



KPMG's pre-budget survey report

September 2017

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Foreword

This pre budget survey comes at a time when many firms are adjusting to a slowly improving economy, global macro uncertainties and technological disruption. It is a subdued period for many businesses but there have been some interventions by government including tax reliefs and proposals for social and infrastructural reliefs that provide fecund seeds of a growing economy. It is encouraging to note the growing interest in, and adoption of technology as businesses transform in response to, and in preparation for an emerging digital age.

This pre-Budget 2018 report examines what companies are doing in the midst of this evolving environment and what can be done to help them develop into enterprises of the future.

In August and September 2017, we surveyed 60 business leaders from various sectors of the economy for their perceptions of the business environment and the fiscal regimes that affect their business. The sectors included construction, transport and logistics, financial services, hospitality, manufacturing, mining and petroleum, pharmaceuticals, retail, technology and other miscellaneous businesses, including multinationals, local companies and small to medium sized enterprises. Some concerns of the business community include access to credit/cost of credit, cost of clearing goods at the ports, cost of utilities, cyber security, forex stability, internet connectivity, tax incentives and unfair competition.

We hope the insights from the research will help the Government with their deliberations and provide valuable feedback in the lead-up to the 2018 Budget.

Amanor Dodoo



Snapshot of Ghana



2016 Sector Distribution of GDP, Q3

Services **59%**

Industry **26.7%**

Agriculture **14.3%**



Inflation and Monetary Policy Rate



Economic Indicators

| | | | |
|--------------------------------------|--|--|--|
| 21% Current MPR | \$1/GHS4.40 Exchange rate | GHC55.2 bn Total Domestic Debt | 10.9% Fiscal Deficit rate |
| 12.3% Inflation (Jan 2017) | GHC71.9 bn Total External Debt | \$5.9 bn Foreign Reserves | \$50.28 Oil price per barrel |



35,984,280 (April 2017)
Mobile Voice Subscribers



21,584,899 (April 2017)
Mobile Data Subscribers



76.22% (April 2017)
Data Penetration Rate:



GDP Growth Rate



Views from the business community

The economy

Impact of fiscal measures

The government introduced a number of tax incentives in the 2017 budget statement in an attempt to stimulate increased economic growth.

A majority of the businesses surveyed (83%) reported that the tax incentives have had an impact on their businesses. The impact was however uneven across the different industry segments surveyed.

The construction, financial services, manufacturing and technology sectors reported a higher impact compared to the hospitality, retail and pharmaceutical sectors.

Respondents identified four tax incentives as having had the most impact on their cost of doing business. These are the removal of VAT on financial services, removal of VAT on air travel, the removal of the special import levy and the reduction of the special petroleum tax.

None of the survey respondents identified the tax incentives as having had a highly significant effect on their business. This is consistent with the sentiments expressed in the 2017 pre budget survey that utilities, cost of borrowing and expansion of chargeable goods and services for VAT together had a moderate to substantial effect on operational costs.



60%

Cited tax incentives introduced in the 2017 budget as having had a very significant or a moderately significant impact on their businesses



78%

Cited the removal of VAT on financial services and the reduction of the special petroleum tax as having had the most impact on their operational costs



63%

Of respondents called for a reduction in the corporate and personal tax rates

Views from respondents

// Implement an electronic filing system for VAT for increased efficiency //

// Enlarge the taxpayer base with flat rate schemes and e-registration of taxpayers //

// [Provide]... Adequate tax relief for business employing fresh graduates //

Views from the business community

The economy

Cost of doing business

Businesses surveyed have welcomed the fiscal measures introduced by the government to ease the cost of doing business. However, sentiments expressed by the businesses suggests the cost of doing business has not been significantly impacted by government policies. A number of the key barriers to reducing cost of doing business expressed in the 2017 pre-budget survey continue to persist.

Some of the key concerns cited include cost and access to credit, delays and the cost of clearing goods from the ports.

The cost of utilities as well as ease with which permits and business registrations can be obtained were also cited as contributing to the increasing cost of doing business.

It is worth noting that while cost of utilities remains a key challenge, quality and availability of power was not cited as a current concern.



100%

Of respondents cite the cost and access to credit, the process and cost clearing goods from the port as well as the process of obtaining business registrations and permits as primary concerns

Views from respondents

// The new process for clearing imports is good but must be made very easy in order to cushion importers and to make prices competitive //

// The high cost of utilities remains a key concern... //

// My stay awake issues are interest rate stability, exchange rates and high import taxes on production materials //

Views from the business community

The fiscal regime

Tax administration

One of government's priorities is the streamlining of tax administration.

In line with this, the tax laws have been amended in recent times to make tax administration more efficient and transparent.

Businesses surveyed indicate improvements in the tax administration system and also cited areas where further improvements are required to facilitate the smooth conduct of business.

The ease of filing tax returns, paying taxes and resolving tax disputes were all cited as areas requiring significant improvement. Respondents also mentioned fairness in tax dispute resolution as another area of major concern.

Ghana's tax laws are perceived as being generally relevant to the current business environment.

However, the complexity of the tax laws potentially introduces uncertainty in business decision making.



70%

Of respondents cited the effectiveness of tax administration as an area requiring improvement



88%

Of respondents cited the **complexity** of Ghana's tax laws as a potential source of business uncertainty

Views from respondents

// ... Improve the fairness of GRA's audits //

// Improve the tax registration process as well as access to information //

// ...accelerate the digitisation of the manual processes //

// ..ease of resolving issues around taxation with tax authorities //



Looking forward

Views from the business community

Looking forward

Fostering sustainable private sector led growth

Businesses surveyed retained the sense of optimism for the restoration of sustained growth in the short to medium term.

They echoed a number of the business parameters highlighted in the 2017 pre-budget survey as requiring priority attention by the government to spur economic growth.

Businesses reiterated the following areas that government should prioritise in the short term to facilitate the ease of doing business:

- Cost of utilities
- Access to and cost of credit
- Delays in the clearing of goods from the ports
- Streamline processes for obtaining business registrations and permits

"In addition to the measures mentioned above, businesses in the hospitality, mining and petroleum, pharmaceutical and technology sectors also called for a reinstatement of the capital gains tax to spur inward investment."

Even though Ghana's corporate tax rates are among the lowest in the sub region, businesses are calling for a further reduction in corporate tax rates to boost investment.



100%

Identified cost and access to credit as requiring priority attention from the Government



96%

Cited ease of obtaining business registrations and permits as a priority area for government attention



74%

Mentioned the process and cost of clearing goods from the ports as another area requiring priority attention from the Government

Views from respondents

// Ensure a hassle free regulatory environment – registration and permits as well as taxes //

// Government should introduce some innovation in the filing and payment of taxes to reduce man hours spent completing these processes //

// Reduce import duties on raw materials //

// Reorganise GRA to be more business friendly //

Views from the business community

Looking forward

Innovation and technology remain key

With technology continuing to disrupt traditional ways of doing business, most companies are re-examining their business models and operations.

The Government is expected to facilitate an enabling business environment to drive sustained growth in the digital era.

A number of key technological factors cited as requiring critical government attention include:

- Improved nationwide broadband access
- A national identification system
- A comprehensive address system
- Electronic payment systems
- Prioritisation of implementation of e-government services

Finally, cyber security was also cited as an important enabler for long term growth, especially as more business interactions and productive activities are carried out on the internet.



88%

Identified technology and innovation to be a key lever for sustained long term growth



73%

Indicated cost of funding as a key catalyst for private sector led growth

Views from respondents

// Government should break down silo systems and challenge traditional mind-sets to focus on efficient service delivery //

// ...ease traffic congestion in the major cities //

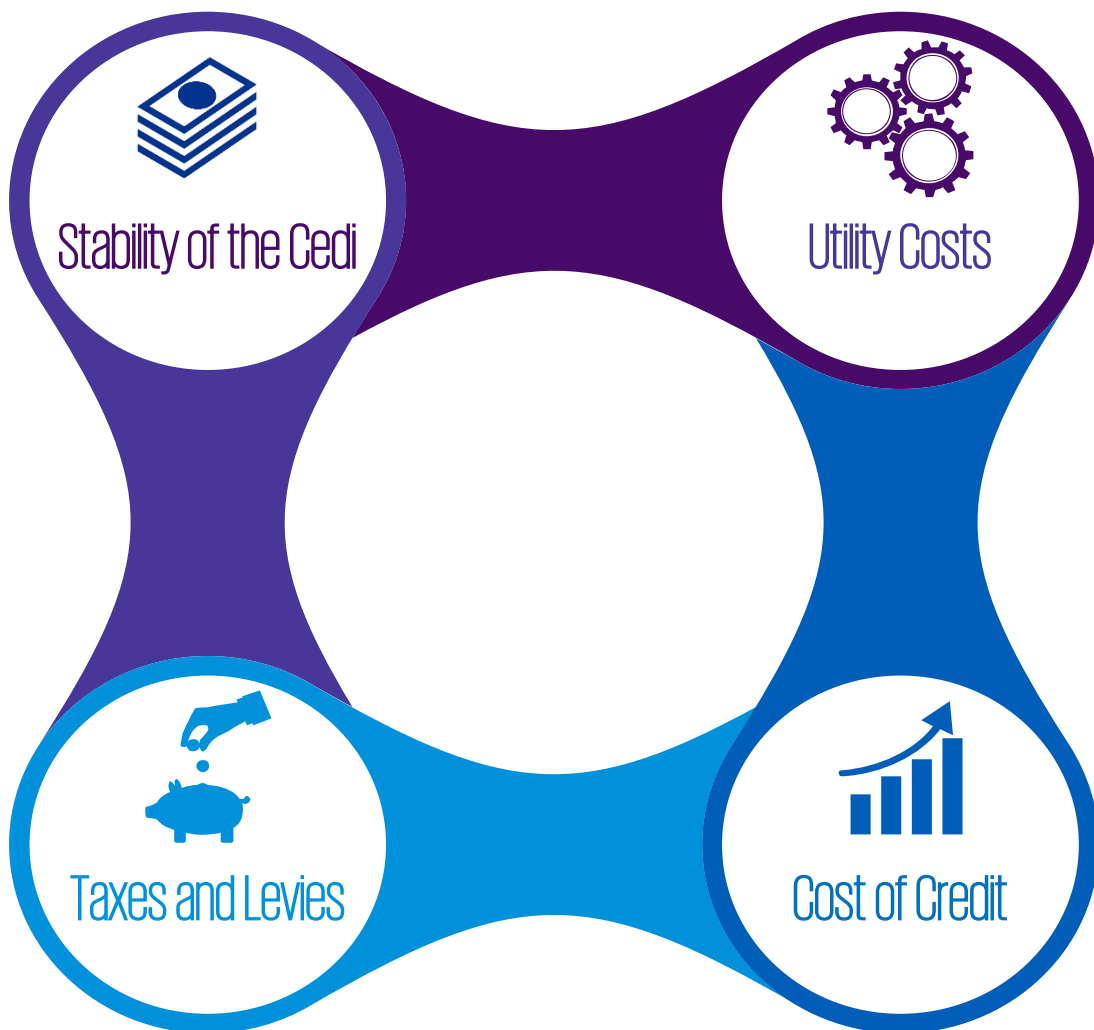
// ...digitise government institutions to improve efficiency of service delivery //

//...Public Private Partnership to fund infrastructural projects //

// Government should pass a competition law to level the playing field and give tax holidays to local technology start-ups //

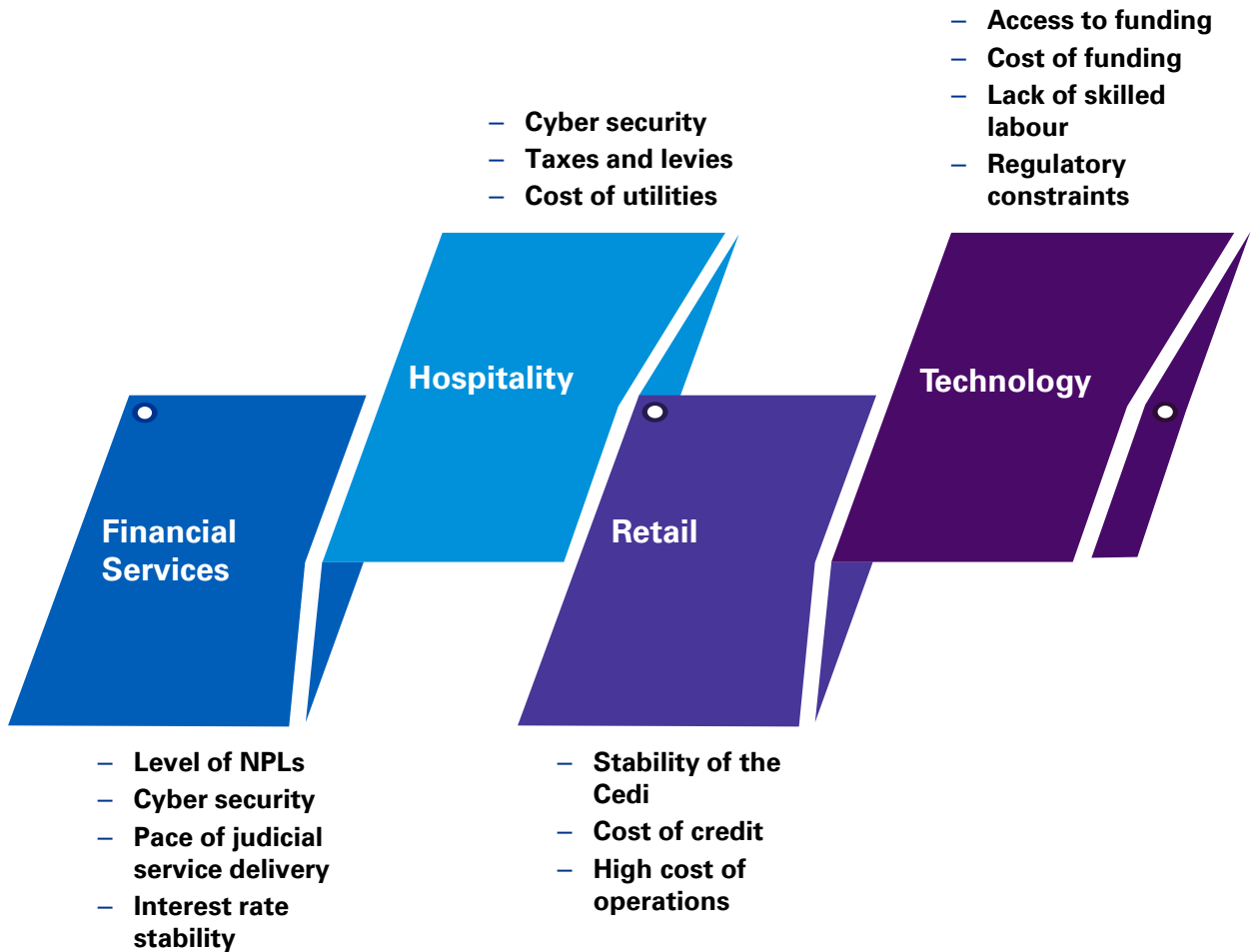
As the CEO/CFO what are your “stay awake” issues?

**Common stay awake issues
for the business community.**



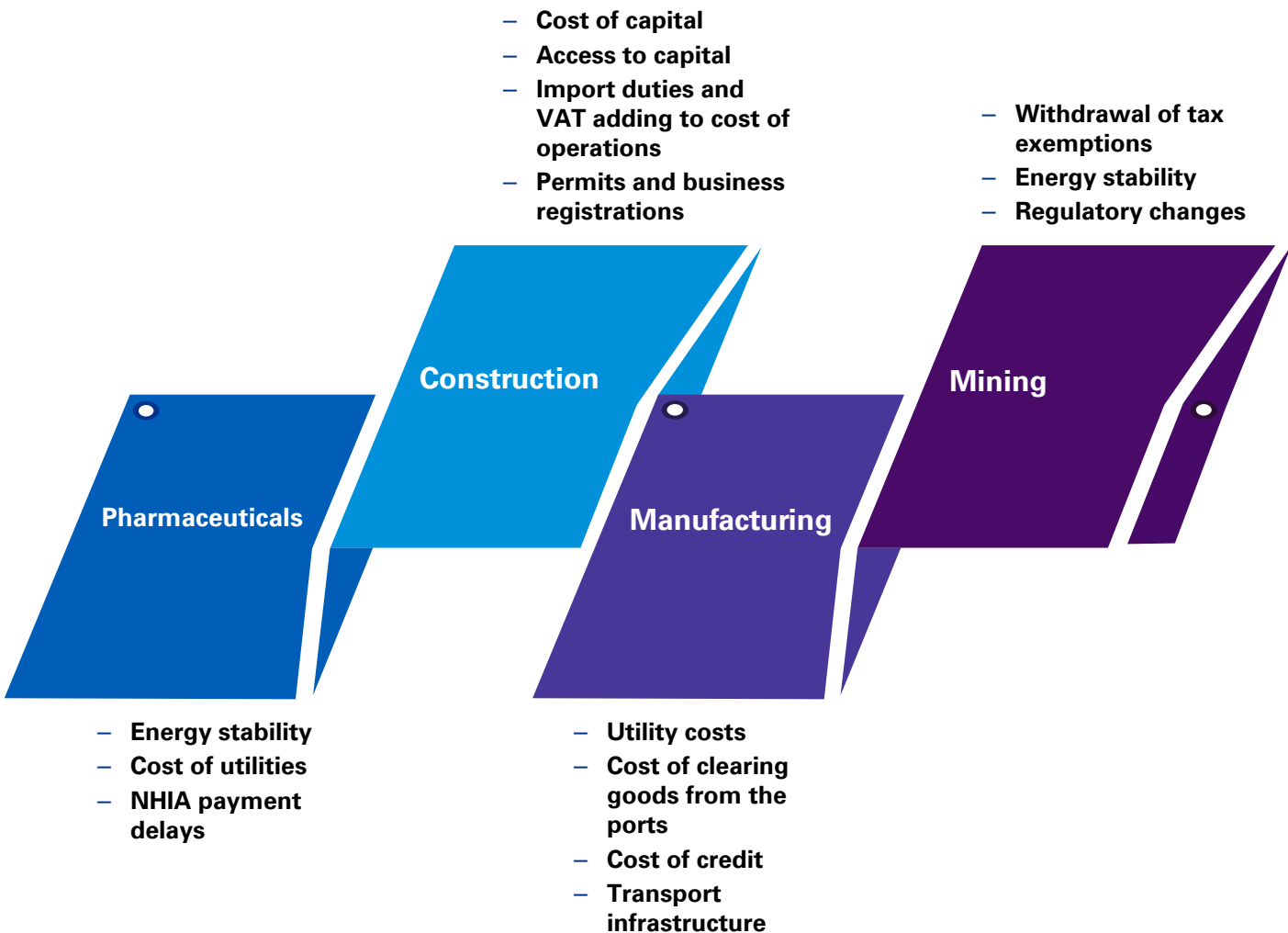
As the CEO/CFO what are your “stay awake” issues?

Stay awake issues by industry



As the CEO/CFO what are your "stay awake" issues?

Stay awake issues by industry

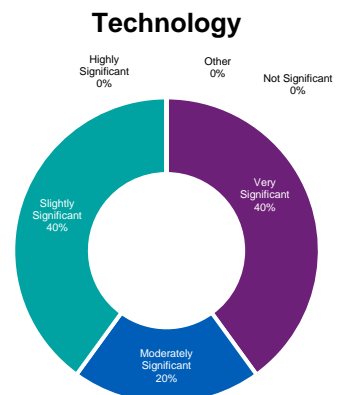
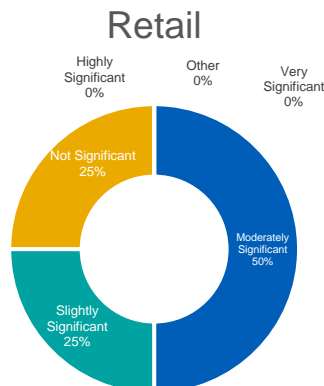
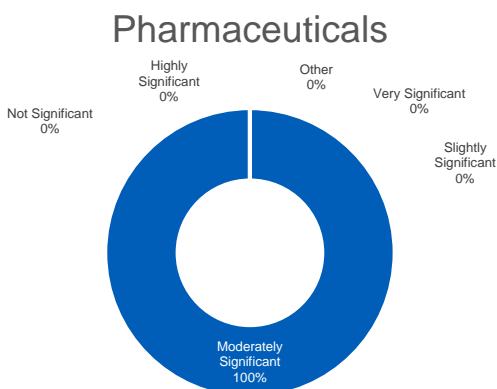
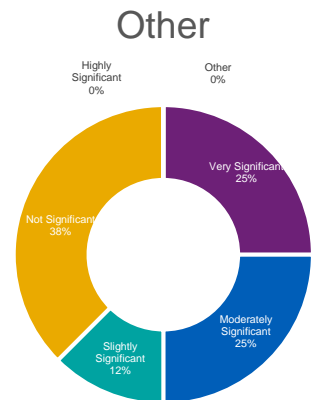
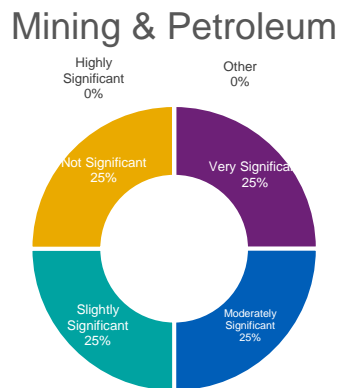
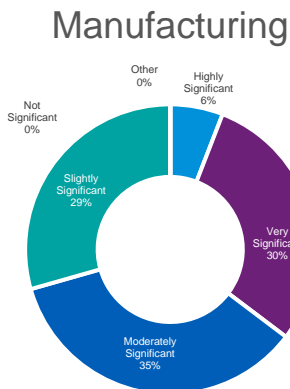
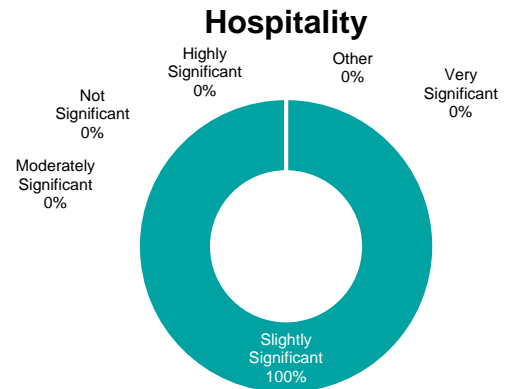
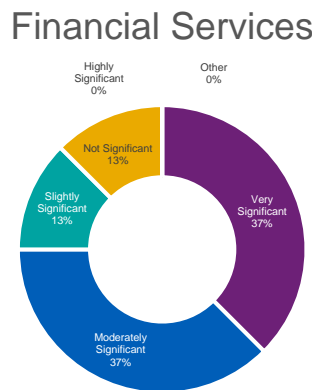
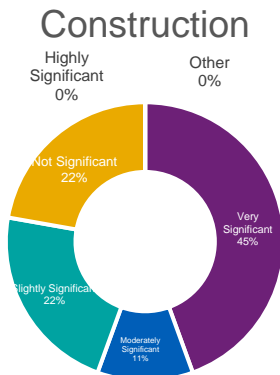
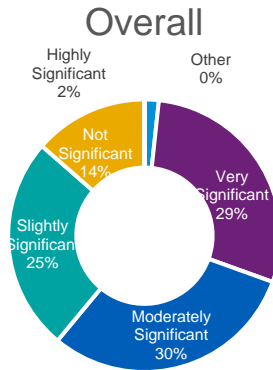




Appendix

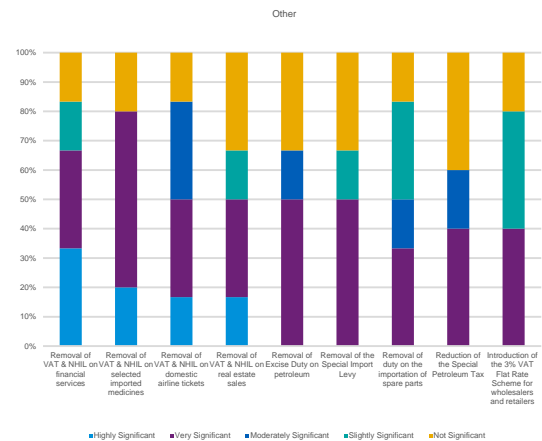
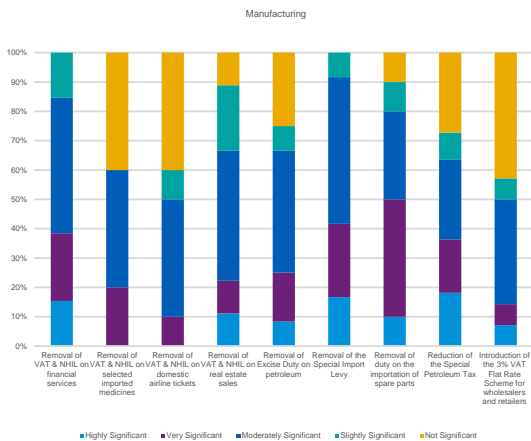
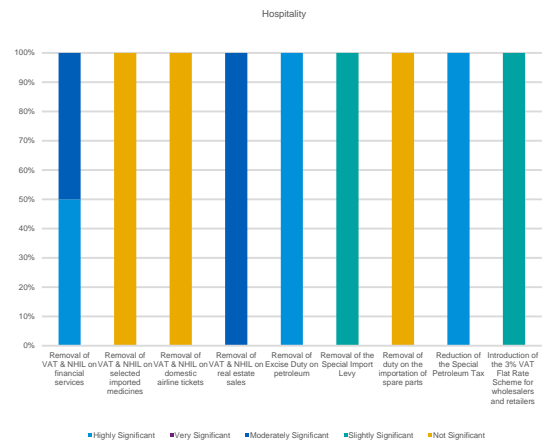
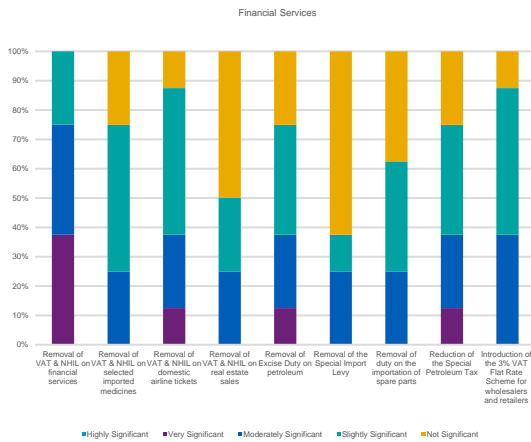
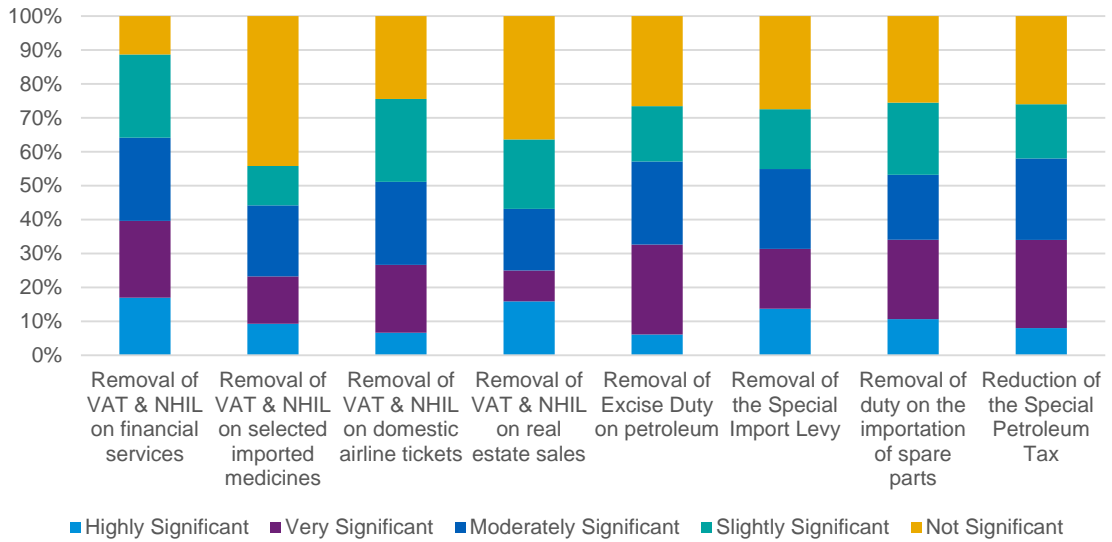
KPMG pre- budget poll

What has been the impact of the Tax incentives in the 2017 National Budget on your business?



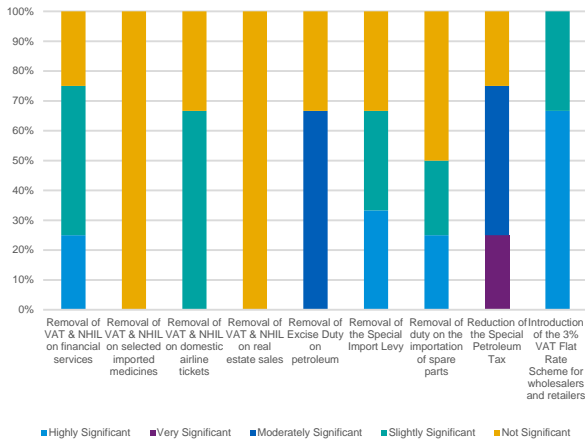
1b Which of these fiscal measures introduced by the 2017 national budget have had the most impact on your business?

Overall



1b Which of these fiscal measures introduced by the 2017 national budget have had the most impact on your business?

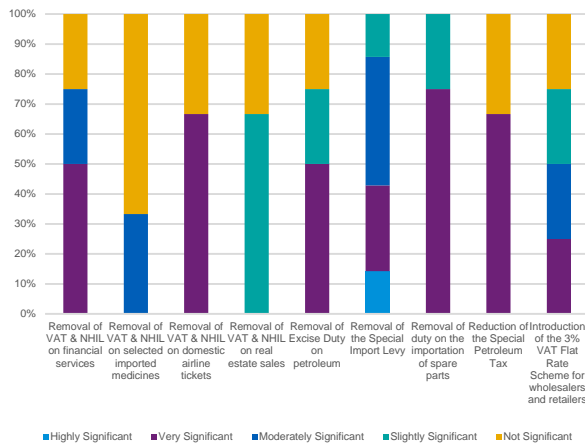
Mining & Petroleum



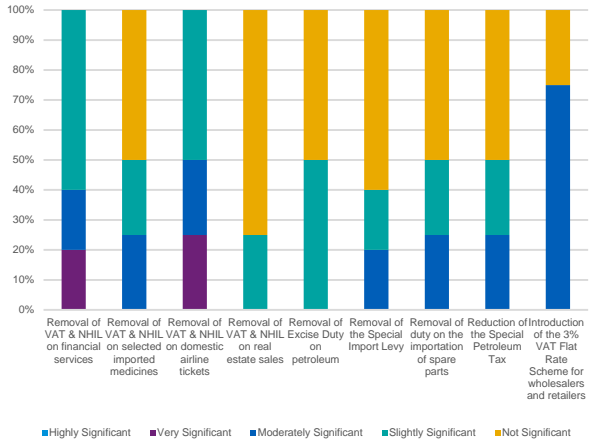
Pharmaceutical



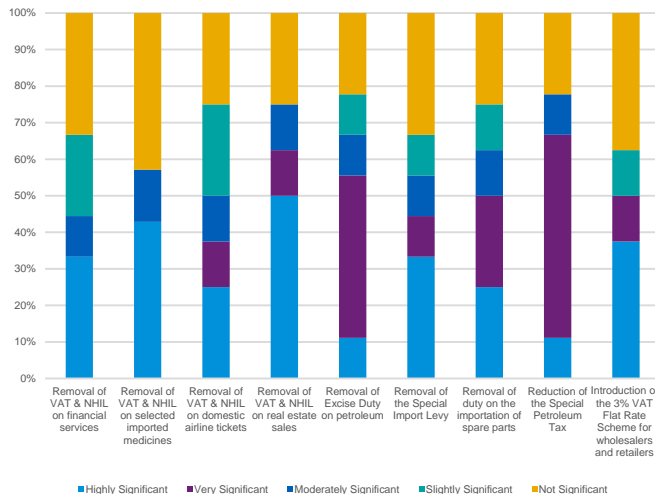
Retail



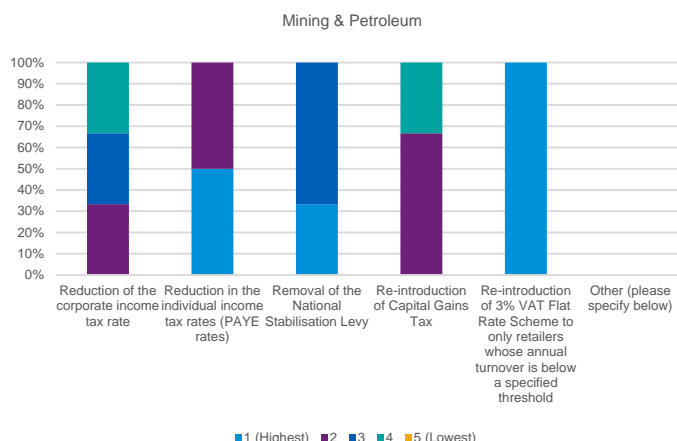
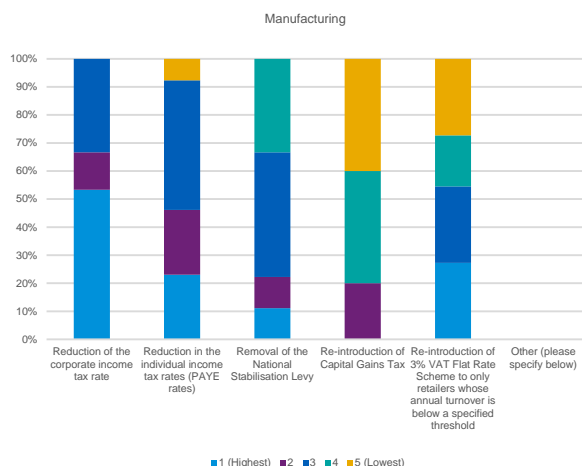
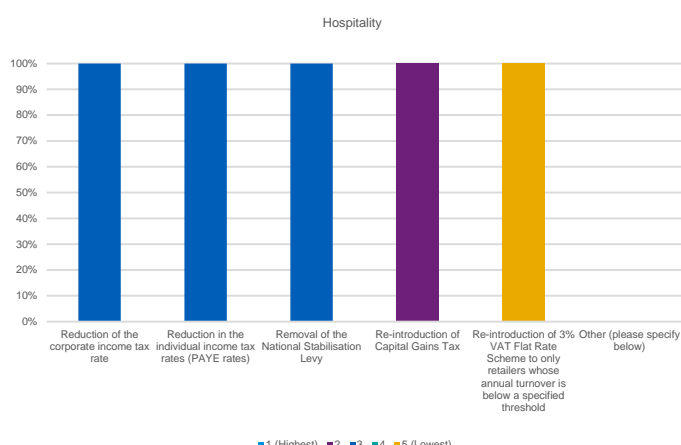
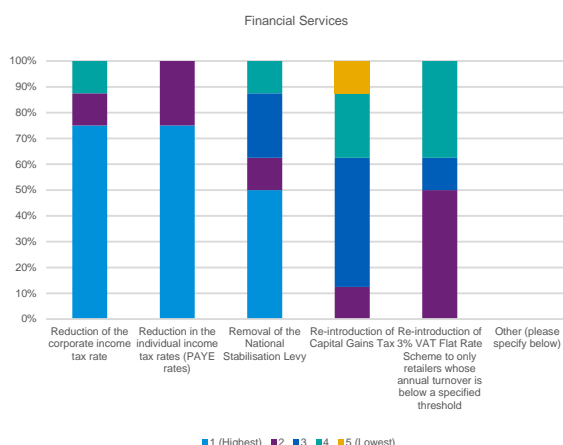
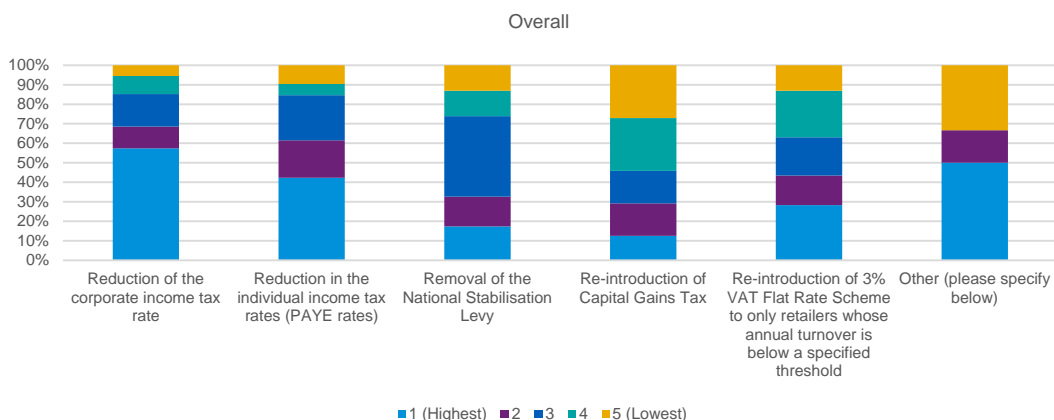
Technology



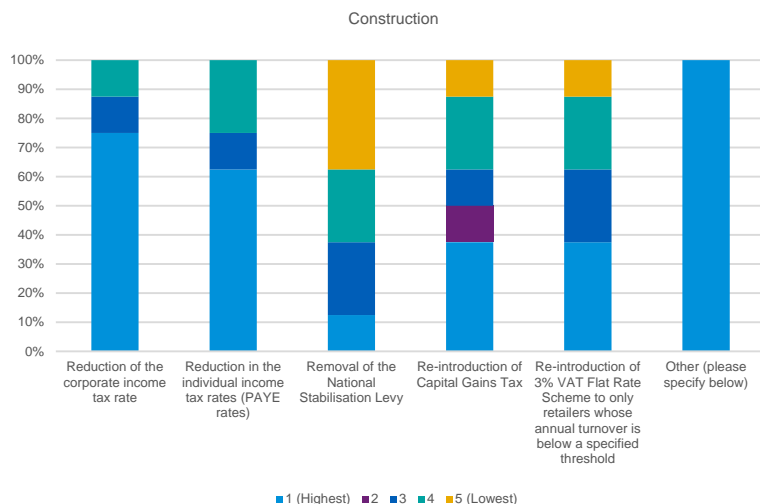
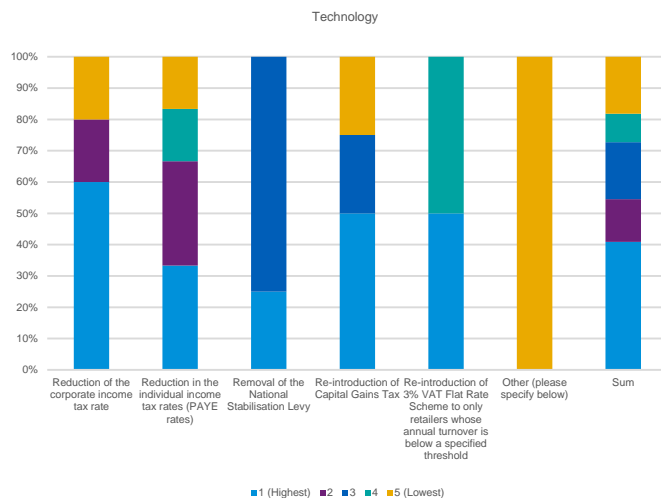
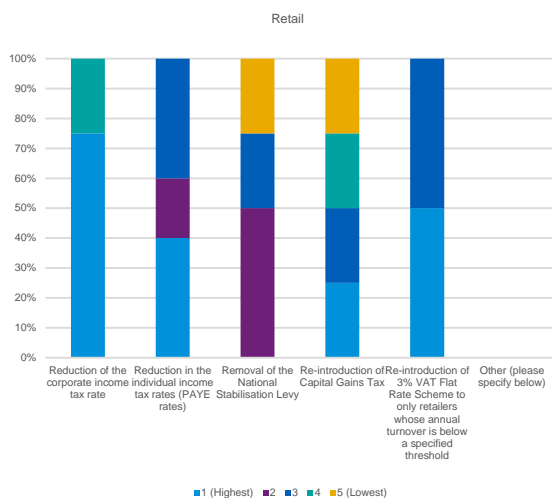
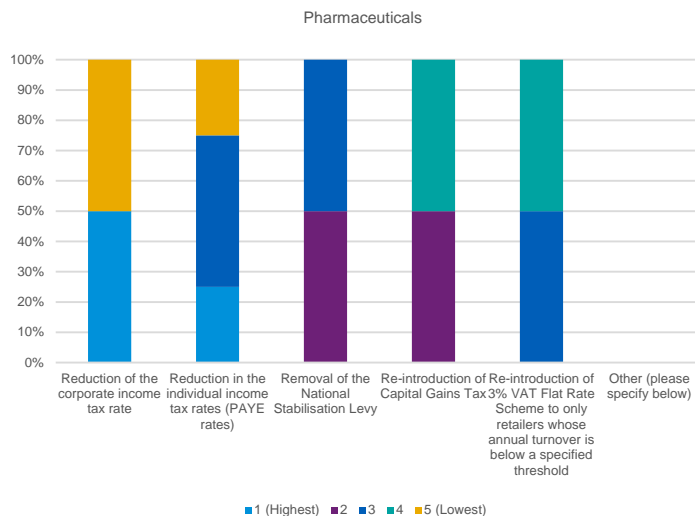
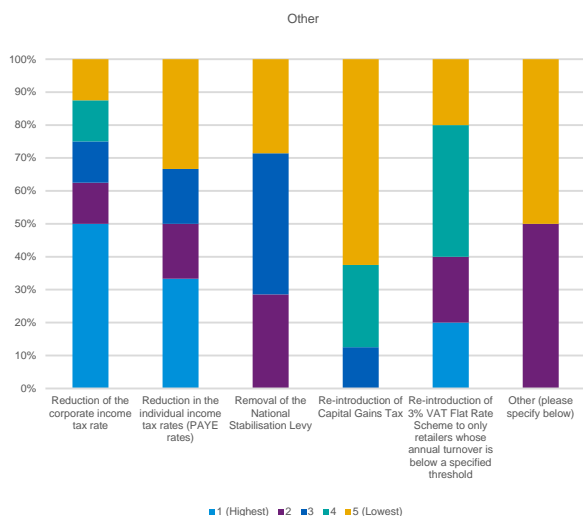
Construction



1C In your opinion, which of the following fiscal measures should be prioritised as part of the 2018 National Budget?

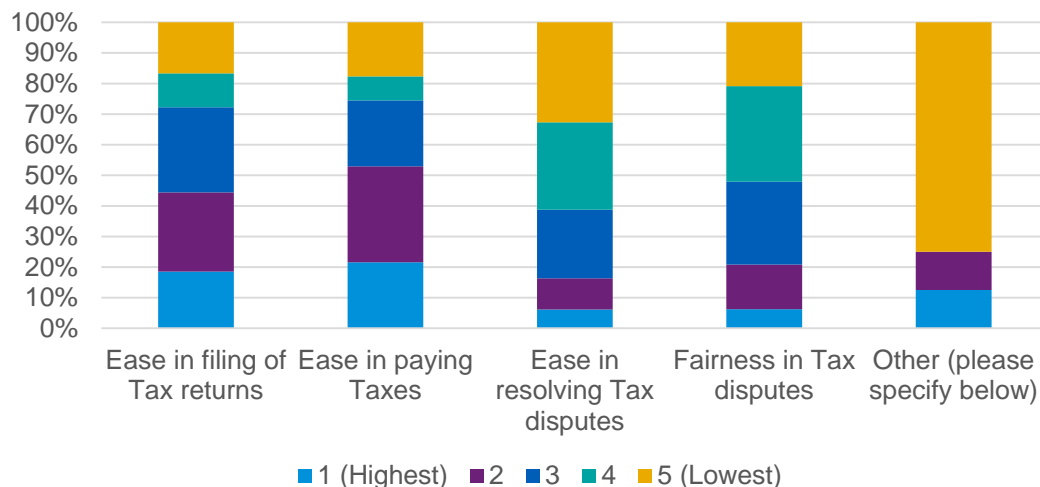


1C In your opinion, which of the following fiscal measures should be prioritised as part of the 2018 National Budget?

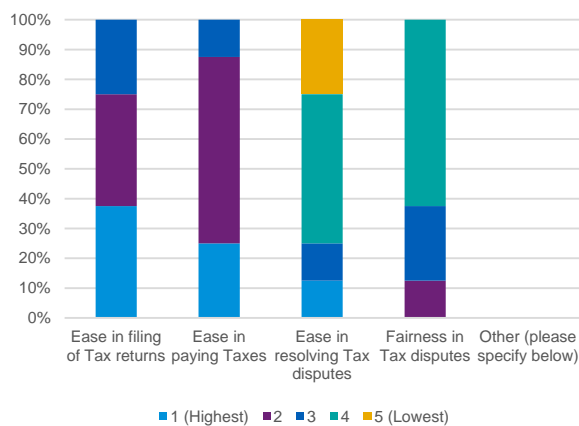


1d How effective are the following areas in tax administration in Ghana?

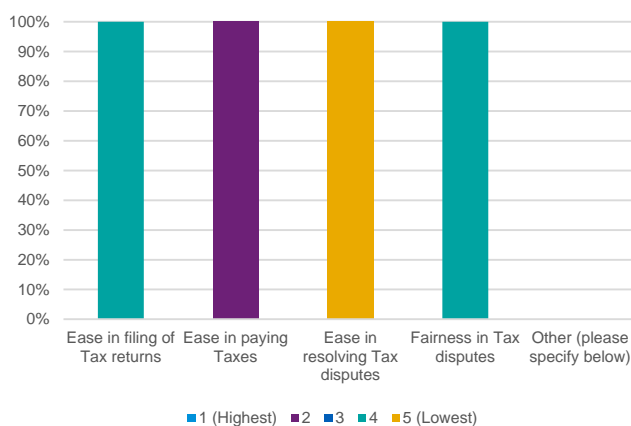
Overall



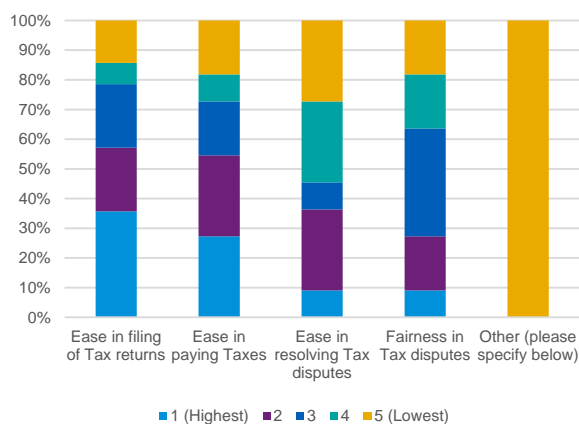
Financial Services



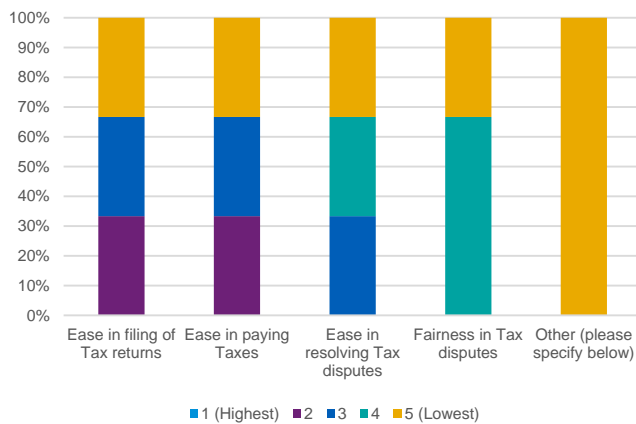
Hospitality



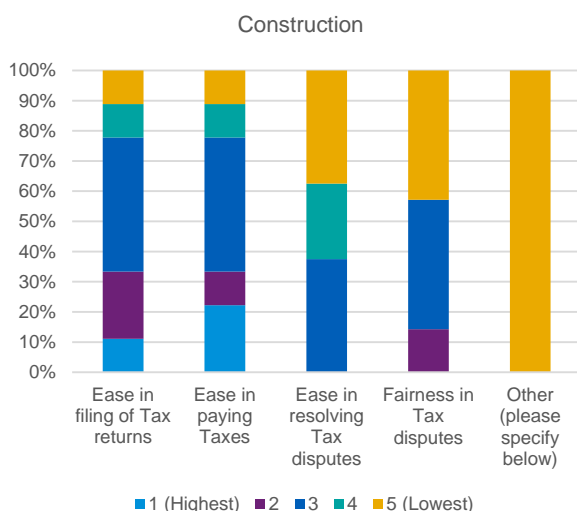
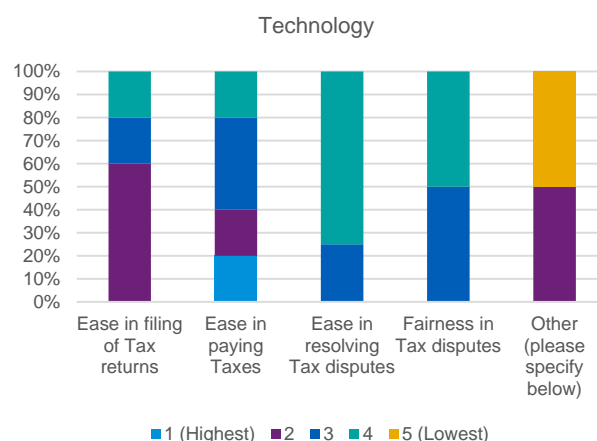
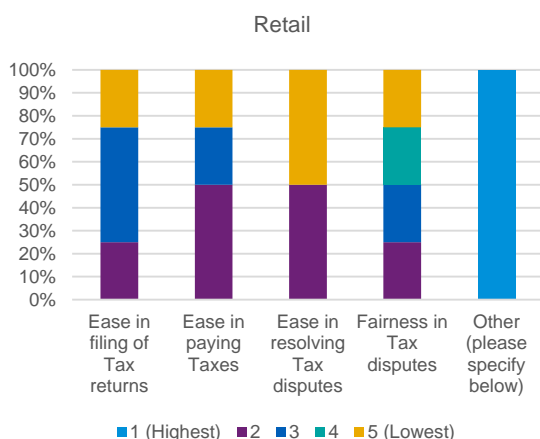
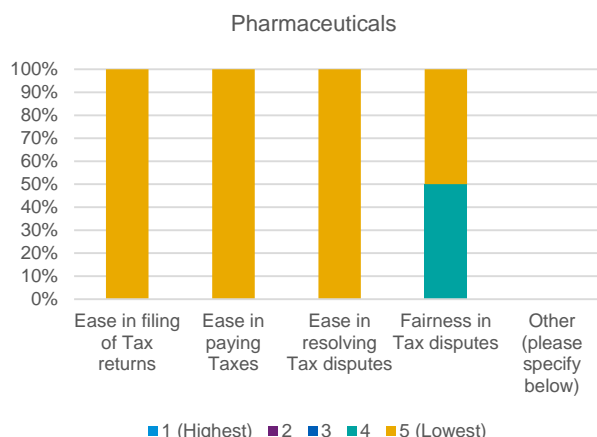
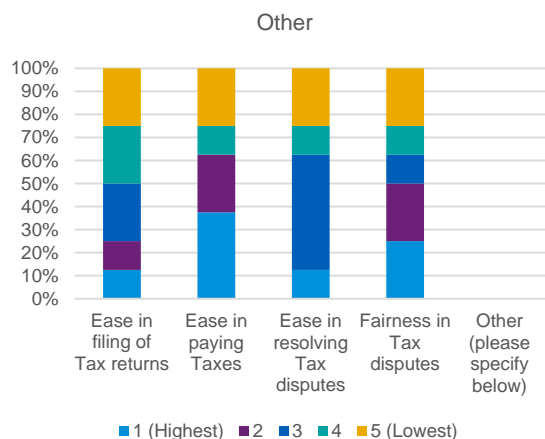
Manufacturing

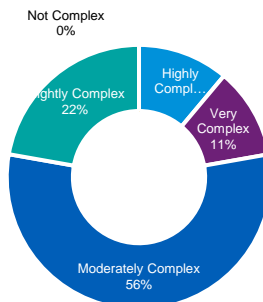
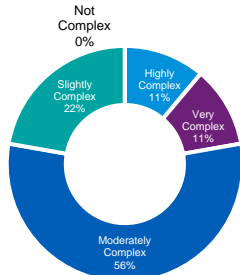
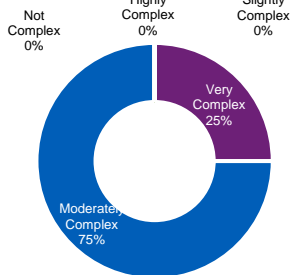
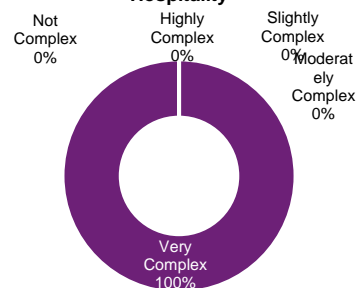
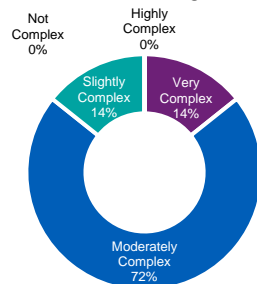
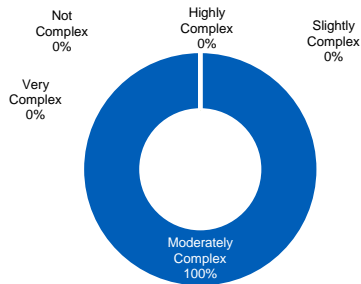
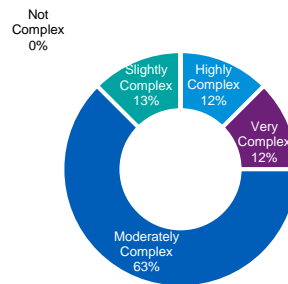
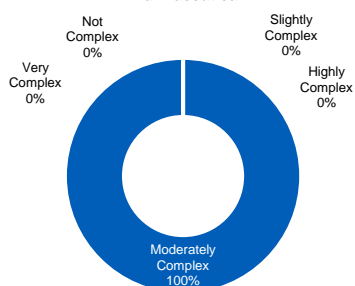
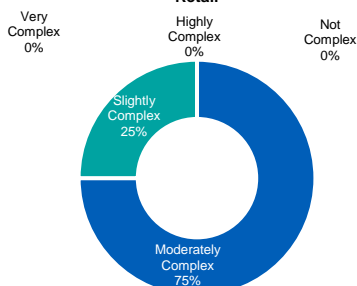
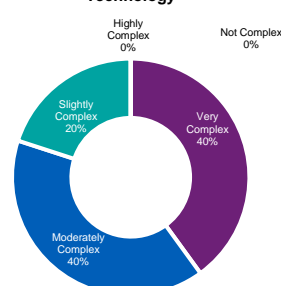


Mining & Petroleum

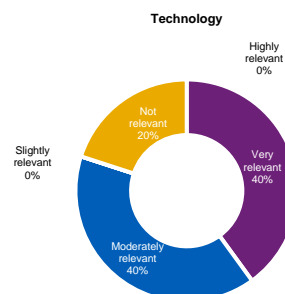
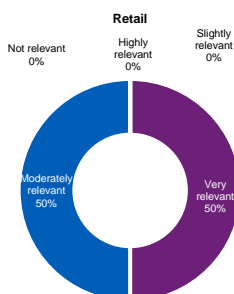
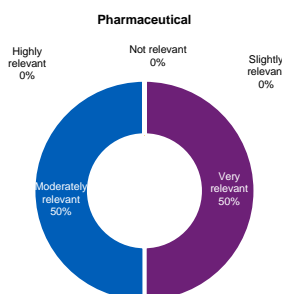
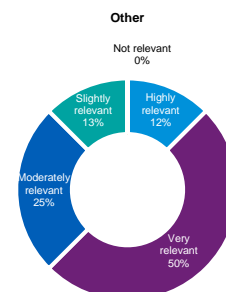
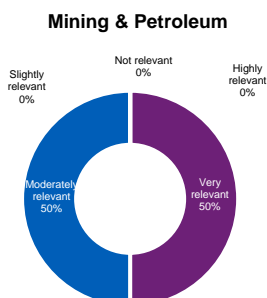
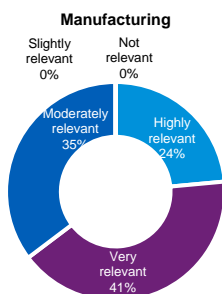
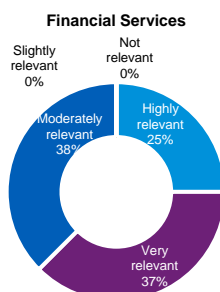
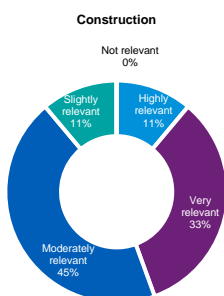
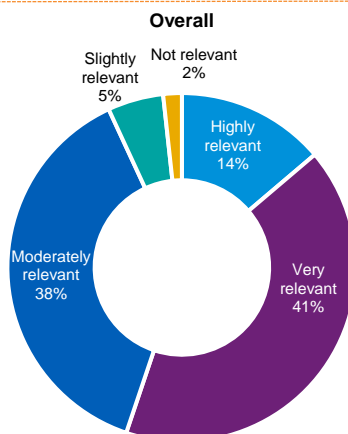


1d How effective are the following areas in tax administration in Ghana?



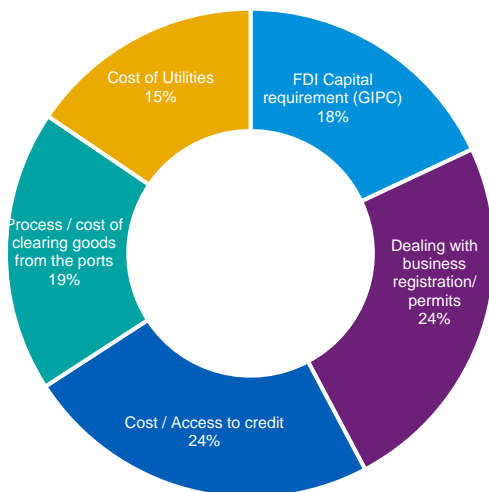
Overall**Construction****Financial Services****Hospitality****Manufacturing****Mining & Petroleum****Other****Pharmaceutical****Retail****Technology**

How relevant are Ghanaian tax laws to the current business environment?



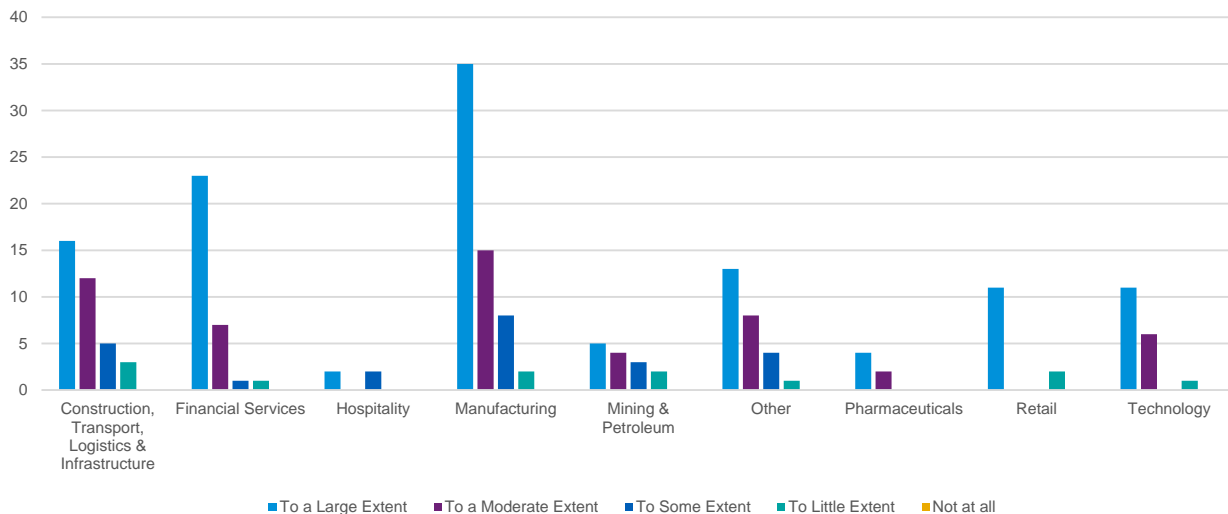
2 Out of these business parameters, which do you consider requires priority attention from Government?

Overall

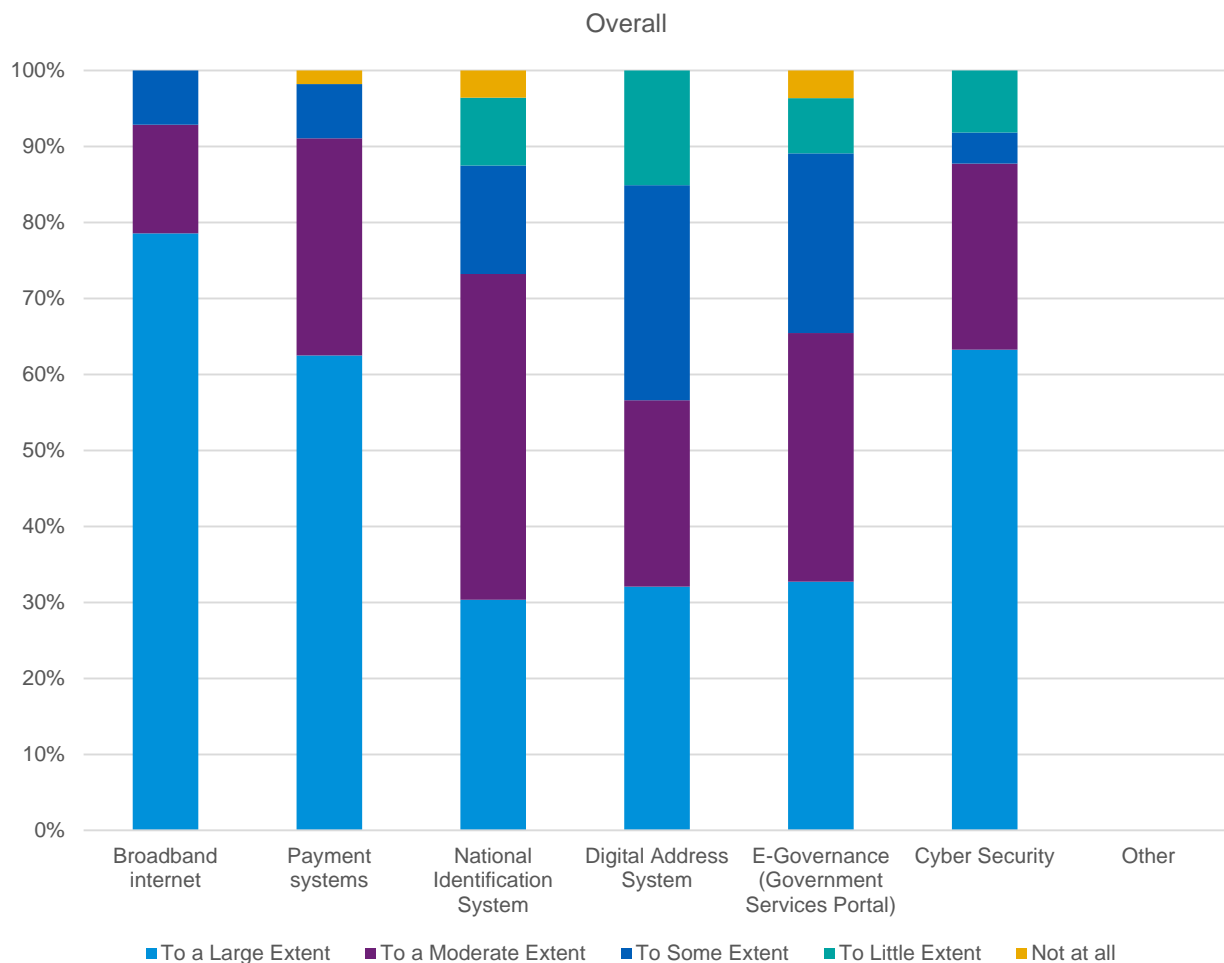


3 To what extent do the following factors affect your business's growth and profitability?

Overall



4 To what extent are the following technological factors relevant to your business's growth and profitability?





kpmg.com/socialmedia



kpmg.com/app

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