nation: Fiscal Consolidation and Job Creation

The Finance Minister, Hon. Ken Ofori-Atta, presented the 2022 Budget Statement on 17 November, 2021 with the theme "Building a Sustainable Entrepreneurial Nation: Fiscal Consolidation and Job Creation". The budget seeks to help government include the informal sector into the tax bracket and help expand the tax net. The government is also seeking to share its burden with the citizenry through the 2022 annual budget.

Tax policy initiatives

Extension of the VAT Relief for Textile Manufacturers:

Government has proposed to extend the VAT relief for *African textile prints* for textile manufacturers for a further two years. This is to enable manufacturers maintain their prices over a period to make the cost of local prints affordable, consolidate gains and expand production in the industry.

VAT Flat Rate Limited to Retailers:

Government has proposed to limit the VAT flat rate of 3% to only retailers. To enable government achieve its objective, a threshold of annual turnover not exceeding GHS 500,000 has been set. Wholesalers and all other retailers will be required to charge the standard rate.

Modified Taxation System:

Government has proposed to increase the threshold of the modified taxation system from GHS 200,000 to GHS 500,000 per annum. This is to help provide a simplified system of tax compliance for the informal sector.

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Budget Highlights (Taxation)

Tax policy initiatives *cont'd*

Withholding Tax Rate for Sale of Unprocessed Gold:

Government has proposed to decrease the withholding tax rate on the sale of unprocessed gold from 3% to 1.5%. This is to help government control the smuggling of unprocessed gold out of the country.

Road Tolls:

Government has proposed to abolish all tolls on public roads. This initiative is to help government control the unhealthy market centers which has led to heavy traffic on our roads, lengthened travel time from one place to another and impacted negatively on productivity.

Electronic Transaction Levy (E-Levy):

A 1.75% levy has been proposed to be imposed on electronic transactions. These electronic transactions cover mobile money payments, bank transfers, merchant payments and inward remittances. This is to help government widen the tax net and rope in the informal sector into the tax bracket. A daily threshold of GHS 100 cumulative has been set for users of such services. This when approved by Parliament is expected to be implemented by 1 January 2022.

Removal of Benchmark Values:

The government has proposed to restore the Benchmark Values of imports by suspending the 50 percent discount on selected General Goods and the 30 percent discount on vehicles.

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Tax Administration



Property Tax

From January 2022, the government, through the Ghana Revenue Authority, will support MMDAs in implementing a unified platform for property rate administration in order to improve property rate collections and accountability. A sharing ratio will be agreed upon with the Assemblies to ensure cost recovery by the government in providing the infrastructure for the collection of the Rate.



Gaming Industry Revenue Mobilization

The government will finish working with the House to enact the fees and charges bill, which will go into effect in 2022. These fees and charges will be adjusted automatically in accordance with the Ghana Statistical Service's annual average inflation rate (GSS). After every fifth year, a complete assessment will be done, taking into account other considerations besides inflation, such as improvements in service quality and, where possible, privatization of specific services.



Revenue Assurance and Compliance Enforcement (RACE)

Government intends to intensify the RACE as an initiative to plug revenue leakages.

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Take Away

1

These tax policy initiatives are not effective until the budget is approved by Parliament and relevant laws are amended.

2

The qualification for applying the flat VAT rate of 3% will be limited to only retailers whose annual turnover (Sales) does not exceed GHS 500,000.00

3

It is our considered view that the exclusion of wholesalers and high-end retailers from application of the flat VAT rate may result in price increases by 15.77% in the first course of supply chain.

4

Retailers would need to take steps to forecast annual sales at the start of the year in order to determine their qualification to apply the flat VAT rate.

5

Due to uncertainty of whether a retailer may exceed the threshold during the year or not, most retailers are most likely to charge the regular rate to avoid possibilities of being exposed to surcharges and interest.

6

Taxpayers are advised to embark on self-Tax Health Checks and take steps to close the exposures to avoid being caught up by the RACE.

7

The threshold for E-transaction levy is cumulative daily. Thus, in a day, one has a maximum amount of GHS100.00 to send without being charged. The threshold is not on a single transfer but different transfers which are less than the GHS100.00 would be added up to attain the threshold.

Nov. 2021
#15.2021

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