PROMOTING PROGRESSIVE TAXATION IN THE BUDGETING PROCESSES

An Analysis of the Tax Measures Announced During The Mid-year Review of the 2018 Annual Budget and the 2019 Annual Budget Statement and Economic Policy

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1.0 Introduction

This paper, which has been commissioned by the Tax Justice Coalition – Ghana (TJC – Ghana) with the financial support of ActionAid Ghana (AAG), sought to examine the tax policy initiatives and measures announced in both the Mid-Year Review of the 2018 Annual Budget and Economic Policy Statement and the 2019 Annual Budget and Economic Policy Statement as approved by Ghana's Parliament. To give legal backing to these policy initiatives and measures, some laws have also been enacted by Parliament.

ActionAid Ghana (AAG) is a National Non-Governmental Organization (NGO) working in the most deprived and marginalized communities in Ghana to promote human rights for all towards a world without poverty and injustice. It is a development organization and a member of a federation of countries that share the vision of “A world without poverty and injustice in which every person enjoys their right to a life of dignity”. More specifically, AAG's vision is that of “A just, equitable and sustainable world in which every person enjoys the right to a life of dignity, freedom from poverty and all forms of oppression”. Its Mission is “To work with poor and excluded people to eradicate poverty and injustice”.

TJC - Ghana, is a non-partisan, independent and voluntary association of individuals and Civil Society Organisations (CSOs) who recognize that the existence of tax injustice/unjust tax systems in Ghana and the world, at large, affects the ability of citizens (the tax payers), the government and allied institutions to effectively carry out their fiduciary role in the management of tax revenues in a just, coherent and honest manner. The Coalition exists to promote transparency, integrity and accountability as well as progressivity in the tax system aimed at ensuring tax justice, particularly in Ghana. TJC - Ghana, therefore, works at both the local and national levels to complement regional and continental efforts to deliver tax justice.

The Coalition understands the efforts government is making to mobilise domestic revenue for national development but also believes it must be done in ways that ensure the tax system is progressive and avoids overburdening the poor or creating significant unfairness in the tax system. In furtherance of this object, the Coalition with the generous support of Action Aid Ghana commissioned an analysis of the tax policies and measures announced in the 2018 Mid-year Review and the 2019 Annual Budget Statement and Economic Policy on the implications of the progressive and pro-poor objectives on citizens and businesses. The scope of the analysis covers the following areas:

1. The implications of the new National Health Insurance Levy (NHIL) and the Ghana Education Trust Fund (GETFUND) straight levies of 2.5% each on the poor and low-income earners.
2. The impact of the new income tax band
3. The impact of the luxury vehicle tax.
4. The new tax policy initiatives for domestic revenue mobilization.

However, other policy initiatives will also be examined if they are found relevant to the aims and objectives of the Tax Justice Coalition.

2.0 The Background to the Study

Less than two years into its administration, the NPP-led government realized that its overarching goal of macro-fiscal policy to deepen macroeconomic stability, grow the productive sectors of the economy, create jobs and ultimately move the economy 'Beyond Aid' cannot be achieved without a sustained focus on domestic revenue mobilization. This was especially more necessary when the government's fiscal policy is aimed at reducing the fiscal deficit to ensure debt sustainability without compromising growth. The government, therefore, found it necessary to introduce tax policy initiatives to enable it achieve this objective. However, the government itself expressed its doubts as to whether the initiatives may not be that appropriate and feasible for Ghana's evolving economy.

All the same, in July 2018, the Minister for Finance presented to Ghana's Parliament, a mid-year review of the Nana Addo-led New Patriotic Party (NPP) government's 2018 Annual Budget. In that Review, the shortfall in the revenues targeted for the year was captured as a worrying situation. To address this situation and to safeguard its fiscal policy objectives for 2018, the government presented a package of revenue measures to improve the "sluggish revenue performance" of the first five months of the year and to address the low non-oil tax-to-GDP ratio as compared to peer middle income economies.

This poor revenue performance was the reason why the government had to revise the 2018 fiscal outlook which reflected revenue and expenditure measures. Total revenue and grants fell short of the target of GHS18, 813.5 million (7.8% of GDP). Moreover and in spite of the fact that total expenditure fell below the targeted amount of GH¢24,553.0 billion (10.2% of GDP), there was a fiscal deficit, compelling the government to turn to inflows from foreign sources, including receipts from the 2018 Eurobond. This was in spite of the NPP's criticism of the Mahama-led National Democratic Congress (NDC) government of the high debt stock which the NPP promised to reduce if it won power. Notably, foreign financing constituted about 64.4% of total financing with domestic financing constituting 35.6%.

Furthermore, the abolition of some taxes and restructuring of others (e.g. the 17.5% VAT/NHIL on Financial Services, the 1% Import Duty on Spare Parts and the VAT on Real Estates, domestic airlines and some imported pharmaceutical products as well as a reduction of the Special Petroleum Tax), worked against the government's ability to mobilise enough revenues for its ambitious programmes. In fact, the government announced in its Mid-Year Review that, in 2017, it had reduced the tax burden by more than GHS 1 billion through the abolition and restructuring of these taxes.

The main force that drove the decision to abolish and/reduce the above taxes was the desire to honour a campaign promise. To taxpayers, this was a laudable decision. It was also easily done with the stroke of the pen not only because the ruling NPP has a majority in Parliament but also because Ghanaians, including Parliamentarians, do not like paying taxes. However, the negative impact of the decision on revenue mobilization quickly showed in revenue shortfalls as the government admitted itself that it had reduced the tax burden as stated above. Most of the taxes abolished and/or reduced were consumer-based taxes such as VAT. Clearly, the negative impact was obvious as taxes on goods and services recorded the highest share of tax revenues in Ghana in 2016 (35%) with VAT being the second-highest share of tax revenues of 29%[1].

The government's measures to counter the negative effects of the abolition and reduction of some taxes did not materialize immediately and are even yet to materialize. The only way out was, therefore, for the government to go for more external financing in the form of loans, and commercial loans at that, increasing the debt stock and its burden not only on current citizens but also on future generations. Furthermore, the government had to maintain some tax handles "in the short term" while efforts were being made to improve compliance. These tax handles included the National Fiscal Stabilisation Levy (NFSL) and Special Import Levy (SIL) which should have ended but have now been extended to the end of 2019. The government was also not able to reduce the corporate tax rate from 25% to 20% as promised in its 2016 Manifesto. The government rather increased the marginal personal income tax rate, first to 35% (in the Mid-Year Review), and later to 30% (in the 2019 Annual Budget) for the ordinary citizens who have no voice and campaign financing power. However, we are just pointing out that this was a failed promise but not a support of the promised reduction of the corporate tax rate from the current 25% to 20%. In fact, to enhance our domestic revenue mobilization efforts, it is rather necessary for the government to return the corporate tax rate to 35% and not continue to rely more on VAT or personal income tax although the personal income should also increase progressively.

[1]Revenue Statistics in Africa 2018 - Ghana http://www.oecd.org/countries/ghana/revenue-statistics-africa-ghana.pdf

Moreover, the government itself admitted that the success of the revised revenue initiatives and estimates was contingent on enhanced tax compliance and the materialisation of some other revenues such as property taxes and a yield from the capping of the Ministries, Departments and Agencies (MDAs') internally generated funds (IGFs) as well as a revision downwards of expenditures, mainly on "Goods and Services" and domestically financed "Capital Expenditure" (CAPEX). The Minister of Finance, therefore, proposed the following initiatives to address the tax compliance issues and increase domestic revenue:

- The conversion of the GET Fund VAT rate of 2.5% to a straight levy of 2.5%;
- The conversion of National Health Insurance Levy of 2.5% to a straight levy of 2.5%;
- The introduction of a new income tax band with a threshold of GHS 10,000 at a rate of 35% and the later increase of the band to GHS 20,000 with a lower rate of 30%;
- The imposition of a luxury tax on vehicles with capacity of 3.0 litres[2] and above;
- The intensification of tax compliance measures.

Having started implementing these policy initiatives for less than half a year, the 2019 Annual Budget Statement and Economic Policy Statement was laid before Parliament in November, 2018. The 2019 budget repeated, in some cases, but also outlined, a number of significant tax policy changes in a quest for increased domestic revenue. The Ministry of Finance announced that the Government will intensify tax compliance efforts aimed at plugging existing revenue leakages. According to the Minister, investigations show inbound leakages on goods arriving in the country, significant outstanding tax debts and tax audit issues such as limited coverage, low auditor productivity and low audit yields. The investigations also revealed abuse of suspense regimes in the areas of warehousing, transit trade, and free zones.

On the other hand, expenditures were generally lower than programmed although some overruns were observed on specific expenditure lines including "Use of Goods and Services" and "Wages and Salaries". This meant that the expenditures that government can control, discretionary expenditures, suffered. All the same, these operations resulted in a fiscal deficit of 3.0% of the rebased GDP compared to a deficit target of 2.6% of rebased GDP for the 9 months' period from January to September, 2018. This fiscal deficit was financed from both domestic and external sources, including a drawdown in government deposits with the Bank of Ghana and inflows from the issuance of the 2018 Eurobond.

In the 2019 Budget Statement and Economic Policy, the government restated its intention to use tax policy as a tool to stimulate investment and to shape economic behaviour by:

- Granting tax breaks to help position Ghana as a Higher-Education Hub by granting relief from corporate income tax paid by privately-owned and managed universities to the extent that profits are ploughed back to expand or maintain facilities.
- Granting tax incentives for Young Entrepreneurs through the National Entrepreneurship and Innovation Plan (NEIP) based on the number of persons employed by a start-up or early-stage business.
- Reviewing the merits of the Personal Income Tax proposals in the Mid-term Review.
- Abolishing income tax on the incomes of minimum wage earners.
- Abolishing the 7.5% income tax on the commission of lotto agents and removing VAT on lotto stakes to discourage people from engaging in illegal lottery.
- Implementing the Voluntary Disclosure Procedures (VDP) in the Revenue Administration Act, 2016 (Act 915) to waive penalty on voluntary disclosures and payment of unreported and understated taxes by taxpayers.
- Adopting the Alternative Dispute Resolution (ADR) mechanism to resolve tax disputes.
- Partial Monetization of Ghana's Gold Royalties to leverage the future wealth of this resource to support current developmental needs through factoring (an up-front payment instrument).

[2] In the law, this was reduced to 2,950 cc.

As a key civil society organization (CSO) stakeholder, the Tax Justice Coalition Ghana (TJC-Ghana),) finds it necessary to indicate its position on some of these policy initiatives and their impact on the people and the economy. This is why the TJC – Ghana has commissioned this analysis to enable it ask government questions, demand that it revisits some of the policy initiatives that it does not accept and endorse those that it finds appropriate.

3.0 The Tax Policy Initiatives of the 2018 Mid-Year Review and the 2019 Annual Budget

In most cases, tax reviews have always sought to plug loopholes in the legal framework of the tax system as well as the weaknesses in tax administration with the aim of enhancing national revenues. These reviews would usually involve the institution and adoption of policy initiatives and measures aimed at increasing national revenue for national development. However, there are also instances where tax reviews are aimed at re-directing economic policies towards refurbishing certain sectors, mainly the private sector. The issue with tax justice is whether all these policy initiatives and measures are appropriate for domestic revenue mobilisation without unduly harming the ordinary citizen. This analysis is going to examine some of the policy initiatives and revenue measures contained in the 2018 Mid-Year Review and the 2019 Annual Budget.

3.1 The Fairness of the New Income Tax Band (Personal Income Tax)

In the 2018 Mid-Year Review, the government introduced an additional Personal Income Tax band for persons earning incomes in excess of GHS 10,000 per month (GHS 120,000.00 per year) to attract a 35% tax rate. However, this was revised in the 2019 Annual Budget, when the government reduced the rate to 30% for persons earning a monthly income above GHS 20,000 (GHS 240,000 per year) due to complaints from various sectors of the society, including Members of Parliament, the people's representatives who should rather be supporting the more progressive income tax system as inequality in the country is widening[3]. The revised tax rates based on the proposals in the 2019 Annual Budget are shown in Table 1 below.

Table 1: *The Current Tax Bands and Rates*

No	Tax Rates	Monthly Income	Tax	Annual Income	Tax
1	0%	288.00	0	3,456.00	0
2	5%	100.00	5	1,200.00	60
3	10%	140.00	14	1,680.00	168
4	17.5%	3,000.00	525	36,000.00	6300
5	25%	16,472.00	4118	197,664.00	49,416
6	30%	Excess of 20,000.00		240,000.00	
Total			**10,662**		**127,944**
8	25%	Corporate tax			

The current five (5) income tax band and the graduated rates for individuals are rather narrow and need to be flattened and expanded. One would have also expected the bands for the 5% and 10% tax rates are higher than the band for the 0% rate, such as next GHS 800.00 per month at 5% and the next GHS 1,000.00 per month at 10%. However, it rather pushes the majority of income earners right from the 0% band to the 17.5% band. It is, therefore, important that the government revises the income bands and flattens them to cover eight income bands for rates such as 0%, 5%, 10%, 15%, 20%, 25%, 30% and 35%. With this, the marginal tax rate for individuals will be 35% and this should equally apply to the corporate sector with a corporate tax rate 35%.

[3]Edgar Cooke, Sarah Hague & Andy McKay, 2016, The Ghana Poverty and Inequality Report, Using the 6th Ghana Living Standards Survey.

This will make it more progressive than the current bands. The lower paid workers are suffering from the current tax rates and the bands that go with them. The tax reliefs are also largely insignificant, especially when they are considered on a monthly basis, as they are too narrow and insignificant at the level of the low income earners.

Moreover, raising the marginal tax rates for individuals to 30% and remaining silent about the corporate tax rate is definitely not fair and progressive as companies earn incomes in thousands and millions of Ghana cedis but are required to pay taxes at much lower rates than individuals. The government remains silent about the corporate tax rate probably because it cannot convince the key stakeholders of an increase or it will be seen as reneging on its campaign promise. However, it must be noted further that companies in many sectors also enjoy concessionary corporate tax rates and/or other concessions which bring their tax rates even lower. The tax system will be more equitable if the corporate tax rate is pegged at 35% and the concessionary rates minimised.

It is instructive to look at the corporate tax rates of some African countries which have similar economic profiles although there does not appear to be any specific pattern. The countries with higher corporate tax rates definitely want to attract foreign direct investments (FDIs) but they understand that they also need tax revenues for their development and that of their people. They may also be taking into consideration the need for a progressive income tax system. While Gabon and Kenya have the same corporate tax rate as the marginal individual tax rate, Gambia, Nigeria and Angola, have lower marginal individual tax rates than the corporate tax rates as we are advocating here. Of course, there are also some African countries, such as South Africa and Zambia with lower corporate tax rates as compared to marginal tax rates for individual taxpayers. This makes it necessary for Ghana to look at its own circumstances and decide the best approach.

Table 2: *Tax rates of Some African Countries*

No	Country	Corporate tax rate	Marginal Individual tax rate
1	Benin	35%	N/A
2	Gabon	35%	35%
3	Burundi	35%	N/A
4	Namibia	32%	37%
5	Cameroon	31.5%	35%
6	Gambia	31%	30%
7	Nigeria	30%	24%
8	Kenya	30%	30%
9	Angola	30%	17%
10	Burkina Faso	27.5%	N/A
11	Zambia	35%	37.5%
12	South Africa	28%	45%

Table 3 below demonstrates the effect of the new tax bands on the government's revenues and also on the individual taxpayer with a monthly income of GHS 30,000.00. Even though the government portrays the reduction of the marginal tax rate from 35% to 30% for individuals as a relief, some analysts do not see it as such because it was unwelcome in the first place[4].

With the pre-Mid-Year Review (January, 2018), a tax payer earning GHS 30,000.00 would have been paying a total tax of GHS 7,162.00 which comes to 23.9% of his/her income. However, with the Mid-Year Review,

[4]Ali-Nakyea & Associates. Budget Tax Highlights and Commentary 2019 Budget Statements and Economic Policy, November 2018

the same tax payer was expected to pay a total tax of GHS 9,162.00, that is 30.5% of his/her income at a marginal tax rate of 35%. With the 2019 Budget and the revised tax bands, the same taxpayer will now have to pay a total tax of GHS 7,662.00 (25.54%), a great relief from the previous rate where he/she was expected to by paying more. The effect is that the government will now be receiving less revenue while the individual is saving GHS 1,500.00 at the 30% rate. It should be noted that the 2019 Annual Budget revision of the income tax brackets has granted two concessions:

- the rate has reduced from 35% to 30%; and,
- the tax band too has been moved upwards from GHS 10,000.00 at 35% to GHS 20,000.00 at 30%.

Table 3: The Effect of the Change in Tax Bands on Taxpayers

Tax Rate	January 2018	Tax	Mid-Year Review	Tax	2019 Annual Budget	Tax
0%	288	0	288	0	288	0
5%	100	5	100	5	100	5
10%	140	14	140	14	140	14
17.5%	3,000	525	3,000	525	3,000	525
25%	26,472	6618	6,472	1,618	16,472	4,118
30%	N/A	N/A	N/A	N/A	10,000	3,000
35%	N/A	N/A	20,000	7,000	N/A	N/A
Total	**30,000**	**7,162**	**30,000**	**9,162**	**30,000**	**7,662**
Difference	N/A	N/A	N/A	2000	N/A	(1500)
Percentage of Income	**N/A**	**23.9%**	**N/A**	**30.5%**	**N/A**	**25.54%**

Whatever the case, both scenarios show that the government will earn more taxes with the higher tax rate of 35% and 30%. However, from Table 3 above, in both cases, the taxpayer will be paying more in taxes, leaving him with less disposable income. Before the Mid-Year Review, the taxpayer would have been left with a disposable income of GHS 22,838.00 while after the Mid-Year Review, he/she would have been left with GHS 20,838.00. However, with the change that came with the 2019 Annual Budget, the taxpayer would have been left with GHS 22,340.00 as his/her disposable income. Of course, you would not be considering somebody earning an income of GHS 30,000.00 a month a poor person. The changes in the tax bands may, therefore, not have any impact on the poor as the incomes of the poor fall outside the new bands. However, to maintain the progressivity of the Income tax system, it is proposed that the tax bands be flattened and extended to cover 8 income tax brackets as shown in the table below. The current tax brackets can remain as provided but persons earning higher than GHS 30,000.00 a month or GHs 360,000.00 a year should be put on 35%. If the GRA conducts a PAYE audit in various institutions and insists that all (both cash and in-kind) allowances are taxed, a good number of employees would be captured in this tax bracket. This will make the rich pay more and avoid unduly overburdening the poor and low income earners. The government will also receive additional tax revenues. Definitely, it is unfair for a person earning GHS 30,000.00 a month to pay tax at the same rate as somebody earning GHS 100,000.00 a month.

Alternatively, the amounts in the income bands could be adjusted in favour of the poor and low income earners alongside the proposed adjustment of the rates to 0%, 5%, 10%, 15%, 20% and 25%". This is to the extent that corporate tax rate is still 25%. If, however, the corporate tax rate can be increased to 35% then, of course, the personal income tax rate can also go up to 30%.

In the end, the income tax system will become more progressive and the inequality will be narrowed, especially if the government can stretch its hand to enforce the tax on allowances and other incomes that currently escape the tax collector.

Table 4: *The Proposed Income Tax Bands and Rates*

No	Rate	Income		Tax	
		Monthly	Annual	Monthly	Annual
1	0%	First 288.00	3,456	0	0
2	5.0%	Next 289 - 812	3,457 - 9,744	14.45	173.40
3	10.0%	Next 813 – 2,000	9,745 - 24,000	81.30	975,60
4	15%	Next 2,001 – 2,500	24,001 - 30,000	300.15	3,601.89
5	20.0%	Next 2,501 – 3,200	30,001 - 38,400	500.20	6,002.40
5	25.0%	Next 3,201 – 10,000	38,401 - 120,000	800.25	9,603.00
6	30.0%	Next 10,001 – 30,000	120,012 - 360,000	3,000.30	36,003.60
7	35.0%	Exceeding 30,000	360,000	10,500.35	126,004.20
8	35.0%	Corporate tax	??	??	??

The Minister also announced in the 2019 Annual Budget that the Minimum Wage will be exempted from income tax but this is not new as it defines the first income band for tax purposes at 0%. In 2017, it was equally pegged with the minimum wage. It is, therefore, in order that, with occasional changes or increases in the minimum wage, government does this in order to prevent minimum wage earners from entering into the tax bracket, which in their circumstance, might be a huge financial burden on the very little that they earn. However, it is still commendable that the minimum wage has remained tax exempt. This also means that all other citizens earning incomes equal to the minimum wage and below are exempt from paying income tax.

In conclusion on this section, the gap between direct and indirect taxes can be largely eliminated with some of these proposals but progressivity could be further improved by measures to increase direct taxes further by continuously ensuring that both Personal Income Tax (PIT) and Corporate Income Tax (CIT) collection increases, including efforts to ensure that those eligible to pay, do so while increasing the corporate tax rate as suggested above, reduce corporate tax avoidance and/or reduce tax exemptions for companies.

3.2 The Introduction of a Luxury Vehicle Levy

As part of the tax policy initiatives and measures to enhance revenues proposed during the 2018 Mid-Year Review, Ghana passed the Luxury Vehicle Act, 2018 (Act 969) to come into force on 1 August 2018. This levy is imposed on motor vehicles as follows:

- Engine capacity 2950cc – 3549cc: Levy GHS1,000.00 per year;
- Engine capacity 3550cc – 4049cc: Levy GHS1,500.00 per year;
- Engine capacity 4050 cc and above: Levy GHS2, 000.00 per year.

This levy is payable by owners of motor vehicles on the date of the first registration and subsequently upon renewal of the annual roadworthy certificate of the motor vehicle as well on existing motor vehicles registered prior to the Act coming into force. However, the levy does not apply to tractors, ambulances, commercial vehicles that have the capacity to transport more than ten persons and commercial vehicles for the transportation of goods. However, it should be noted that the exemption from the luxury vehicle tax does not include pick-up trucks many of which are used for commercial purposes, a situation that could adversely affect CSOs and agro-based industries most of which use these pick-up trucks for their work.

Much as the levying of taxes on wealth and property is commendable, the introduction of a luxury vehicle levy has problems of double taxation and an additional cost to the user. Importers of luxury vehicles already pay very high taxes on these vehicles in the form of import duty and import VAT at the ports of entry. Besides, there are already some taxes on vehicles, in general, which are paid during the renewal of

roadworthiness. This imposes double burden on the car owner. It is, therefore, unfair to levy an additional tax on the vehicles. Moreover, high capacity vehicles also consume more fuel and, therefore, attract higher petroleum taxes than other cars. Thus, the users of high capacity vehicles already compensate for the social costs involved in the use of such cars, such as increases in the overall carbon footprint of the country and its effect on the country's balance of payments. Moreover, various governments in Ghana have demonstrated a preference for high capacity vehicles, which will defeat the policy as such vehicles do not attract taxes.

Besides, the tax affects persons who acquired such vehicles before the introduction of the tax but these persons might have not purchased such cars if they knew they would be paying tax on the cars. In any case, under article 107(b) of the Constitution, laws should not be made to have retrospective effect on citizens, especially if they are negative. Finally, the tax is likely to promote the use of fake road worthy certificates (a form of smuggling) as the Police may not have the necessary equipment to check the genuineness of the certificates.

As the name of the tax implies, it is possible that the luxury vehicle tax may not have any direct impact on the poor and marginalized in society as they cannot afford such vehicles. However, there are some charity organizations and CSOs who use so-called “luxury” vehicles because they are necessary to reach out to the deprived parts of the country which have very bad roads but need to be provided certain basic services. In some cases, such vehicles are donated by philanthropists who do not know about Ghana's new law.

3.3 The Implications of the Conversion of NHIL and GETFUND VAT to Straight Levies

As part of the proposals to deal with the low revenue performance in both 2017 and mid-2018, the government proposed and got the following laws passed to restructure the Value-added Tax system in Ghana to come into force on 1 August 2018:

- The Value Added Tax (Amendment) Act, 2018, Act 970
- The National Health Insurance (Amendment) Act, 2018, Act 971
- The Ghana Education Trust Fund (Amendment) Act, 2018, Act 972.

The laws maintained an exclusive VAT rate of 12.5% for standard rated taxable supplies while imposing straight levies of 2.5% each for the National Health Insurance Levy (NHIL) and the GETFund. These levies are, therefore, not subject to input tax deductions.

The effect of the new structure is that, whiles the total of VAT plus levies will remain at 17.5%, suppliers will only be able to deduct the 12.5% VAT component on purchases while the 5% NHIL and GETFund levies paid on purchases will be treated as part of business expenses. Although wholesalers and retailers of goods under the VAT Flat Rate System (VFRS) are not affected by this restructuring, the standard rated suppliers such as manufacturing, services and rental businesses will all be affected.

Thus, in spite of the government's promise of a “no increase in VAT”, the 2018 Mid-Year Review ended up increasing the VAT by making some aspects of the VAT straight levies. Thus, through a complicated system that took time for most Ghanaians to understand, the government decoupled the GETFund and NHIL from the Input-Output VAT mechanism and converted them into straight levies with rates remaining at 2.5% for each of them. The decoupling of the contributions to the National Health Insurance Fund and the GETFund portion of the VAT into separate Health and Education Levies is another way of increasing the VAT rate. The policy also defeats the VAT Flat Rate System (VFRS) policy which reduced VAT to 3% for several VAT qualified persons. The government's admission that the initiative will increase the budget for health and education is also an admission of an increase in the VAT rate but also the fact of the matter as demonstrated in the tables below:

Table 5: *The Effect of the Straight Levies (not including other taxes at the ports)*

The Importer	Straight levies	Old system of VAT (17.5%)	Increase in costs
Costs of Goods imported	1,000.00	1,000.00	00.00
GETFund Levy (2.5%)	25.00	N/A	25.00
NHIA Levy (2.5%)	25.00	N/A	25.00
Total taxable cost	1,050.00	1,000.00	50.00
VAT (12.5%)	131.25	N/A	N/A
VAT (17.5%)	N/A	175.00	N/A
Total VAT payable	181.25	175.00	6.25
Total cost go ods to the Importer	1,181.25	1,175.00	6.25

From the above table, the total VAT (including the straight levies) amounts to GHS 181.00 but with the previous system, the VAT would have been GHS 175.00, a difference of GHS 6.25. This computation has not added the impact of the profit margin of the importer which will further increase the cost/price of the goods and, hence, the VAT. The government will earn an additional tax revenue of GHS 6.25 and the consumer will end up paying a higher price (GHS 6.25) for the good.

Table 6: *The Effect of the Straight Levies at the Wholesale level*

The Wholesaler	New VAT with Straight levies	Old VAT system (17.5%)	Increase in costs
Total purchase price	1,181.25	1,175.00	6.25
GETFund Levy (2.5%)	29.53	N/A	29.53
NHIA Levy(2.5%)	29.53	N/A	29.53
Total Taxable cost	1,240.31	1,175.00	65.31
VAT (3.0%)	37.21	35.25	N/A
Total VAT payable	96.27	35.25	61.02
Total cost of goods	1277.52	1,210.25	67.27

Table 6 shows the situation when it comes to the next stage of the supply chain. The increase in the cost of the goods amounts to GHS 67.27 and an increase of GHS 61.02 in VAT payment. The government has earned an additional revenue of GHS 61.02.

Table 7: *The Effect of the Straight levies at the Retailer level*

The Retailer	New VA T with Straight levies	Old VAT system (17.5%)	Increase in costs
Total purchase price	1,277.52	1,210.25	67.27
GETFund Levy (2.5%)	31.94	N/A	31.94
NHIA Levy (2.5%)	31.94	N/A	31.94
Total Taxable cost	1,465.12	1,210.25	131.15
VAT (3.0%)	40.24	36.31	3.93
Total VAT payable	104.12	36.31	67.81
Total cost of goods	1,381.64	1,255.56	126.09

From Table 7 above, with the new system, the total VAT (including the straight levies) has gone up by 12.61%. This has resulted in an increase in the cost of the goods imported of GHS 381.64 (38.16%). However, with the old system, the increase attributable to VAT would have been 255.56 (25.56%). When the profit margin of the persons alongside the supply chain is added, the VAT and the price of the goods will go up further. It should be noted that, in 2017, the government amended the VAT Act 870 by introducing the

VAT Flat Rate System, which exempted several qualified VAT persons. One might say that, having realized the huge loss of revenues as a result, the government has found a subtle way of returning to the original position, by introducing the 5% straight levies. The impact would have been unbearable if the standard VAT rate of 12.5% applied to all qualified persons.

To illustrate further, a real life example is shown in the Table below with a real invoice from a car servicing company which levies the VAT at the flat rate of 3% for the servicing of a car.

Table 8: *An Example: Car Service Bill*

No.	Goods/Service	Cost	VAT calculation
1	PML PM Light Service	165.00	165.00
2	Oil Engine Oil	146.58	146.58
3	Sundries	30.00	30.00
4	ZC Mechwwt303	7.41	7.41
Insert	**Total VAT taxable cost**[5]	**0.0**	**348.99**
5	**NHIL (2.5% of 348.99)**	**0.0**	**4.87**
6	**GETFL (2.5% of 348.99)**	**0.0**	**4.87**
7	TS 90915 Oil Filter	47.24	47.24
8	TS 90930 Sump Plug Washer Gas	4.12	4.12
Total		**400.35**	**410.09**
	VFRS (3%)	12.01	12.30
Grand total		**412.36**	**422.39**
Total VAT paid (NHIL + GETFund + Standard VAT)[6]			**22.04**

Source: *A Car Maintenance Company*

The company levied NHIL at 2.5% and the GETFL at 2.5% on the cost of its services and added them to the total cost before levying the tax at 3%. The straight levies total up to 5% which is higher than the actual VAT of 3% and brings the total VAT to 8% even if one ignores the cascading effect. One can imagine the impact on the cost if the company was levying the VAT at 12.5%.

Overall, making the two levies stand on their own as straight levies is impacting negatively on the costs to businesses as it deprives them of input recovery while having a cascading effect on the prices of the goods and services it has provided. Much as this subtly enables government to raise additional revenues across board, it will definitely lead to price increases and, hence, inflation. The poor in society will continue to pay more for their goods and services, especially as there are no signs of incomes also going up. Alternatively, the government will need to expand the exemptions to cover more of the basic goods consumed by the poor and marginalized in society. It is also worth noting that, with the expansion of the VFRS, it has turned out that department stores like Melcom now levy lower VAT than some small retail stores, putting the latter at a disadvantage.

In conclusion of this section, it is necessary to ensure that the poorest people are not hit by high indirect taxes and that women are not disproportionately affected while raising the needed revenues. The focus of indirect taxes should, therefore, be on luxury items and government should consider reinstating VAT on products and services which are not basic essentials for/to poor people, such as financial services, domestic air travel and sale of immovable property by real estate developers.

[5]Inserted by Author.
[6]Inserted by Author

4.0 The Decision to Intensify Tax Compliance

In order to justify its tax policy initiatives, the government's 2019 Annual Budget Statement and Economic Policy Statement listed many infractions of the tax laws that need to be addressed such as deliberate undervaluation of import values, the ex-warehousing of imports from the bonded warehouses without prior payment of customs taxes, the suppression of sales, the non-issuance of VAT receipts for registered VAT businesses, the diversions of goods cleared as transit goods into the domestic market and many other irregularities. These are instances of tax evasion which should be prosecuted. The government must proceed to prosecute persons involved in such crimes even without alerting them. Prosecution of tax defaulters and recovery of tax debt must be a continuous process and the government must take this up seriously. The Ghana Revenue Authority (GRA) has an investigative unit as well as a legal unit to handle these issues and they must earn their keep. Preparing files for legal action against big tax defaulters should not be news and included in an Annual Budget.

Moreover, corruption in tax administration is a serious challenge that must be addressed and implementing and/or speeding up the implementation of various automated systems to reduce human involvement in tax administration will be most welcome.

The 2019 Annual Budget Statement and Economic Policy lists a number of proposed tax measures to counter the results of the reduction and abolition of certain taxes in 2017. These measures include broadening the tax net by simplifying payment of taxes through different routes under the guidance of GRA, the elimination of paying for government services with cash, requiring that citizens show their taxpayer identification number (TIN) before accessing social services like free health care under the National Health Insurance Program, free secondary school education under the Free Senior High School (SHS) program. Other services that require the production of the TIN include vehicle licensing and registration, passport services, banking service as well as mobile money services. The Budget also proposed reforming the revenue collecting institutions and intensifying compliance measures all aimed at broadening the tax net.

4.1 Tax Compliance Measures

According to the 2019 Budget, the government has taken steps to enhance performance of the Ghana Revenue Authority such as the automation of systems, plugging of leakages, improving tax compliance and administration, reviewing of taxes and promoting changes in the taxpaying culture while widening the tax net and making it fairer, simpler and convenient for citizens to meet the obligation of contributing towards national development. These measures were expected to improve the efficiency of tax administration, reduce costs of collection and enhance taxpayer services but the effects of these efforts are yet to be seen as there have been shortfalls in the revenue targets in both 2017 and 2018. The 2019 Annual Budget and Economic Policy Statement admits that revenue targets for the first three quarters of 2017 and 2018 were missed by about 6.4% and 9.5% respectively. The revenue shortfalls in 2018 were mainly as a result of gaps in non-oil tax revenue and non-tax revenue. Specifically, shortfalls from domestic and external VAT alone constituted about 81% of the total shortfall in tax revenue, predominantly driven by low non-oil import CIF (Cost, Insurance and Freight) and large import exemptions.

The revenue shortfalls can also be attributed to Ghana's dwindling taxpaying population. In its analysis of the 2019 Annual Budget, Ali-Nakyea & Associates (2018) expressed concern about the dwindling tax paying population. According to the tax firm, Ghana has moved from a tax payer population of four million qualified persons in 2016 out of which 2.5 million were complying to a taxpayer population of 4.5 million in 2017 with only 1.5 million complying, to 6 million potential taxpayers with only less than 1.5 million complying. Thus, while the tax payer population is increasing, the actual registered tax payer population is falling which means the more taxpayers we have, the less compliance we have, hence low tax revenues. The

Commissioner General has also lamented about the 1.2 million Ghanaians paying taxes to provide for 27 million Ghanaians.[7] However, the situation can partly be attributed to the promises and actions of the government of the day such as the granting of tax exemptions, abolition of some taxes and failure to pursue tax defaulters. Addressing the situation requires more and tougher action by the government. The next section provides an analysis of the tax policy initiatives and other measures that the government has proposed from a CSO point of view.

4.2 Effective Use of Withholding Tax Policy and Making Use of Third-party Data

The government has admitted that there are a number of databases sitting both in the private and public sector, including the DVLA, the Lands Registry, the Courts, the Financial Institutions, the Law Enforcement Agencies, SSNIT and now the Ghana Card that can be used to build a database for tax administration purposes and to rope more persons into the tax net and tax them accordingly. It has, therefore, decided to make use this information. The government has also indicated its intention to more effectively make use of the withholding tax policy to pursue tax evaders and broaden the tax net.

These are welcome decisions. However, audits on withholding taxes, such as PAYE, VAT, National Fuel Stabilization Levy (NFSL), rent tax, among others, to ensure compliance should go beyond auditing just the relevant institutions and agencies to use hidden information of the audit reports of the MDAs, MMDAs and SOEs, to track down and pursue tax evaders. The GRA has not even adequately taken advantage of the information already at its disposal such as the withholding tax collections. Appropriate tax credit receipts should be issued to the beneficiaries of the withholding taxes and used to pursue them for registration with the GRA, the filing of Tax returns and the payment of appropriate taxes at the end of the year. Unfortunately, the withholding taxes are not done in some cases and the withheld taxes are sometimes not promptly paid to the GRA. When it comes to the issue of the Tax Credit Certificates, there are unnecessary delays and some of them remain at the sources of payments and never get collected by the beneficiaries. One, therefore, wonders how effective the third party data would be used when the GRA is not adequately using information in its custody to pursue tax payers.

Moreover, many of the listed institutions have not cooperated effectively with the GRA while the GRA does not seem to be reaching out to them for the relevant information. State institutions that hold information or data that can help the GRA in its revenue mobilization efforts should be compelled to release such data to the GRA for capturing income earners to enable them contribute their quota to the tax revenue. Data from third party sources should have been utilized a long time ago to boost revenue.

4.3 Tax Education

The government has also proposed intensifying tax education and calling for responsible citizenship. Tax education must be intensified and made a regular part of the work of the GRA. This also requires that all tax offices are given the necessary logistical support to carry out their education activities on a regular basis and not wait for the Head Office to come around once in a year for such activities. This is imperative if we expect more potential taxpayers to register with the GRA and meet their tax obligations while emphasizing the need to avoid penalties and prosecution for defaulters.

The mere call by the government for responsible citizenship and efforts to make it clear that citizenship goes with responsibilities does not seem to be a successful approach. Thus, the intensification of tax and civic education must go with the proposed innovative ways to widen the tax net and to bring in the huge informal sector into the net. This can be partially achieved by making informal sector taxes more progressive, in particular, by introducing or increasing thresholds below which individuals and businesses don't pay while maintaining an overview of informal sector taxation and reducing multiple taxation.

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[7] <http://www.ghanalive.tv/2017/11/04/1-2-million-pay-taxes-provide-27-million-ghanaians/

Moreover, tax education will be effective and enhance voluntary compliance only if the social compact between government and the citizens materialises. The government must meet its commitment to provide the citizenry with basic social interventions and services to improve their livelihoods and, in return, insist that the citizens pay their taxes and meet other citizen obligations. Finally, tax education must specifically target the youth who are Ghana's future. In fact, there have been calls in the past by civil society to introduce Taxation (and civic education) as a subject in Ghana's education system at all levels.

For tax education to be more effective, more collaboration and mobilization at the local level is necessary to link it to the national level taxation laws and tax administration. This could lead to a very strong movement on taxation in Ghana. Furthermore, to enhance the effectiveness of tax education, it would also be important for local GRA offices to identify and publicly "acknowledge local tax champions" based on good corporate citizens as a means to inspire others.

4.4 The Taxation (Use of Fiscal Electronic Device) Act, 2018 (Act 966)

Ghana passed the Taxation (Use of Fiscal Electronic Device) Act, 2018 (Act 966) ("FED Act"), which makes it mandatory for all VAT registered businesses to install approved Fiscal Electronic Devices at their premises to track VAT sales and purchases. There is no gainsaying that there is a need to monitor VAT collection and payments to the GRA as several businesses are either not registered or not collecting and paying the appropriate taxes to the GRA. The government announced that the implementation of the Taxation (Use of Fiscal Electronic Device) Act, 2018 (Act 966) will begin in the last quarter of 2018. However, the Fiscal Electronic Devise system itself is not necessarily a panacea to the leakages in VAT collection. The physical but unannounced visits and/or presence of GRA officials at the VAT payable businesses must be a necessary and regular part of the measures to curb VAT evasion. The government must also make it easy for businesses to register for the VAT, including making it possible for them to register in "ALL" GRA offices spread across the country and allowing these offices to monitor and receive VAT payments. Furthermore, the imposition of penalties and prosecutions to collect all outstanding taxes will not only rake in more revenues but also scare others from engaging in fraudulent acts and promote voluntary compliance.

4.5 Introduction of Cargo Tracking Note (CTN)

The introduction of the Cargo Tracking Note (CTN) system is a welcome measure. In spite of the resistance by some of the key players, the GRA must strictly enforce this system and not yield to the pressures of these persons who might have been benefiting from the current system and might have been contributing to the loss of some government revenues as a result.

4.6 Downstream Petroleum Monitoring

In the 2019 Annual Budget and Economic Policy Statement, the government, in admitting that there are key challenges facing the government in optimizing mining revenues for the state including problems with the verification, assessment and collection of what is due the state, proposed new measures to enforce existing legislation and regulations. This is to complement work by previous governments to address the existing "loopholes, escape hatches, implementation weaknesses, and administrative lapses". More specifically, the government proposed a number of strategies to be adopted, including scrutinising the quantity and quality of minerals produced for tax purposes, curbing systemic undervaluation of royalties and profits, tightening foreign exchange repatriation, and capitalizing Tax Expenditures (Exemptions) and recognizing them as additional government equity holdings in mining companies, among others. The decision of the GRA, in collaboration with the National Petroleum Authority (NPA), to use a common platform to report on oil liftings is a welcome policy and should be implemented with the vigour it deserves.

In the 2019 Annual Budget Statement and Economic Policy, the government also announced its intention to simplify the collection of withholding tax for both small scale mining operators and tax authorities. In this direction, the point of collection of the tax will be shifted to the point of export. This decision obviously

depends on the government's ability to adequately police its borders so as to prevent smuggling these minerals which is a nagging challenge facing the revenue collection institution.

The natural resource sector is an area that can yield huge revenues for the country if the loopholes, implementation weaknesses, etc. identified are addressed adequately. It is, therefore, a welcome decision by the NPP government. However, it is strange that tax expenditures will be capitalized and turned into equity for the country, making the tax a deferred payment. This policy must be revisited as it will not only face resistance but may also not meet international best practices.

4.7 Use of electronic systems to identify taxpayers

Globally, many countries are far ahead with computerisation of their governance systems, including tax administration. It is, therefore, a welcome development if the GRA uses big data analytics to identify and register additional taxpayers, thus improving filing rates and revenue receipts. The Total Revenue Integrated Processing System (TRIPS) is aimed at ensuring this and must cover all GRA offices in the country as this can help to enhance voluntary compliance. The measurement of results is always necessary after a new policy measure has been introduced and implemented. For taxation, the cost of collection is very important and the government is expected to monitor the additional revenues as a result of this, not only in terms of actual revenues but also of the number of taxpayers roped into the tax net.

The government's introduction of the Tax Identification Number (TIN) will enhance the electronic system used to identify potential taxpayers, broaden the tax base and increase domestic revenues. In this direction, the government has pledged to strengthen the policy by applying sanctions to state and private entities that fail to enforce the TIN requirements. This is a laudable measure and a sure way of broadening the tax net whereby enforcement becomes the order where compliance fails.

The GRA and the Registrar-General's Department (RGD) must make it easier and faster for the issuance of the TIN to persons who wish to voluntarily acquire it. It should be possible to acquire the TIN in all offices of the GRA and the RGD wherever they exist and not be limited to a few offices only. However, the government's decision to tag the TIN to the provision of social services and benefits provided by the state such as the Free SHS will tend to deprive many people of these services, particularly the poor and disadvantaged rural population and should be avoided.

The use of mobile money applications to ease tax payment should also be explored. In recognition of the susceptibility of mobile money payments to fraud, it is recommended that public education on how it is to be utilized in tax payment would be necessary to mitigate such risks.
The revenue agencies should also be more responsive to enquiries and other needs of taxpayers. There are experiences where requests were made about status of TIN of some organizations yielded no response. The use of electronic technology should be able to improve the responsiveness of tax agencies to enquiries by taxpayers.

4.8 Reforming the Revenue Collection Agencies

In the 2019 Annual Budget Statement and Economic Policy, the government announced that it plans to reform the revenue institutions by retooling the GRA and the National Lottery Authority (NLA) for the critical task of mobilizing revenue, including improving the quality of the leadership of GRA and boost the performance, responsiveness and work ethics of the entire GRA workforce. The reforms will also include addressing the irregularities and revenue leakages arising out of the dishonest behaviour of revenue officers whereby government will prosecute offending revenue officers for criminal collusion with unscrupulous tax payers. These are laudable measures and should be adopted. However, the position of the Commissioner General and other top management positions would need to be made semi-autonomous in order to enable the occupants pursue their mandates without fear or favour.

4.9 Internally Generated Funds (IGFs) of MDAs

The government proposes an improved governance of IGFs of the MDAs and all statutory and constitutional bodies by bringing them under greater scrutiny of Central Government. This will be done by requiring that all MDAs lodge their fees and charges in full at the Bank of Ghana (BoG), which will then in turn transfer the retainable share to the relevant MDAs.

There is definitely a need to streamline the collection of IGFs by the MDAs not only to ensure maximum collection but to also ensure the effective and efficient use of the IGF so collected in order and promote transparency and accountability. There appears to be too much discretion in the use of these IGFs by some MDAs in setting terms and conditions of service for their employees and directors as well as deciding what events to support which leaves much to be desired. Institutions set up by the government with public funds must not be left to determine how they use the resources generated by them. There must be strict rules and regulations governing their use as well as streamlining certain regular payments to employees and other officials and provision of support to certain groups in the form of social responsibility. Some MDAs allegedly share their IGFs in the forms of staff bonuses, allowances, etc. Moreover, encouraging the use of the new Public Financial Management template by the MMDAs and displaying them publicly as required can serve as a great incentive for citizens to voluntarily pay their taxes.

4.10 Deployment of Nation Builder's Corps (NABCO)

The decision to use NABCO officers to assist in the implementation of the tax measures, including identifying and registering potential taxpayers, the issuance of the Tax Identification Number (TIN), collection of property rates and follow up on tax debtors, needs to be revisited. The GRA and some Metropolitan, Municipal and District Assemblies (MMDAs) have complained of lack of or inadequate qualified revenue collectors but the vacancies must be filled with qualified and trained officers who are assured of a security of tenure and motivated to work while resisting corruption.

Tax collection is a specialized job that requires, first, background checks to ensure that employees have the requisite basic educational qualification and are people of integrity. Secondly, they must then be trained not only on the tax laws and how to implement them but also on how to deal with people in general, and recalcitrant taxpayers, in particular. Thirdly, the employees must be made permanent employees and are assured of security of tenure and not temporary employees who know that after a year or two they will be thrown back into the pool of unemployed youths. Moreover, the proposal to make the group a pool of officers from whom government could recruit substantive officers to support revenue mobilisation raises concerns as the selection of these officers tends to partisan in nature and not on merit.

4.11 Review of Tax Exemptions

The decision to review the tax exemption regime is not only a welcome decision but also imperative if the government hopes to increase its tax revenues for national development. The government has finally admitted that the numbers on tax exemptions in Ghana's economy are disturbing. The 2019 Budget stated that, in the last eight (8) years, tax exemptions (import duty, import VAT, import NHIL and domestic VAT) in the economy have grown from GHS 91.90 million (0.9% of GDP) in 2010 to GHS 5,269.99 million (2.6% of GDP) in 2017. According to the Budget Statement, these figures do not include exemptions from the payment of corporate and individual income taxes, concessions on tax rates, petroleum tax reliefs, customs tax exemptions enjoyed by diplomatic missions, and processing charge exemptions at the ports. Furthermore, the government also revealed that about six different studies into Ghana's tax exemptions regime by the Revenue Policy Division of the Ministry of Finance, International Monetary Fund (IMF), Organisation for Economic Cooperation & Development (OECD), GIZ and the World Bank, have concluded that the growth in Ghana's tax exemptions and reliefs is unsustainable and that the benefits Ghana's economy gets from these exemptions and reliefs are doubtful. It is also an open fact that tax exemptions in Ghana have invariably provided the opportunity for abuse, further denying the country of much needed

revenue, resulting in low revenue collection and reporting. The percentage of tax exemptions to GDP looks higher than the country's capital expenditure to GDP ratio. This must be reversed to give the government more fiscal space.

In the past, some Civil Society Organizations (CSOs) and Think Tanks have called for the review of Ghana's tax exemption policy and a pruning down of the exemptions while intensifying supervision of the implementation of the remaining ones, including the Free Zones policy but government has failed to do this. Now that the NPP government has admitted the negative effects of these tax exemptions, it should not hesitate any longer in reviewing them to save the country of further revenue losses.

5.0 Recommendations and Conclusions

From the above analysis, a number of recommendations have been made and a conclusion drawn. These are listed here both for the government and its revenue collection agencies and civil society for its advocacy.

5.1 Recommendations

1. There is still a need for the review of the income tax rates and to flatten and expand the bands to cover more income bands such as 0%; 5%; 10%; 15%; 20%; 25%; 30%; and 35% and make the income tax system more progressive and reduce the already widening inequality in the country;

2. The corporate tax rate should be pegged at a minimum of 35% as it is not fair to tax individuals at 30% or 35% while taxing companies which earn huge profits at a lower rate. The government cannot continue to remain silent on this.

3. The policy converting the VAT on the GETFund and NHIL to straight levies need to be given a second look as it increases the overall VAT burden on the taxpayer and businesses by depriving the businesses of the input VAT, more especially as consumer-based taxes are regressive in nature and often leads to price hikes and hence inflation. The effect on the poor and marginalized in society will be unbearable;

4. There is also a need to look into the issue of smaller retailers/enterprises paying higher VAT than big shopping malls which are registered for the VFRS.

5. The Luxury vehicle tax needs to be reviewed as it smacks of double taxation and takes retrospective effect on people who purchased and registered their luxury vehicles several years ago when the tax was not in existence.

6. The government needs to pursue its decision to review tax exemption and monitor seriously the implementation of the existing exemptions and other tax concessions;

7. The proposal to reform the revenue agencies is a welcome proposal and it is recommended that the government carries out the reforms without any further delay.

8. The government's proposal to use NABCO officers posted to the GRA needs to be reconsidered. Due diligence must be taken in the selection of the qualified and serious ones for the tasks assigned to them. Their appointments must be formalized with fulltime positions and they must be trained if the GRA needs them and not use temporary NABCO officers who have no security of tenure and motivation to offer quality and dedicated services;

9. The streamlining of the use of IGFs by the MDAs is not only necessary to promote transparency and accountability but also to control the use of these IGFs by the MDAs as some of them allegedly "literally share" the IGFs among themselves;

10. The issuance and use of the TIN for business and other transactions must be enforced for all transactions with all public and private companies, including investment companies, etc. However, the decision to link it to the social interventions needs to be revoked as it will impose undue problems on the rural poor.

11. The use of third-party data to build a database for revenue mobilization by both the central government and the MMDAs is imperative if the government hopes to widen the tax net. This should require the GRA to use its own information while reaching out to other institutions and demand this information;

12. There is a need to enforce the use of the new Public Financial Management template by the MMDAs and ensure they display them publicly as required to serve as an incentive for citizens to pay their taxes voluntarily.

13. The government should also reconsider the nature of business of entities using pick-ups and provide waivers on the luxury vehicle tax where necessary based on assessments by the local DVLA offices. However, this may open opportunities for corruption.

5.2 Conclusion

From the analysis, it can be concluded that the tax policy initiatives contained in the Mid-Year Review of the 2018 Annual Budget and the 2019 Annual Budget are well-intentioned and aimed at enhancing Ghana's revenue mobilization efforts. This objective will most likely be achieved if the policy initiatives are all implemented. However, the initiatives could have some negative effects on the economy and the citizens that may counteract the benefits. The introduction of the new income tax bands will definitely yield more tax revenues for the government but will reduce the disposable incomes of the tax payers. The implementation of the luxury vehicle tax would have the tendency of a double tax as these vehicles already attract higher taxes at the ports when imported into the country. The straight NHIL and GETFund levies have a cascading effect and deprive the importers, manufacturers and wholesalers and retailers of their input VAT. The levies will also lead to general increases in prices. This may require that the government reviews these straight levies and scrap the luxury vehicle levy.

As people generally do not want to pay taxes, especially in our part of the world, the government will need to intensify its tax compliance measures proposed in both the 2018 Mid-Year Review and the 2019 Annual Budget. They should, therefore, be implemented without any further delay. In fact, some of these tax compliance measures are already being implemented. As proposed by the Minister of Finance, these tax compliance measures will be enhanced by increased taxpayer education and improved tax payer relationship and service delivery, the strict adherence to the use of the TIN and imposition of sanctions. The government should also go ahead with a review of the excessive and unnecessary tax exemptions and other concessions while raising the corporate tax rate to 35% or at least 30%. In the interest of promoting progressive taxation.

It is also important that the government has recognized the need to retool the revenue agencies, including the NLA and ensure that fraudulent and/or non-performing officers are dealt with. This should be pursued rigorously without fear or favour. However, this can be effectively and sustainably pursued if the GRA is granted some semi-autonomy but this may not be acceptable the government of the day.

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