

KEY REFORMS TO GHANA'S TAX INCENTIVE REGIME

THE EXEMPTIONS ACT 1083 PASSED IN 2022

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BACKGROUND

Prior to 2022, Ghana had a variety of tax exemptions embedded in statutory legislation of various state institutions and in resolutions approved by the Parliament of Ghana. These exemptions generally covered

- Income tax exemptions
- Tax holidays
- Rebates
- Concessions
- VAT
- Excise tax
- Import exemptions

BACKGROUND

The vision was that this system of exemptions administration would:

- Attract foreign direct investment
- Alleviate tax burden on vulnerable in society
- Encourage business startups
- Attract investment into specific locations and sectors
- Support Governments development agenda

HOWEVER..things did not go exactly as envisaged

01

Distortion of fair competition among businesses in the same industry

02

Exemptions on products produced locally created unfair competition for local manufacturers of such goods

03

Low revenue reporting

04

Some exemptions granted without the knowledge of the Ministry of Finance disrupted budget revenue estimates

05

Fragmentation in exemptions approval process

06

Lack of sunset clauses on some statutory obsolete taxes

07

Difficulties in domestic resource mobilisation

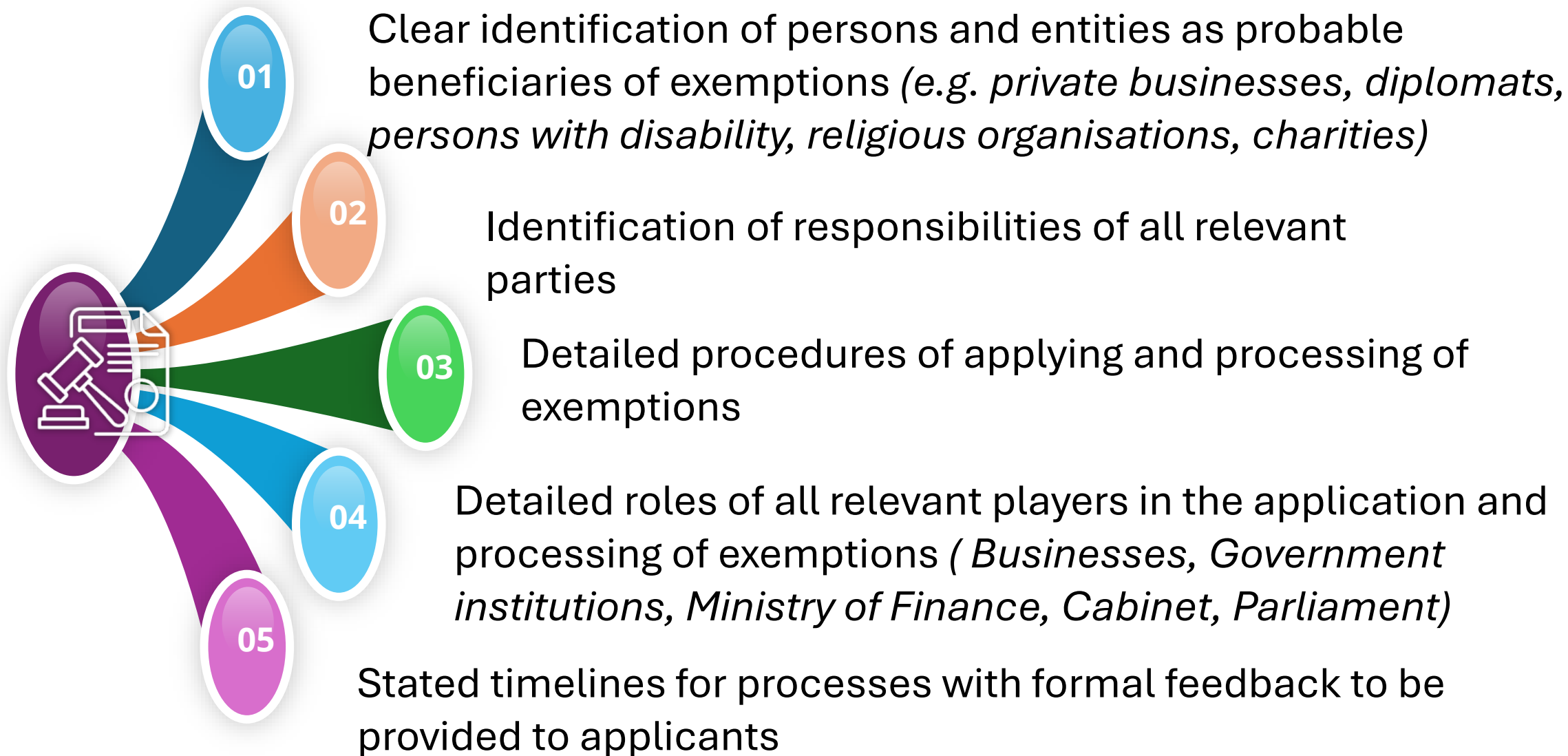
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Limited monitoring of beneficiaries of exemptions

PURPOSE OF THE EXEMPTIONS ACT

- ✓ Establishment of harmonised legal framework for exemptions
- ✓ Establishment of clear criteria for exemptions for transparency and accountability
- ✓ Provision for the administration of exemptions in Ghana to ensure fiscal discipline
- ✓ Provision for the monitoring, evaluation, reporting and enforcement of exemptions in Ghana
- ✓ Improvement of domestic revenue mobilisation
- ✓ Alignment of incentives with national development priorities

KEY FEATURES OF EXEMPTIONS ACT



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Role of Minister (Ministry of Finance)

- Minister seeks (1) Executive approval (i.e. Cabinet) for an exemption and (2) submits request for Parliamentary approval
- The Minister upon receipt of a request for exemption:
 - Undertakes due diligence including ensuring that the request is consistent with the economic priorities of government
 - Establishes a policy rationale for the exemptions
 - Submits value for money report
 - Confirms Inter-ministerial consultation on request
 - Other due diligence activities



KEY FEATURES OF EXEMPTIONS ACT



CATEGORIES OF EXEMPTIONS

A. GENERAL TAX INCENTIVES

- Established under regulations to grant industry specific/programme specific tax concession for industry or investment programme

A. SPECIAL TAX INCENTIVES FOR STRATEGIC INVESTMENTS

- A specially negotiated tax exemption for strategic investment (value over US\$ 50 million in a priority area)
- The State takes a commensurate equity stake in the investment project
- Applications are submitted to the Ghana Investment Promotion Centre for initial screening

KEY FEATURES OF EXEMPTIONS ACT

MONITORING AND REPORTING

- Beneficiaries of exemptions must submit to the head of the tax authority a statement of exemptions at the end of each quarter and at the end of the tax year

- This information is given to the Minister who submits Annual Reports to Parliament on exemptions . The Report includes info on exemptions granted, revenue forgone and how exemptions granted are consistent with the economic management priorities of the Government

- Tax expenditures must be reviewed at least every 5 years

- Transfers of ownership of exempt items by holder of an exemption requires approval from the Ghana Revenue Authority

- Breaches of obligations by holders of exemptions are liable on summary conviction to a fine and/or imprisonment of between 6 months and 5 years

GUIDELINES AND REGULATIONS UNDER EXEMPTIONS ACT

- **Administrative Guidelines:**

In 2023 , Ministry of Finance issued Guidelines which set out:

- Procedures for applications
- Modalities for assessing and granting of exemptions

- **Exemptions Regulations :** In 2025, Parliament passed Regulations covering

- Application, assessment and grant of exemptions under Exemptions Act
- Industry-specific/programme specific tax concession for industry or investment programme
- Reporting under Exemptions Act
- Support of the effective and efficient implementation of Exemptions Act

IMPACT OF EXEMPTIONS ACT

- ✓ Stricter Executive and Parliamentary oversight
- ✓ Strengthened transparency and accountability
- ✓ Stronger monitoring and reporting requirements
- ✓ Improved alignment with national development priorities
- ✓ Improvement in revenue collection

Thank You



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