

## UK-GHANA CHAMBER OF COMMERCE

### Position Paper: UKGCC Quarterly Tax Dialogue Series 2025 - Tax Updates in Ghana's 2025 National Budget

#### Introduction

The 2025 National Budget of Ghana, presented on 11 March, includes significant tax policy changes affecting businesses, which were discussed by the UK-Ghana Chamber of Commerce and PwC Ghana in their Quarterly Tax Dialogue Series on 27 March.

#### Key Tax Measures and Implications

##### 1. Direct Tax Measures

- **Increase in Tax-Free Income Threshold:** The monthly tax-free chargeable income for resident individuals will be raised from GH¢ 490 to GH¢540. This requires employers to update payroll systems accordingly after this change is made.
- **Extension of the Growth & Sustainability Levy (GSL):** Extended to 2028, with the rate for gold mining companies increased from 1% to 3% of gross production. This adds fiscal strain to all qualifying business especially the gold mining sector.
- **Removal of 1.5% Withholding Tax on Unprocessed Gold Purchases:** Aimed at formalizing gold exports and enhancing foreign exchange inflows. Although this may weaken tax compliance among small-scale miners, it is likely to support the success of the Gold Board.
- **Elimination of 10% Tax on Lottery Winnings:** Removed for various reasons but will potentially missing an opportunity to broaden the tax base in the gaming sector.

##### 2. Indirect Tax Measures

- **Removal of VAT on Motor Vehicle Insurance Premiums:** Expected to reduce insurance costs although add further VAT compliance costs for non-life insurance companies.
- **VAT Exemptions on Pharmaceutical Raw Materials and Essential Medicines:** Designed to make healthcare more affordable.
- **Proposed Removal of the 1% Electronic Transfer Levy (E-Levy):** Anticipated to encourage digital payments.
- **Abolition of the Emissions Levy:** Seen as a pro-investment decision by many businesses.

#### Recommendations

1. **Adopt a Balanced Tax Strategy:** The government must strike a balance between revenue generation and incentivizing formalization, particularly for SMEs and the informal sector.
2. **Strengthen Enforcement and Digital Systems:** Investment in digital infrastructure and taxpayer education is essential where taxes have been repealed due to enforcement challenges.
3. **Policy Clarity and Communication:** Regular, accessible public updates from the GRA and Ministry of Finance will improve taxpayer confidence and compliance.
4. **Impact Assessment:** Ongoing reviews and empirical studies should be commissioned to assess the revenue and social effects of these tax reforms.
5. **Institutionalize Stakeholder Engagement:** More initiatives like the UKGCC's Quarterly Tax Dialogue should be held quarterly to maintain open lines of communication between policymakers and businesses.

#### Conclusion

Ghana's 2025 tax policy proposals include a blend of administrative improvements, economic strategies, and political considerations, with some measures providing relief while others may increase the financial burden on businesses. The UK-Ghana Chamber of Commerce emphasizes the importance of government-private sector collaboration to achieve developmental goals and supports the business community through policy insights and dialogue platforms.