



# 2017 Budget Highlights

March 2017



# Contents

Page	
03	Foreword

---

Page	
04	Budget Outturn 2016 Budget Outlook 2017

---

Page	
06	Direct Tax and Levies Indirect Taxes

---

Page	
08	Common External Tariffs

---

Page	
09	Agriculture Trade and Industry

---

Page	
10	Energy and Natural Resources

---

Page	
11	Financial Services

---

Page	
12	Tourism Communication Transport

---

Page	
13	Business Development Other Policy Initiatives

---

Page	
14	Other Programmes

---

**Theme: Sowing the Seeds for Growth and Jobs"**



2017 KPMG, a partnership established under Ghanaian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity. All rights reserved

# Foreword

According to the Finance Minister, Hon Ken Ofori-Atta, the performance of the economy in 2016 was far from the budgeted growth and outturn under the previous administration. Inflation increased from 17.7 percent at the end of 2015 to 19.2 percent in March 2016 and later declined to 15.4 percent in December. Inflation for 2017 is targeted at 11.2 percent at year-end. This, if achieved, will stabilise price levels to some extent.

To stimulate growth and development under the current government, the year will see several social and economic interventions and a number of tax cuts. Government will streamline Energy Sector Levies to accommodate existing legacy debt to improve liquidity in the banking sector and the private sector. An increase in banks' liquidity has the potential of stimulating growth in the private sector as the banks will have enough money to grant loans to customers and also allow the banks to take on more projects than before. Companies operating in the oil and gas,

financial services, telecommunications and mining sectors are to list a minimum percentage of their shares on the Ghana Stock Exchange (GSE) within five years of commencement of operations and help to increase the activities on the capital market. This will make the GSE attractive in the sub-region, draw investment and help develop the Ghanaian capital markets.

To curb the issues of "Ghost" names on Government payroll, Government intends paying salaries using the Ghana Inter-Bank Payment and Settlement Systems' (GhIPSS) e-zwich platform as a pass-through filter. If this is done, the meagre government resources that otherwise would have ended up in wrong hands will be put to proper use to benefit the citizenry.

Government will ensure that entrepreneurs receive the maximum benefit by introducing programmes such as business development services, financing, among others, to support these businesses.

A social intervention which was much trumpeted in the Manifesto of the present Government is the Zongo Development Fund. The President has honoured this promise by including in the budget an amount that will cater for this. If implemented, this will go a long way to improve the living standards and conditions of people that reside in such areas. The amount budgeted will cater for infrastructure, security and sanitation, among others.

The stabilisation and growth of the economy as well as the creation of jobs, some of the focal points of the 2017 budget are attainable but only if we roundly commit to working together towards the achievement of set targets.

KPMG  
March 2017

## Budget Outturn 2016

- Budget deficit on cash basis of around 8.7% of GDP and on commitment basis of 10.3% of GDP
- Tax revenue of GH¢25.73 billion (15.2% of GDP)
- Overall revenue of GH¢33.68 billion (20.0% of GDP)
- Total expenditure of GH¢51.12 billion (30.3% of GDP)
- Public sector debt of 73% of GDP.

## Budget Outlook 2017

Government expenditure	GH¢58.14 billion
Government revenue	GH¢44.96 billion
Budget deficit	GH¢13.18 billion (6.5% of GDP)



## Macroeconomic Targets 2017 - 2019

TARGET	2017	2017 – 2019
Overall GDP Growth	6.3%	7.4%
Non-Oil GDP Growth	4.6%	5.6%
Inflation	11.2%	8±2%
Overall Fiscal Deficit	6.5% (of GDP)	3% (of GDP)
Gross Foreign Assets	3 months cover	3.5 months cover

- These targets are anchored on the following:
- Broadened tax base
- Elimination of wasteful expenditures
- Prudent budget management

Figure 1 shows the GDP growth pattern from 2012

# Annual Real GDP Growth (Percent), 2012 - 2017



## Key

\* Revised

\*\* Provisional

\*\*\* Projected

**Figure 1 - Annual Real GDP Growth**

# Direct Tax and Levies

- Due to an estimated loss of GH¢2 billion to Government from transfer pricing abuses from the extractive sector, revealed by Tax Justice Network Africa, the Transfer Pricing Unit of the Ghana Revenue Authority (GRA) will be strengthened to undertake rigorous audits of these Companies.
- This will compel Multinational Companies in general to put Transfer Pricing Documentation in place to support their related party transactions.
- There will be no change in corporate income tax rate. However, Government intends to provide tax credits and other incentives for employing young graduates.
- Taxes on income and property have been projected to increase by 47.7% (from GH¢9.1 billion to GH¢13.4billion) which constitutes 39% of total tax revenue (GH¢34.3 billion).
- Tax on gains from realisation of Ghana Stock Exchange traded securities and other publicly-held securities approved by the Securities and Exchange Commission will be exempted.
- The financial services industry will be exempted from capital duty for two years to enable the re-capitalisation of the industry. Capital duty is levied on any capital injection into a business, both initial and additional, at a rate of 0.5%.
- Daily market tolls paid by head porters will be abolished.
- Levies imposed on religious institutions by local authorities will be abolished.



# Direct Tax and Levies

As part of the Policy Initiatives, the following will be abolished:

- 17.5% Value Added Tax & National Health Insurance Levy (VAT & NHIL) on financial services
- 17.5% VAT & NHIL on selected imported medicines
- 17.5% VAT& NHIL on domestic airline tickets
- 5% VAT & NHIL on real estate sales . *This VAT & NHIL was imposed on sales or supply of immovable property.*
- Excise duty on petroleum. *This duty forms part of the petroleum price build-up*
- 1% special import levy. *This levy was introduced in July 2013, and charged on the cost, insurance and freight (CIF) value of some specified goods.*
- Duty on the importation of spare parts

The following indirect taxes will also be reduced:

- VAT/NHIL for traders from 17.5% to 3% flat rate
- Special Petroleum Tax from 17.5% to 15%
- National Electrification Scheme Levy from 5% to 3%
- Public Lighting Levy from 5% to 2%.
- Government intends to review the import duty and tax exemptions for the following:
  - Domestic and foreign companies, suppliers and contractors executing projects and contracts in the country
  - Employees, directors and senior officials of both domestic and foreign companies, suppliers and contractors executing

projects in the country

- Domestic and foreign companies and investors doing business in the country
- Non-governmental and charity organisations.
- All persons or organisations that were previously exempted from paying import duties are required to pay these duties and apply for a refund, providing a justification for the application. Provision is made for exceptions, as determined by the Minister of Finance.
- Government also intends to initiate steps to remove import duties on raw materials and machinery for production.
- Legislative Instruments will, therefore, have to be passed in order to implement the above changes.

# CET - Common External Tariffs

The Finance Minister re-emphasised Government's commitment to strengthening trade relations in the sub-region. This will mean the CET rules will be enforced and a number of programmes will be rolled out to help ensure that the maximum benefit is attained.

Some of these programmes will include community development, presidential task force on ECOWAS monetary cooperation programme and the establishment of West African Monetary Commission.





# Agriculture

Government aims at creating 750,000 jobs in both direct and indirect employment through its “Planting for Foods and Jobs” campaign.

Government also intends to modernise and transform the industry, by completing phase one of the Anomabo Fisheries College to enhance research and the knowledge-base in fisheries technology for all operators.

The Ministry of Fisheries and Aquaculture will collaborate with relevant Institutions and the private sector to develop modern landing sites and storage facilities at James Town, Cape Coast, Axim and Mumford.

Government intends to have the Ministry of Aquaculture also collaborate with the private sector to build more hatcheries at strategic locations to boost fingerling production to support Aquaculture growth.

The Ministry of Aquaculture will pilot the Fisheries Nucleus-Outgrower Scheme in two fishing communities along the Volta

Lake. At full operation, the Scheme will create an estimated 750 additional direct job opportunities, particularly for the youth, and 1,200 indirect jobs for women fish processors and traders along the aquaculture value chain.

## Trade and Industry

Government prioritises measures that will help businesses expand and create jobs, as well as promote the growth of entrepreneurial opportunities for young Ghanaians. These measures will include:

- The One District One Factory Initiative i.e. District Industrialisation Programme (DIP)
- Improving business competitiveness through Stimulus Package for Export
- Improving Business Environment and Regulatory Reforms under the Trade and Development Programme, Business; Development and Promotion Programme; Trade and

Industry Promotion Programme; Standardisation and Conformity Assessment Programme and Industrial Development Programme.

Government intends to set up a National Industrial Revitalisation Programme to assist ailing but viable Companies in the industrial and manufacturing sector to provide technical and financial support to reinstate them within a short time.

A bill is intended for Parliament, to oversee the development of the aluminium industry where the Government plans to develop the mine in Awaso, Nyinahin and Kyebi. Other measures to achieve this include establishing a refinery, provision of reliable power supply, development of a railway between the mines and Tema and establishing an industrial park for the manufacturing of aluminium related products.

# Energy and Natural Resources



Government is developing a fully-fledged computerised mining cadastral system to ensure accountability and compliance in the management of mineral rights to boost investment. When completed, investors can apply for mineral rights online, and conduct cartographic searches in District Offices.

## Power Sector Development and Management Programme

Government intends to increase the installed generation capacity further by about 1,200MW to meet the growing demand for electricity.

Ghana Grid Company (GRIDCo) will ensure the following projects are executed within the scheduled periods to generate reliable high quality energy services at the minimum cost to all sectors of the economy:

- Transmission System Rehabilitation Project (TSRP) and the extension of the 161KV system to Berekum to enhance power delivery,
- 330KV Prestea-Kumasi Transmission Line Project
- Aboadze-Prestea Transmission Line Project to ensure reliable evacuation of power from the western power generation enclave.

## Renewable Energy Development Programme

Government intends to have the Ministry of Power assist with the following:

- The Bui Power Authority (BPA) to

complete the design process for the 50MW Solar Hybrid Project

- Monitor progress of all Independent Power Producer (IPP) initiatives by ECG
- Facilitate the planning and development of the 150MW Ayitepa Wind Project
- Achieve 2-3 percent Renewable Energy Technology (RET) penetration in the generation mix.

## Petroleum Sector Development and Management Programme

Ghana National Petroleum Commission (GNPC) is engaging with the Jubilee Partners to develop an integrated technical and commercial schedule that will target gas start-up

in the 2nd quarter of 2018

To increase the country's strategic storage capacity, Bulk Oil Storage and Transportation Company Limited (BOST) will construct an additional storage tank of up to 100,000 MT of gasoline and gasoil in Pumpuni in the Western Region to increase the country's strategic storage capacity.

This will also enhance the country's position to increase supply of petroleum products to landlocked countries.



### Energy Sector Regulation Programme

Government will initiate a major programme to reduce the frequency and duration of power outages experienced by

electricity consumers. The programme will identify interventions required to reduce the level of outages, and agree on a plan for implementation with Electricity Company of Ghana Limited to be monitored by the Energy Commission.

Also, the Energy Commission will undertake effective sensitisation and awareness creation among the younger generation as well as monitor the development of energy efficiency standards and Legislative Instrument (LI) for commercial buildings in order to reduce energy consumption in homes and schools.

## Financial Services

- Government intends to increase the minimum capital and the risk capital requirements of Commercial Banks.
- Government also intends to enforce the term limits for Chief Executive Officers and Managing Directors as well as the obligor limits. Obligor limits are the highest amounts that banks can lend to a single borrower in relation to its shareholder fund.

- Government will reactivate the process for the establishment of the International Financial Services Centre (IFSC). The purpose is to attract foreign direct investment, income from license fees payable in foreign currencies and create employment, among others.



## Tourism

Government intends to start the Marine Drive Tourism Investment Project covering over 240 acres of land from Osu Christianborg Castle to the Arts Centre. This project aims to transform the beach area into a tourism enclave to create jobs for the teeming youth.

The Efua Sutherland Park will also be developed into an ultra-modern world class Park through a Public Private Partnership arrangement.



## Communication

Government, through the National Identification Authority, intends to pursue the implementation of the National Identification System.

All registered persons will be provided with a unique Identification Number, and an ID card free of charge which will be required to facilitate the efficient delivery of private and public services including financial services, m-commerce and revenue collection, among others.



## Transportation

The rail sector will be revamped to contribute to the development and the economic growth of the country. The completion of the railway lines will facilitate the haulage of manganese, bauxite, cocoa and other bulk commodities. Also, the lines will decongest the port and facilitate the movement of cargo.

The revamping of the system is to establish Ghana as a transport hub within the West African sub-region and also serve as a backbone to Ghana's economic development and growth.



## Business Development

Government intends to establish sector targeted Free Zones as a major driver for capital inflows and jobs for Ghanaians. This year, the preparatory work for attracting private investment into an Airport Free Zone (AFZ) will begin.

The AFZ will be purely a private sector investment with Government only facilitating the process.



## Other Policy Initiatives

Local Content Policy for government contracts and procurement will be pursued. This is intended to ensure that local companies are protected and at least 70% of Government projects and procurement are done by local companies.

Sole sourced procurements by Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) exceeding GH¢50 million will be subject to explicit approval by Cabinet before submission to Public Procurement Authority (PPA) for consideration and ultimate approval.

The National Pensions Regulatory Authority (NPRA) will be put under the Ministry of Finance and the Ministry of Employment and Labour Relations. NPRA will be weaned off in 2017.



The National Entrepreneurship and Innovation Plan (NEIP) will be focused on equipping and supporting small businesses.

The National Industrial Revitalisation Programme will be rolled out to minimise expenditure arrears. The programme will be aimed at ensuring that agreements and financial commitments which will bind the government for more than one financial year, or result in a contingent liability are not entered into unless approval is obtained by the Ministry of Finance and authorised by Parliament.

A Fiscal Council will be formed to enhance and ensure smooth implementation of fiscal policy.





# Other Programmes

## Institutional Development Programme

Under the office of Government Machinery, the Office of the Senior Minister has been re-introduced to create a supportive environment and provide stability, consistency, credibility and cross sector policy co-ordination as well as strategic direction to Government.

There will be creation of four new regions Western-North Region to be created out of the Western Region; Ahafo Region to be created out of the Brong Ahafo Region; Oti Region out of the Volta Region; and Eastern Corridor Region out of the Northern Region.

A Zongo Development Fund (ZDF) will be established to invest in education and training, improve infrastructure, target health and sanitation, support local businesses and centres of culture and arts, and community policing and

security. GH¢219.5 million will be allocated as seed money towards this initiative.

## Passport Administration Programme

The Ministry of Foreign Affairs launched an on-line passport application service which is currently available only at the Accra Passport Application Centre. Plans are advanced for a roll-out to cover other Regional Application Centres.

Government intends to upgrade the biometric passport to chip embedded biometric Passport.

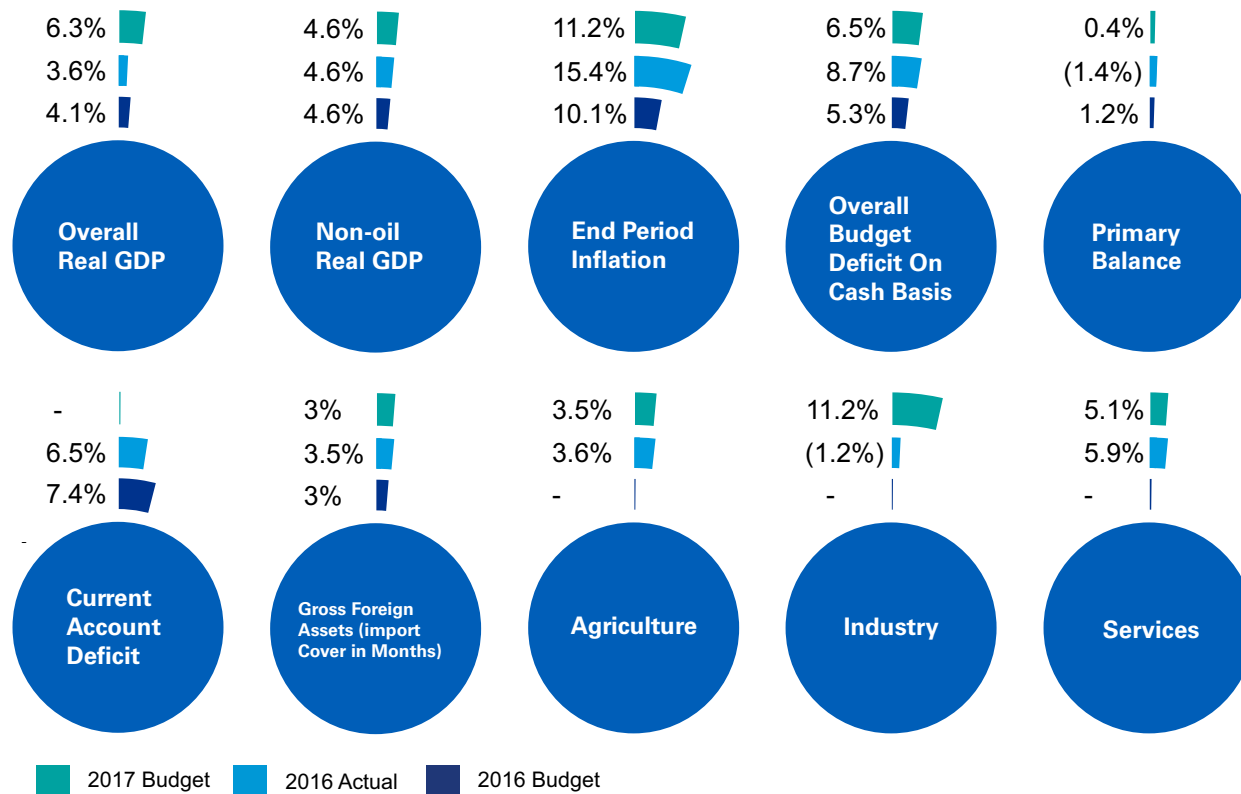
## Revenue Mobilisation and Management Programme

A Self-Assessment System will be piloted in five Small Taxpayer Offices in 2017. Electronic Point of Sales devices will be deployed by the third quarter of

2017 to ensure that VAT/NHIL collections are monitored on a real-time basis by the GRA to curb evasion and improve revenue collection.

Full implementation of the Excise Tax Stamp Act, 2013 (Act 873) will be carried out to boost revenue collection.

# Selected Economic Indicators



# Contact Us

## **KPMG**

Marlin House

13 Yiyiwa Drive

Ablenkpe

Tel +233 302 770454

Fax +230 207 8899

[info@kpmg.com.gh](mailto:info@kpmg.com.gh)

The above information has been extracted from the budget speech delivered by the Minister of Finance and Economic Planning, the Honourable Ken Ofori-Attah to the Parliament of Ghana on 2 March 2017.

The Budget proposals may be amended significantly before enactment. The content of this summary is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be taken.

© 2017 KPMG, a partnership registered in Ghana and a member firm of KPMG International, a Swiss cooperative. All rights reserved.