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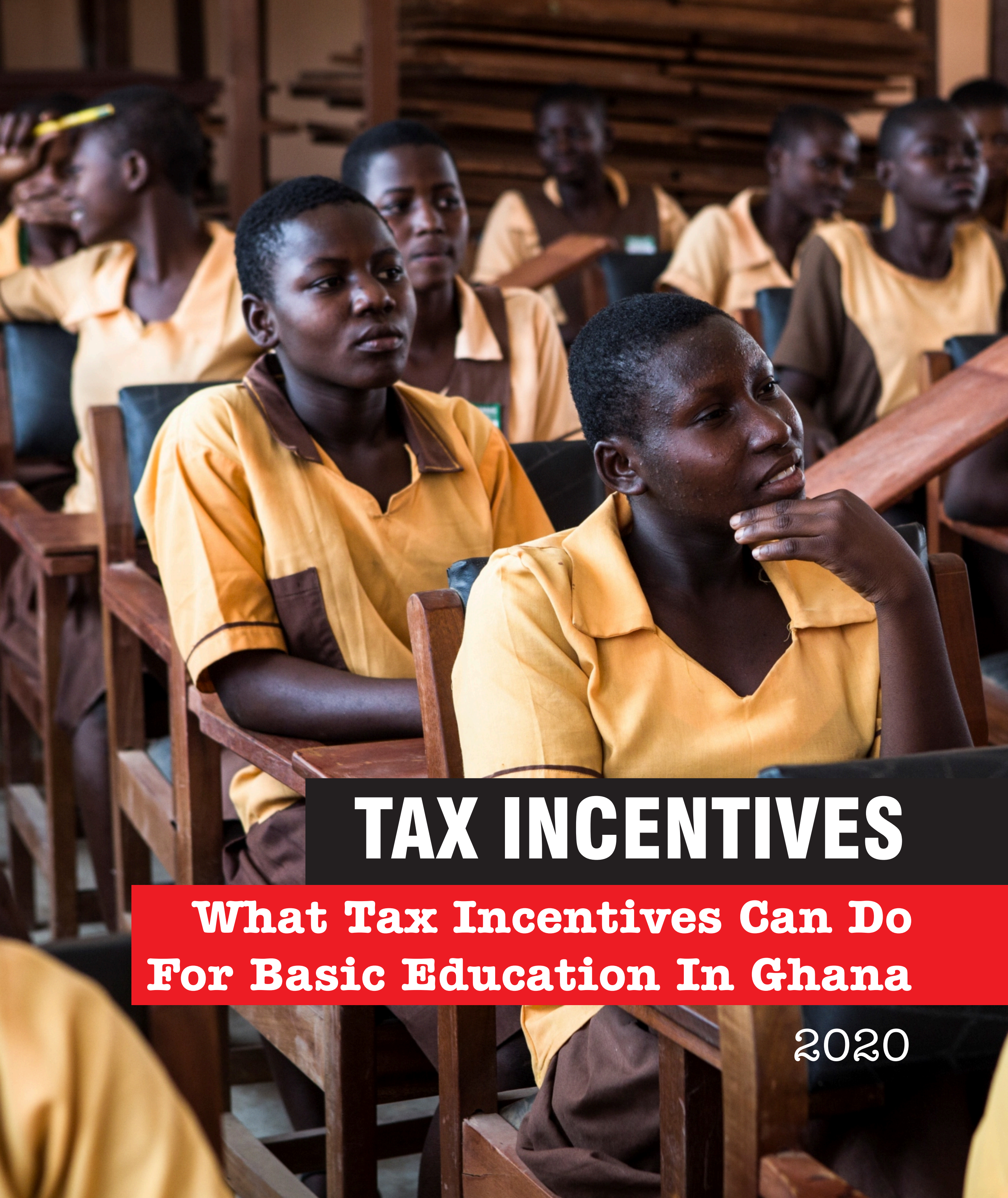

TAX INCENTIVES

What Tax Incentives Can Do For Basic Education In Ghana

2020

actionaid

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Abbreviations & Acronyms

AAG	ActionAid Ghana
AGAL	AngloGold Ashanti Limited
CIT	Corporate Income Tax
EXIM	Export-Import
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIPC	Ghana Investment Promotion Centre
GPE	Global Partnership for Education
GPHA	Ghana Ports and Harbour Authority
GRA	Ghana Revenue Agency
IMF	International Monetary Fund
MDA	Ministries Departments and Agencies
NDC	National Democratic Congress
NHIL	National Health Insurance Levy
PPP	Public Private Partnership
SUT	Supply and Use Tables
VAT	Value Added Tax
WBG	World Bank Group

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1 Introduction

Tax incentives are also known as tax expenditures because of their cost in terms of revenue loss to governments. It is the revenue a Government foregoes through statutory or administrative provisions which allows:

1. Deductions, exclusions, or exemptions from the taxpayers' taxable expenditure, income, or investment
2. Deferral of tax liability
3. Preferential tax rates.

Globally, tax incentives are economic tools to engender policy responses and where used rightly, it is expected to lead to increased investment and favourable outcomes for a country. However, international tax competition among countries has become the unhealthy force behind many tax incentives around the world, especially in developing countries.

Many developing countries use tax incentives to reduce the tax burden on foreign investors. Theoretically, most models focus only on the impact of the general corporate tax rate on investment and less studies on more complex systems, such as those with tax incentives. Keen (2002), for example, shows that tax incentives, targeting the most mobile activities as may be found in export processing corporations, may be a rational response to tax competition but not all capital is equally mobile. By only reducing effective tax rates on the most mobile activities, countries can save revenues compared to the case of reduced uniform taxation, he argues.

The debate about the impact of tax incentives on investment decisions, particularly for developing countries has often been inconclusive. However, the consensus has often also been that a conducive investment climate, that is, non-tax incentive factors, also plays a huge role in attracting Foreign Direct Investments (FDIs).

Stefan Van Parys (2012), on the effectiveness of tax incentives in attracting investment, notes that, in the relationship between corporate investment and corporate taxation, firms simultaneously take account of many other non-tax factors such as the market size, labor skills, infrastructure, political stability, tax administration capacity, and more than

just taxation in their investment decisions, but also that these non-tax factors can have an impact on the relationship.

Also, Sebastian James of the World Bank Investment Climate Advisory Group reiterates that "although lowering effective tax rates helps boost Foreign Direct Investments (FDIs), the effect is eight times stronger for countries with good investment climates. This finding helps explain why incentives have encouraged investment in some countries yet failed in others. Legal guarantees for investors and simplified incentive regimes also have positive effects on investment. Evidence for other common interventions, such as tax holidays, tends to be less robust." -(Sebastian, 2009). Sebastian further advises that on their own, such incentives have limited effects on investments. Countries must also dedicate themselves to improving their investment climates:

- If used, investment incentives should be used minimally—mainly to address market failures and generate multiplier effects.
- Incentives should be awarded with as little discretion and as much transparency as possible, using automatic legal criteria.
- To the extent possible, incentives should be linked to investment growth (that is, based on performance), and tax holidays should be avoided.
- Governments should regularly prepare tax expenditure statements to measure and monitor the costs of tax incentives. In addition, incentive policies should be reviewed periodically to assess their effectiveness in helping meet desired goals.

Box 1: Definitions of Typical Tax Incentives

Tax holidays: Temporary exemption of a new firm or investment from certain specified taxes, typically at least corporate income tax. Sometimes administrative requirements are also waived, notably the need to file tax returns. Partial tax holidays offer reduced obligations rather than full exemption.

Special/Free zones: Geographically limited areas in which qualified firms can locate and thus benefit from exemption of varying scope of taxes and/or administrative requirements.

Zones are often aimed at exporters and located close to a port. In some countries, however, qualifying companies can be declared "zones" irrespective of their location.

Investment tax credit: Deduction of a certain fraction of an investment from the tax liability. Rules differ regarding excess credits (credits more than tax liability) and include the possibility that they may be lost, carried forward or refunded.

Investment allowance: Deduction of a certain fraction of an investment from taxable profits (in addition to depreciation). The value of an allowance is the product of the allowance and the tax rate. Unlike a tax credit, its value will thus vary across firms unless there is a single tax rate. Moreover, the value is affected by changes to the tax rate, with a tax cut reducing it.

Accelerated depreciation: Depreciation at a faster schedule than available for the rest of the economy. This can be implemented in many ways, including a higher first year depreciation allowances, or increased depreciation rates. Tax payments in nominal terms are unaffected, but their net present value is reduced, and the liquidity of firms is improved.

Reduced tax rates: Reduction in a tax rate, typically the corporate income tax rate.

Exemptions from various taxes: Exemption from certain taxes, often those collected at the border such as tariffs, excises, and VAT on imported inputs.

Financing incentives: Reductions in tax rates applying to providers of funds, e.g., reduced withholding taxes on dividends.

Source: Sebastian James (2009). Tax and Non-Tax Incentives and Investments: Evidence and Policy Implications. Investment Climate Advisory Services of the World bank Group.

Tax Incentives in Ghana

In Ghana, the granting of tax incentives is vested in Parliament under Article 174 (2) of the 1992 Constitution of Ghana, which gives the august house the sole power to grant incentives. Where any other authority was to grant incentives, it must be subjected to the approval of Parliament. But with the passing of the Ghana Investments Promotion Centre (GIPC) Act, 2013 (Act 865) by Parliament, the GIPC has been given the authority to grant tax incentives through its business promotion activities, subject to Parliamentary approval.

Under the GIPC Act, 2013 (Act 865), various incentives are available to encourage strategic or major investments, particularly in the areas of agriculture; manufacturing industries engaged in export trade or using predominantly local raw materials or producing agricultural equipment, etc.; construction and building industries; mining; and tourism.

Incentives in Ghana generally include exemption from customs import duties on plant and machinery, reduced Corporate Income Tax (CIT) rates; more favourable investment and capital allowances on plant and machinery; reduction in the actual CIT payable, where appropriate; retention of foreign exchange earnings, where necessary; guaranteed free transfer of dividends or net profits, foreign capital, loan servicing, and fees and charges in respect of technology transfer; and guarantees against expropriation by the government.

Companies registered to operate as free zone developers/enterprises do not pay CIT for the first ten years of operation. After the ten-year corporate tax holiday has expired, the CIT rate on export outside the domestic market is 15% while income earned from sales in the domestic market is taxed at 25%.

The benefit of these incentives has often been argued by the proponents that it will result in massive job creation and the resulting employee taxes plus corporation taxes that far exceed the giveaways, but this has never been demonstrated. Hence, the granting of tax incentives in Ghana is a regular occurrence in the arenas of power, and only few unpopular incentives have usually elicited public debate due to the amounts involved and sometimes the suspicion surrounding them.

For example, in 2016, Parliament approved an $832m tax waiver for the Tema Port expansion project. Meridian Port Services which led the project under a Public Private Partnership (PPP) program, was one of the three companies involved in a joint venture with the Ghana Ports and Harbors Authority (GPHA) to undertake the Tema Port expansion. Meridian Port Services Limited had asked for US$982m tax waiver in respect of Value Added Tax, Customs Duties, Corporate and Withholding Taxes, NHIL and other applicable taxes which was eventually watered down to $832m upon scrutiny and political wrangling.

Yet again in 2018, Parliament ratified the Stability and Development Agreements including fiscal concessions worth $259m granted Anglogold Ashanti which became headline news because of the amount involved. Anglogold Ashanti Ghana Limited (AGAL) was expected to make a capital investment of about US$880million in the Obuasi mine over several years. And most recently, in 2020, a tax waiver of US$23.98m granted to the Platinum Properties Limited attracted attention in line with the several others. But only few cases gain exposure in the public, this is usually because of the amounts involved, the complexity of the issue and sometimes other political interests.

It is however worth noting that, the tax incentives system in Ghana has improved. On 4th May, 2018, Ghana's Attorney-General and Minister of Justice advised that while the Finance Minister had the constitutional mandate to grant tax exemptions, the application for tax exemption must be submitted to the GIPC, subject to Parliamentary approval, through the Finance Minister, in accordance with the provisions of Article 174(2) of the Constitution. Currently, the Finance Minister directs all tax incentives in line with the law. Particularly, Parliamentary approval has been sought in most cases, and there is evidence of the Parliament of Ghana making scrutiny of the system during their deliberations. The curtailment of arbitrariness and unguarded discretion experienced in the past has been the major improvement. While this is worth praising, a lot more remains to be done to scrutinise tax incentives in general.

For instance, the Finance Minister of Ghana speaking on revenue performance during the reading of the 2019 Annual Budget Statement, noted: "Specifically, the shortfall from both domestic and external VAT alone constituted about 81 percent of the total Tax Revenue shortfall of GH¢1,830.0 million ($321m) and are explained by a) consistently low realised non-oil import CIF values, b) admittance of large volumes of imports into exempt or low tariff (zero-rated) categories, c) increase in re-

exports of ex-warehoused products, and d) the current exemptions regime—all of which are being investigated."

Also, statements of concern about tax incentives by some Parliamentarians attest to this problem. Below, is an excerpt from the proceedings in Parliament:

Box 2: Parliamentary Debate on Tax Waiver for the Upgrade of 10 Technical Universities

Mr. Speaker, I rise to support the Motion for the House to adopt the Report. Mr. Speaker, the request is to approve US$26.9 million as tax waiver for a loan which the Government contracted in 2010 for the upgrading of 10 technical institutes and five polytechnics. Mr. Speaker, this number was increased to 13 technical institutes and 10 polytechnics or technical universities later. Mr. Speaker, if you look at the Report and the attachment, it tells you that the list of items that we are to exempt from import duty and the rest are such that it appears that virtually everything is being imported. In fact, if you go through, you would see items like "stool". It is also to be imported and exempted from import duty. Other items like "washing bowls", "curtains", "pillows" and "pillowcases" are to be imported and exempted from tax. Mr. Speaker, sometimes, when we are to approve facilities of this nature, it would be good for us to study to find out —— Let us not give blanket tax exemption that every item should be exempted. If we know there are certain items that we can procure here." The MP for Ketu North, Hon. Avedzi noted. (Parliamentary Hansard, July 2019).

Also, in a bid to grant sweeping tax exemptions to strategic investors in the automobile industry, the Deputy Minister for Finance (Mr. Kwaku Agyeman Kwarteng) on behalf of the (Minister for Finance) moved the motion for the 'Value Added Tax Amendment Bill, 2019' for consideration in which he argued for the granting of exempt taxes on management fees for services provided by fund managers to private equity funds, venture capital funds and mutual funds.

Mr. Speaker, …the current situation of subjecting the management fees of fund managers of private equity, venture capital and mutual funds to value added tax discourages institutional and angel investors, both local and foreign from investing such critical funds in a private sector for growth. The deputy Finance Minister argued. However, speaking on the motion, the former Deputy Finance Minister, Hon. Cassiel A. Forson, (NDC-

Ajumako Enyan Essian), cautioned on the erosion of the country's tax base:

Box 3: Parliamentary Debate on the VAT Amendment Bill 2019

> Speaking on the Floor of Parliament, the former Deputy Minister of Finance, Cassiel Ato Forson argued: *"Let me say once again that the intention here is one, to exempt the Ghana Automotive Manufacturing Development Programme from the import Value Added Tax (VAT). It was not clear in the Memorandum that it was for import VAT, and it is important that we stress that point so that the automotive manufacturing companies will not think that they are also going to be exempted from domestic value added tax. The intention here is to exempt only the import VAT on the kits as and when they bring them into the country. Mr. Speaker, the second point also relates to the fact that the Government is asking us to approve VAT to be exempted on the fees that are charged from mutual fund and asset management companies. I have a strong objection to this. We are gradually reducing the base of our VAT Act. The exemptions of the VAT is becoming too much, and I believe Government should have a second look at this. Mr. Speaker, I do not believe that mutual fund companies should be exempted from VAT as and when they charge fees. I believe this is a policy that would backfire. The Government should think about it again. Taxes are important. Government relies on taxes to survive. So, when you are to remove taxes that already exist, you have to do proper analysis to find out the impact."* He argued.

It is the case therefore that, while the Finance Minister admits too many exemptions are compromising revenues for development, the Minister seems unable to curtail the phenomenon. It is also clear from the scrutiny from Parliament itself that they recognise the problem of too many exemptions, but the practice is a difficult culture to break, hence a mere formality in Parliament.

While the WB Group report further reiterates the inadequacy of data on Ghana's tax giveaways, it concludes that Ghana's tax expenditures are high. The Government recognised it since 2012 and contemplated the introduction of new control measures to reduce the overall impact of tax exemptions. Some of the measures instead of, the streamlining of the tax incentive granting and approval regime and the curtailment of waivers. The Finance Minister, Mr. Ken Ofori-Atta's statement to Parliament in the 2017 Budget Statement and Economic Policy, reiterates with this comment to Parliament: "*...government is committed to a comprehensive review and reform of the import duty exemptions regime and tax reliefs, with a view of eliminating abuses and improving efficiency in the application of these*

*incentives. As an interim arrangement, and to facilitate the reform, we instituted an administrative measure that required exemption holders to pay in advance, all applicable import duties, and taxes, and apply for refunds with supporting evidence." (*2017 Budget Statement).

The administrative measure began on the 1st of April 2017 after Parliament had approved it in the 2017 Budget. However, it seems this may have only applied to some categories of businesses but not all beneficiaries of these exemptions.

The Opportunity Forgone in Financing Basic Education

The cost of education and financing is a national issue that requires attention. The education sector includes the basic, secondary, and technical and vocational, tertiary and the special needs sections, all drawing from the same pot and all have pressing needs.

For the basic section (pre-school -junior high school) the data shows that it receives more than 40% or more of the total education sector allocations:

Table 1: Basic Sector Allocations (2012-2017)

2012	2013	2014	2015	2017
14.4%	47.7%	45.15%	42.9%	50%

Source: Education Sector Medium Term Expenditure Framework (2018-2021)

The share of basic education on the face value is commendable however, this share appears inadequate because of an overall poor national revenue base.

The continuous under-performance on revenues exacerbates this problem of inadequate allocations. Tax incentives (tax expenditures), on the other hand, also exacerbate this problem by reducing the potential revenue pot if maximum taxes were to be collected. Ghana missed its fiscal target in 2016 by a large margin. The fiscal deficit was 10.1% of GDP in 2014 and 6.3% in 2015 although it subsequently increased to 8.7% of GDP in 2016. Fiscal deficits are the shortfalls in revenues required to cover Government's expected expenditures in a particular year. Budget deficits are a pain to the citizenry who must suffer Government expenditures cuts in order to make up for the shortfalls. For many sectors of the economy, Government has struggled to meet projected commitments such as 20% of all allocations to the education sector as recommended by the Global Partnership for Education Initiative. Below is the nature of dwindling allocation to the Education sector over the years.

Table 2: Government allocations to Education as a Percentage of total MDA allocations

Allocations	2016	2017	2018	2019	2020	2021
Education Sector Allocation (Ghc /million)	6,910.6	9,245.0	9,258.8	12,878.0	14,023.5	15,107.3
Total MDA allocations (Ghc/million)	51,125.0	69,332.6	67,279.9	78,771.8	98,036.6	103,333.5
% Allocation	14%	13%	14%	16%	14%	15%
GPE Benchmark Shortfall (Ghc /million)	3,067.5	4,853.2	4,036.7	3,150.8	5,882.2	5,166.7

Source: Ghana National Annual Budgets (2016-2020). *Note: MDA allocations including loan amortisation.

In 2016, Government's allocation to the education sector as a percentage of all MDAs allocations was 14%. In 2017, it had dwindled to 13% but only picked up temporarily to 16% in 2019. The projections for 2020 and 2021 similarly do not look promising in terms of meeting the Global Partnership for all standards of 20%, even though it is projected to be 15% in 2021. The Global Partnership for Education (GPE) tasks governments to spend 6% of GDP or about 20% of national budget allocations to education financing. The GPE supports Government financing of education with additional funds but requires clear commitments from Governments to finance education up to about 20% of annual budget allocations.

From 2016 to 2020, education sector financing has consistently had an average shortfall of Ghc 4,198 million according the GPE Benchmark. This is a huge amount which could make a greater impact in the education sector if this funding need is met.

It therefore means Government's allocation to the education sector require increases in the Government's overall revenue pot in order to be able to plug this funding gap. But as noted above, the potential losses to tax incentives have been a major hurdle to this objective.

In 2014, an ActionAid Ghana study on investment incentives in Ghana, estimated that Ghana may be losing about US$1.2 billion annually as a result of tax incentives. This was based on Government's own tax expenditure data of 2.1% of GDP. The 2013 Budget and Economic Policy Statement of the Government of Ghana, estimated Ghana's tax

expenditure at about 3.28 per cent of GDP. This amounts to about $1.57billion on the revenue base at the time.

However, a public expenditure review on Ghana by the World Bank Group (WBG), in 2017 indicated that data from the Ministry of Finance estimates the cost of tax expenditures at 5.2 percent of GDP in 2013. This is worth about Ghc 5.0 billion ($2.5 billion) of potential revenues in 2013. VAT exemptions and preferential VAT treatment alone amounted to 4.2 percent of GDP, with customs exemptions making up another 0.9 percent. However, this was an underestimate as it does not include exemptions under the personal income tax as well as preferential tax treatments granted in the extractive sector. While statistical issues complicate comparisons between years, similar data for 2014 suggest that tax expenditures remained broadly stable at 5.0 percent of GDP (WBG, 2017). On this basis, at 5 percent, Ghana may have been granting tax incentives much higher than expected.

Estimating Tax Incentives

In estimating tax incentives (tax expenditures) of the state can be a laborious venture, requiring the full complement of Government's data. The most used method for calculating tax expenditures, particularly for VAT relies on a country's "supply and use" tables (SUT), but Ghana usually does not have an up to date SUT. The SUT reports the inputs supplied to each sector of the economy and the products each sector produces and can provide the information for estimating the potential revenue base and losses.

For Ghana, the IMF and the World Bank attempts in this venture have usually come off with inconclusive reports, relying on data from the Ghana Revenue Authority (GRA) which are not always available. Nevertheless, these institutions give some indication of the tax incentives granted in a year in percentage-GDP terms.

The Government has usually been reluctant in giving out data or the estimates for obvious reasons. However, it is the Government that has the data to give the true picture of tax incentives granted in any fiscal year. This is one of the areas of accountability that is usually not revealed in the national annual economic policy statements of Government.

This report considered the actual amount of Parliamentary tax waivers, where data exist, granted between 2018 and 2020, excluding those on Governmental institutions or goods. This is based on Parliamentary tax waivers for which data exists. Parliamentary waivers are usually on customs and import duties and only a portion of the total tax incentives granted in a year. The WBG tax expenditure report (2017) on Ghana estimated that these Parliamentary waivers accounted for about 22.9 percent of the total tax incentives granted. From our estimation, between January 2018 – February 2020, Parliamentary tax waivers to corporate institutions alone amounted to $901.1m. The table below shows the Parliamentary tax waivers from 2018 to February 2020.

Table 3: Parliamentary Tax Incentives/Waivers (2018-Feb., 2020)

Parliamentary Tax Waivers 2018-2020 ($ million)		Total
2018	2019-2020	
$500.9m	$400.2m	$901.1m

Considering that this estimate is only a fraction (about 23%) of the total tax incentives granted is an indication of the larger picture. But also, the report estimated with available data, the ratio of tax incentives granted per project value. The table below gives an indication of tax incentives per project value.

Table 4: Percentage tax incentive per initial project/investment value in Ghana (Sample Data Available)

Project	Total Initial Project/Investment Value ($/Million)	Tax Waivers granted ($/Million)	Percentage/Ratio of Incentive granted
Water Supply Project (2019)	48	0.25	0.005208333
Rehabilitation & up-grading of Equipment	119.1	26.96	0.2263644
Health Access Project	22.06	5.89	0.266999093
Water Project Management	9.01	0.903	0.100221976
Hotel Development	126	23.98	0.19031746
Road Project	8.45	2.27	0.268639053
University Project	51.21	13.12	0.256199961
Road Development Project	47.95	7.61	0.158706986
Mining Development	880	259	0.294318182
Total Values/Ratios	1311.78	339.983	0.196330605

From the table above, the average tax waiver per project was 0.19633, this is about 19.6 percent of the total initial project value. In the view of this paper, 19.6 percent could be an under estimation because these are only based on waivers of Customs and Import duties. However, considering this as the average incentive per project value as a percentage of the total value of project or investment granted, we can extrapolate on the likely amount of tax incentives granted in a year per total project value won.

For instance, in 2018, the GIPC which grants a wide range of investment incentives as against the narrow Parliamentary waivers noted above, reported a total project value of $3.68 billion in the year (GIPC Annual Report 2018). The GIPC, which had an ultimate target of $10 billion for 2018, achieved this feat, with $3.46 billion coming from FDIs. Therefore,

based on the average incentives per project value, this paper estimates that, the Country would have granted about $679.3m as tax incentive through the GIPC in 2018 alone. Hence, a consolidation of our tax incentives granted is required to give the whole picture as well as for accountability.

Table 5: An Opportunity Cost Analysis of 20% Tax Savings from Tax Incentives in Ghana for Education.

Total amount lost to tax incentives (2018-Feb. 2020)	$901.1m
20% of national budget for education (Education for All recommendations).	$180.2m (20% of $901.1m) (Ghc 1027.1)
Expenditure per primary school child (Mean Annual Cost/pupil in Ga South/West Municipality)[1]	$189.6
Potential number of extra primary school places[2]	950,527 (180.2m/189)
Average annual teacher salary[3]	$2,303
Potential number of teachers available	78,254 (180.2m/2302)
Average annual cost of school meals[4]	$18.46
Potential number of children fed per year	9,762,730 (180.2m/18.46)
Average cost of school uniform[5]	$5.63
Potential number of uniforms available	32,010,657 (180.2m/5.63)
Average construction cost of a classroom[6]	$17,397
Potential number of classrooms available	10,359 (180.2m/17,397)
Average cost of school furniture per classroom[7]	$1250
Potential number of classrooms with adequate furniture	1441 (180.2m/1250)
Average cost per primary textbook[8]	$5.6
Potential number of primary textbooks available	32,182,142 (180.2m/5.6)

[1] Action Aid (2019) Financing Education in Ghana: How Progressive Taxation Can Increase Government's Spending on Public Basic Schools and Reverse Education Privatisation.
[2] Action Aid (2019) Financing Education in Ghana: How Progressive Taxation Can Increase Government's Spending on Public Basic Schools and Reverse Education Privatisation.
[3] Salary Analyzer (https://www.averagesalarysurvey.com/teacher/ghana-accessed 06/06/2020)
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[8] House of Commons. (2012). DFID: Transferring cash and assets to the poor: Sixty-fifth Report of Session 2010–12 (HC (Series) (Great Britain. Parliament. House of Commons)

From the above estimates, from only Parliamentary waivers, Ghana could be making substantial impact in the education sector if 20 percent savings of this tax incentive ($901.1million) is made. With an average funding gap of Ghc 4,198m between 2016 and 2020, a $180.2m (Ghc1027.1) savings from the above tax incentives could reduce the funding need by about 25 percent in a particular year. Also, any of the following choices would be possible for basic schools in Ghana:

- 950,527 potential number of extra primary school places could be provided in basic schools
- 78,254 potential teachers could be made available to schools
- 9.7 million more children could be fed per year in basic schools
- 32 million potential school uniforms could be available for needy pupils
- 10,359 potential number of classrooms could be built for schools
- 1441 classrooms could receive adequate pieces of furniture per class.
- 32.1 million potential number of primary school textbooks could be available to schools
- The 20percent savings from tax incentives for the sector could reduce the GPE shortfalls by about an average of 25 percent (Ghc1027.1million) annually.

Conclusion & Recommendations

Ghana lost $901.1m as tax incentives through Parliamentary tax waivers alone, to corporations between 2018 and 2020 and about $657m through the GIPC investment in 2018. By estimation, the country grants an average of 19.6 percent per initial project value as tax incentives.

Government expenditure allocation to the education sector is increasingly looking bleak, shifting away from the GPE target of 20 percent. With an annual average of Ghc 4,198m funding gap, according to the GPE Benchmark, the measure of underperformance and delivery in the education sector is adequately measured. It showed a fluctuating trend between 13 percent and 16 percent (2016 - 2021), with its highest peak at 16percent in 2019.

20 percent (20%) of the $901m potential revenues lost to tax incentives could provide extra 950, 527 places for pupils in schools or more school infrastructure with the potential of 10,378 classrooms for pupils in Ghana.

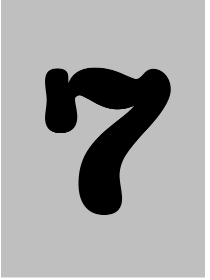
There is a consensus among policy makers, Parliamentarians and tax justice advocates about the over generous tax incentives system in Ghana. However, besides policy statements and lamentations, Ghana has not been able to make a strategic way forward in reducing the overall incentives granted per year thereby impacting adversely on potential tax revenues for development.

The Government's elaborate VAT exemptions are depriving the state of needed revenues. VAT exemptions should be more effectively targeted to lower-income households or to sectors that generate positive social or economic externalities.

There has been some notable improvement in the administrative processes involved in the granting of tax incentives when Parliament got accorded its rightful role of approving tax waivers. However, this system has been reduced to a routine process where some tax handles, such as customs levies, VAT, EXIM and NHIL levies are granted without the needed scrutiny on project by project basis or on project merit. Moreover, tax incentives (expenditures) for all tax categories are not routinely estimated and published as part of the annual budget process. Currently, only revenue foregone on import exemptions are estimated.

6.0 Appendix: Parliamentary Tax Waivers (2018-2020)

Jan. -February 2020	$23,983,033.43 $2,286,042.81 $2,891,081
Feb.- November 2019	$705,298 $1,320,171 $47,928.38 $48,400 $62,681,069 $17,523,762.76 $15,788,672 $13,472,373 $53,506,830.74 $8,522,740.28 $24, 594, 473.40 $7,500,000 $799,988 $222,151 $15,737 $69,217,840.24 $65,248,397.6 $26,966,083 $5,896,385.35 $903,957.1
Jan. -Dec. 2018	$259,000,000 $13,133,717.18 $7,618,079



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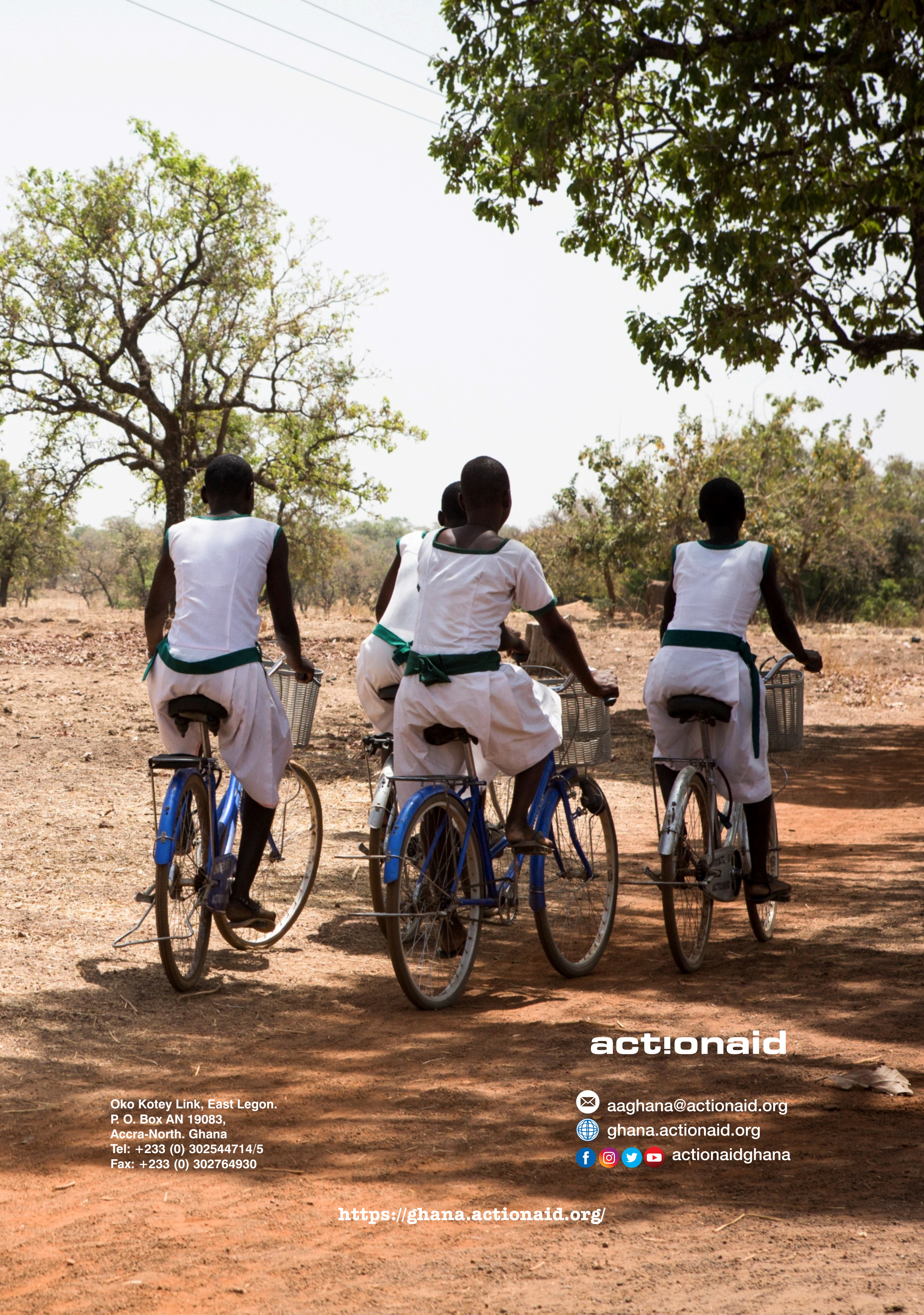

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