ABOLISHING E-LEVY AND COVID-19 LEVY: FISCAL IMPLICATIONS AND ALTERNATIVES-

The incoming government's decision to abolish the COVID-19 Levy and E-Levy has sparked significant debate on the implications for revenue generation and fiscal stability. The revenue from the levies is projected to be replaced by optimizing tax policies, particularly reviewing and minimizing port exemptions. In the NDC's Manifesto, on page 22, it is stated as follows:

"We will Scrap the following draconian taxes within our first 100 days in office to alleviate hardships and ease the high cost of doing business: E-levy, COVID levy, 10% levy on bet winnings, Emissions levy, Import duty on vehicles and equipment imported into the country for industrial and agricultural purposes."

The promise to abolish these taxes was a key part of the campaign message, and based on this commitment, Ghanaians entrusted the government with power. However, fulfilling this promise will result in significant revenue losses—approximately GHS 6.4 billion in 2025 based on the budgeted revenue.

Ghanaians wonder where the revenue loss from scrapping these taxes will come from. Recently, the NDC has hinted more clearly that they will focus on reducing tax exemptions to make up for the revenue foregone.

Revenue Loss from Abolishing the Levies:

COVID-19 Levy:

- 2022 Revenue: GHS 1.18 billion
- 2023 Revenue: GHS 1.47 billion

GHS 2.65 billion
Growth: 24.7%

E-Levy:

- 2022 Revenue: GHS 0.64 billion
- 2023 Revenue: GHS 1.19 billion

GHS 1.83 billion
Growth: 85.7%

2024 Budgeted E-Levy & Covid-19

- E-levy Revenue: GHS 2.1 billion
- Covid-19 Revenue: GH 3.1 billion

Total Projected GHS 5.2 billion

2025 Budgeted E-Levy & Covid-19

- E-levy Revenue: GHS 2.4 billion

Total projected GHS 6.37 billion,

- Covid-19 Revenue: GH 3.97 billion **{Revenue Loss in 2025 if abolished}**

2026 Budgeted E-Levy & Covid-19

- E-levy Revenue: GHS 2.74 billion **Total projected GHS 7.37 billion.**
- Covid-19 Revenue: GH 4.63 billion **{Revenue Loss in 2026 if abolished**

2027 Budgeted E-Levy & Covid-19

- E-levy Revenue: GHS 3.09 billion **Total projected GHS 8.41 billion**
- Covid-19 Revenue: GH 5.32 billion **{Revenue Loss in 2027 if abolished**

Expected Year-on-Year Revenue Growth

Year	*E-levy (billion)*	*Growth Rate*	*Covid-19 (billion)*	*Growth Rate*
2022	*0.64*		*1.18*	
2023	*1.19*	*86%*	*1.47*	*24.6%*
2024	*2.1*	*76%*	*3.1*	*110%**
2025	*2.4*	*14%*	*3.97*	*28%*
2026	*2.74*	*14%*	*4.63*	*16.6%*
2027	*3.09*	*12.7%*	*5.32*	*14.9%*

Source:

- *GRA Annual Report, (2023). (Pg. 40)- for 2022-2023 Revenue numbers*
- *2024-2027 based on indicative revenue in the 2024 Annual Budget Statement (Pg. 173).*
  **The 2024 budgeted growth of 110% appears excessive and unrealistic.*

The above growth in revenue highlights the critical role these levies play in government financing.

THE CALL TO ABOLISH COVID 19 LEVY & E-LEVY:

The **COVID-19 Health Recovery Levy**, introduced in March 2021, imposed a 1% charge on the supply of goods and services within Ghana and on imports, excluding exempt items. Its primary purpose was to generate revenue to support expenditures related to the COVID-19 pandemic. As the immediate health crisis subsided, many Ghanaians began advocating for the levy's removal, arguing that its initial purpose had been fulfilled. The Ghana Union of Traders Association (GUTA) notably called for the abolition of COVID-19 and the Special Import Levy in the 2024 budget, reflecting a broader sentiment that these taxes had outlived their necessity.

However, some experts, such as Professor Justice Nonvignon from the University of Ghana, contend that the levy remains essential. The African Centre for Tax Policy Research (ACTOR) has also advocated renaming taxes and directing funds towards critical health issues such as kidney disease. They argue that the funds collected can bolster the country's preparedness for future health emergencies, suggesting that the levy serves a continuing purpose beyond the immediate COVID-19 response.

However, most Ghanaians, especially GUTA members, say that while the COVID-19 Levy was initially implemented to address pandemic-related expenses, the public health considerations that led to its acceptance are no longer valid, and hence, it should be abolished.

The **Electronic Transfer Levy (E-Levy)** was introduced in May 2022 as a 1.5% tax on electronic transactions on mobile money transfers and bank transactions with a daily threshold of GHS 100 for Mobile Money Transfers and GHS 20,000 for bank transfers. The purpose was to enhance domestic revenue mobilization. The government aimed to widen the tax net, mainly targeting the informal sector, and to generate funds for infrastructure projects, entrepreneurship support, and job creation. However, from day 1, this law faced significant public opposition. Parliamentarians engaged in a serious fight over its passage, and the implementation has to be staggered and delayed. There were public town hall meetings to gain its acceptance. Eventually, it took off in July 2022. Critics said it disproportionately affected low-income individuals relying on mobile money services, potentially hindering financial inclusion and the transition to a cashless economy.

The levy was reduced from 1.5% to 1% in response to public outcry. It did not end there. Political leaders, including Vice President Dr. Mahamudu Bawumia, pledged to abolish the E-Levy, citing its negative impact on digital transactions and financial inclusion. Dr. Bawumia emphasized that removing the levy would support the vision of a digital and cashless economy. The NDC stated clearly from its inception that they were not in support of this type of tax and promised to abolish it in 2025.

ALTERNATIVE TO CUMULATIVE REVENUE LOSS IN 2025 AND BEYOND IF E-LEVY & COVID-19 IS ABOLISHED: CONSIDERING IMPORT EXEMPTIONS AND CONCESSIONS

Abolishing the levies could result in a loss of approximately GHS 6.4 billion in 2025 and even more in subsequent years, based on projected growth. One potential solution to addressing the revenue gap is through a review of tax exemptions and zero-rated items at the Ports. Cutting down on non-essential exemptions, reviewing zero-rated items and concessions granted to mining companies, and amending existing tax concessions on imported items can potentially recover revenue loss from abolishing these two levies.

Overview Importation into Ghana (2020 - 2023)

	2023	**2022**	**2021**	**2020**
	(GHS B)	(GHS B)	(GHS B)	(GHS B)
Total Value of Import recorded	**89.2**	**73.4**	**51.1**	**37.1**

The total value of imports at 0%	6.4	4.4	2.4	2.80
Total Value of Exempt Imports	13.8	17.9	10.9	7.5
Total value of import taxed	69.0	51.1	37.8	26.8
Import Taxes Collected	**30.7**	**22.2**	**16.1**	**12.5**

[Source GRA Annual Report, 2023]

ANALYSIS OF IMPORTS (2023 VS. 2022)- KEY INSIGHTS

1. Growth in Total Imports: Total imports increased from GHS 73.4 billion in 2022 to GHS 89.0 billion in 2023, a growth of **21.5%**. This indicates an expanding trade environment and potential for higher revenue collection.

2. Reduction in Total Value Exempted: The value of exempted and zero-rated imports decreased slightly from GHS 22.3 billion in 2022 to GHS 20.2 billion in 2023. This represents a modest decline of **10.3%**, reflecting some progress in reducing tax giveaways.

3. Increase in Taxable Imports: Taxable imports grew significantly, from GHS 51.1 billion in 2022 to GHS 69.0 billion in 2023, an increase of **35%**. This highlights a growing taxable base, possibly due to better enforcement or policy adjustments such as the famous Discounts on Benchmark Values.

4. Rise in Taxes Collected: Taxes collected rose sharply from GHS 22.2 billion in 2022 to GHS 30.7 billion in 2023, a 39% growth. The increase suggests improved compliance, higher trade volumes, or stronger monitoring mechanisms.

DIRECT IMPORT EXEMPTIONS (EXCLUDING SPECIAL CONCESSIONS AND ZERO-RATED ITEMS FOR MINING AND MANUFACTURING SECTOR)

	2023	2022	2021	2020
	(GHSM)	(GHSM)	(GHSM)	(GHSM)
GNPC (OMC Oil Imports)	595.59	364.12	160.23	178.36
Gov't, Privileged Persons & Organisations	783.41	455.15	268.59	209.45
Ghana Investment Promotion Centre (GIPC)	1.18	88.27	45.70	31.69
General Exemption Per Tariff	35.92	797.40	514.11	312.99
ECOWAS Exemption on Imports	6.4	4.4	2.4	114.36
Parliamentary Exemptions	1,710.87	1,491.47	1,337.75	864.25
Special Permits	-	-	0.61	3.10
Ghana Export Promotion-EU	0.02	0.09	0.02	
Ghana Automotive Development Policy	14.85	7.43	1.15	
AfCTA	2.22	0.11	-	-
Total Direct Port Exemption	**3,535.33**	**3,470.10**	**2,463.86**	**1,714.21**

Source: GRA Annual Report, 2023 (Pg.45).

Direct import exemptions represent significant revenue losses at Ghana's ports. In 2023, total direct import exemptions amounted to GHS 3.54 billion, up from GHS 3.47 billion in 2022. The cumulative GHS of 3.54 billion in direct exemptions demonstrates a potential revenue leakage that can be addressed.

REVIEW OF CONCESSIONARY RATES FOR SELECTED INDUSTRIES

Ghana offers various import tax concessions to stimulate investment and growth across multiple sectors, notably mining, manufacturing, and agriculture. Plant, machinery, and equipment exclusively imported for mining operations may benefit from concessionary import duty rates, potentially as low as 5%, to encourage investment in the mining industry. Manufacturers importing essential raw materials and capital goods not readily available locally may be subject to the 5% import duty rate, facilitating industrial growth and development.

In 2023, goods taxed at the 5% import duty rate constituted 44.3% of total imports, 26.6% of the goods benefiting from preferential rates to support the manufacturing sector, and 6% attributed to goods granted concessionary rates to support the mining sector.

	2023	**2022**	**2021**	**2020**
CIF Tax Band	(GHS B)	(GHS B)	(GHS B)	(GHS B)
0%	**6.36**	**4.33**	**2.38**	**2.75**
Exempt	13.83	17.91	10.93	7.53
5%	39.44	28.67	20.42	12.77
10%	10.81	8.44	7.43	5.95
20%	16.06	12.09	9.23	7.34
35%	2.61	1.962	0.75	0.71
The total value of Import Taxes	**89.12**	**73.43**	**51.17**	**37.01**

Source: GRA Annual Report, 2023.

CONCLUSION:

Reviewing and rationalizing these exemptions can help the government recover substantial revenue. If the government undertakes a thorough review of direct port exemptions, revisits zero-rated imports, and reconsiders items taxed at 5% due to special concessions, such as imports within the mining sector, there is a substantial potential to generate enough revenue to offset the revenue loss from abolishing the E-Levy and COVID-19 Levy, and still ensure fiscal stability and alleviate the tax burden on citizens.

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