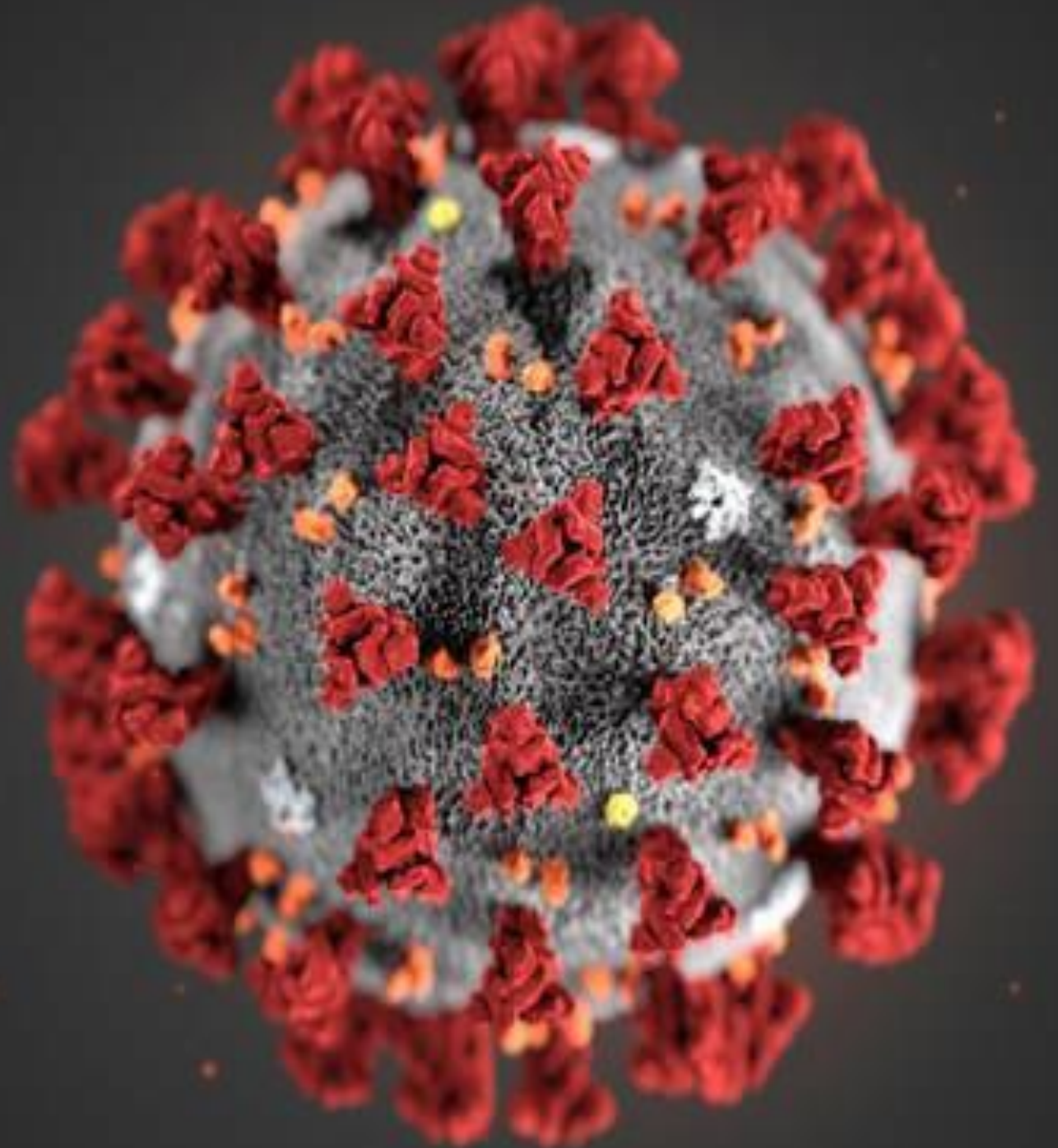




Tax and Immigration Consideration on the Impact of COVID-19 Ghana's Perspective

April 2020



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- The data used in the analysis is assumed to be accurate from the various sources and valid as at 24 April 2020. The fluid nature of the pandemic means the situation may change anytime.
- KPMG is neither responsible for implementing the plans nor for the success of the user's decisions.

#StayAtHome



"We know how to bring the economy back to life. What we do not know is how to bring people back to life"

- President Akufo-Addo

NAkufoAddo

Outlook

Executive summary

Measures taken by Government

Economic Implications

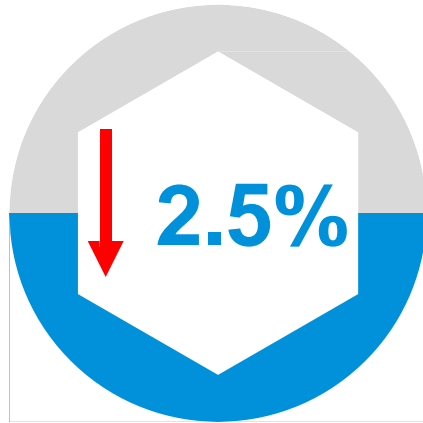
Tax Consideration

Immigration Consideration

Questions

Executive Summary - Economic factors

GDP Growth



- Real GDP growth projected to decline from 6.8% to 2.5% for the 2020 fiscal year
- The partial lockdown is projected to result in decline in economic growth by approximately 1.5%

Cost of Preparedness and Response Plan



- The cost of a COVID-19 preparedness plan is estimated to be USD100 mn (GH¢572 million)
- Additionally, an estimated GH¢1.0 billion will be required to fund a comprehensive Coronavirus Alleviation Programme (CAP)

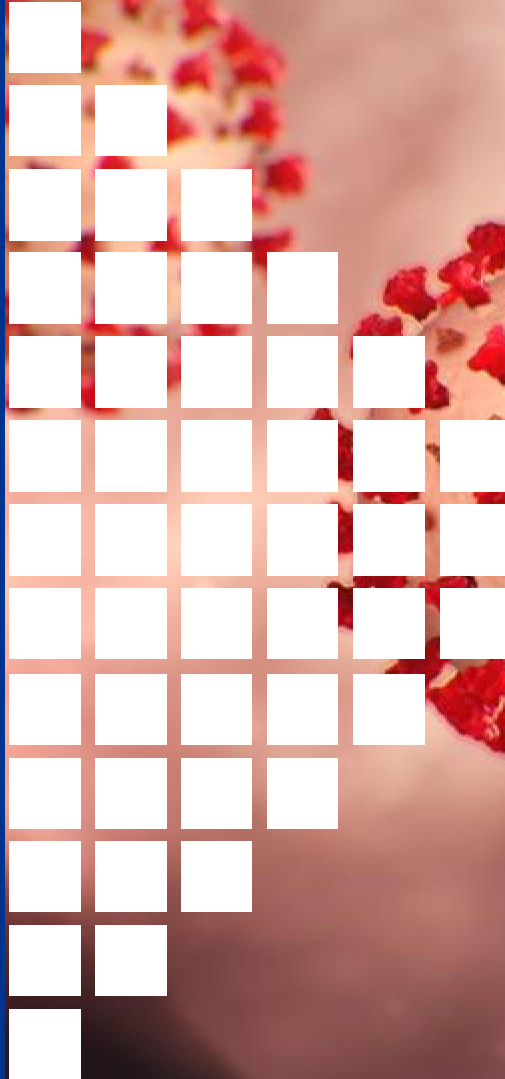
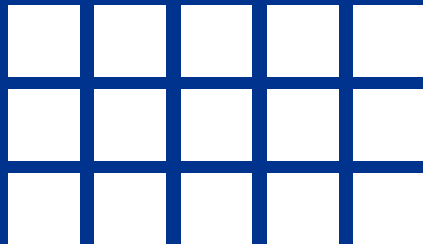
Executive Summary - Tax & Immigration

Implication for the Taxpayer

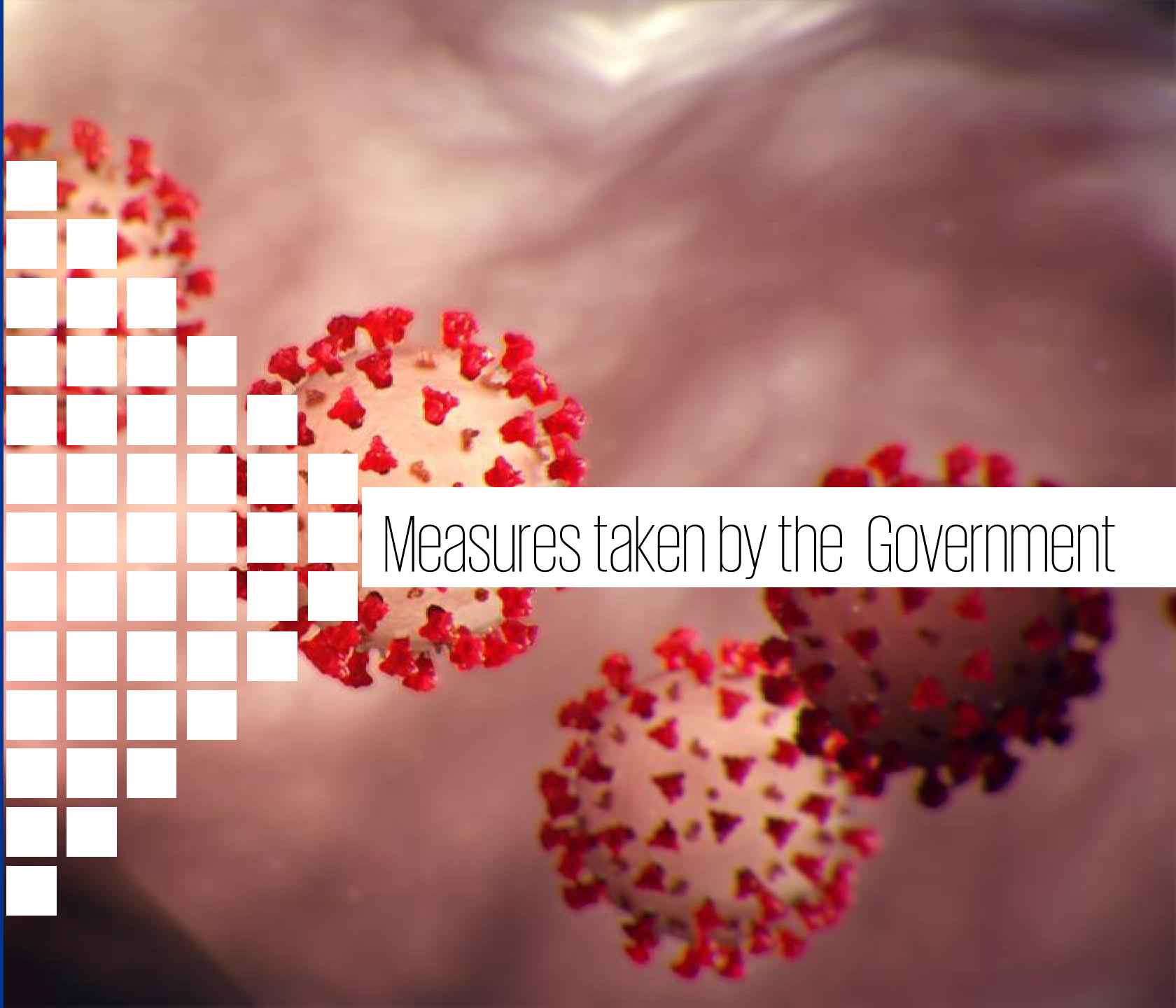
- A possible surge in non-allowable expenses for tax purposes such as provision for bad debts which may lead to an increase in corporate income tax.
- Taxpayers inability to file and pay tax by the statutory due dates.
- Non-residents converted to resident status by exceeding the 183 days threshold for personal income tax purposes as a result of the border closure
- Boarder closure affecting assignments start date and possible need for extension of business visas or permits.

Preparedness and Response Plan

- PAYE exemption for health workers on April, May and June 2020 emoluments.
- Extension of due dates for filling of annual tax returns from four (4) months to six (6) months after the end of the financial year.
- Provision of bank details and emails of the various tax offices to encourage online filing and payment of taxes.
- Remission of penalties on principal debts to taxpayers who redeem, their outstanding debts due the Ghana Revenue Authority up to 30 June 2020.
- Waiver of Value Added Tax (VAT) on donations of stock of equipment and goods for fighting the Covid-19 pandemic.
- Waiver of taxes on selected Third-Tier pension withdrawals.
- Permit the deduction of contributions and donations towards Covid-19 as allowable expense for corporate and personal income tax purposes



Measures taken by the Government



Measures taken – Tax



Taxes will not be paid on the emoluments of health workers for April, May and June 2020.



Extension of due dates for filling of annual tax returns from four (4) months to six (6) months after the end of the basis period.



Grant a remission of penalties on principal debts to taxpayers who redeem, their outstanding debts due the Ghana Revenue Authority up to 30 June 2020.



Waiver of Value Added Tax (VAT) on donations of stock of equipment and goods for fighting the Covid-19 pandemic



Waiver of taxes on selected Third-Tier pension withdrawals



Permit the deduction of contributions and donations towards Covid-19 as allowable expense for corporate and personal income tax purposes.

Source: MoF presentation to Parliament on 30 March 2020

Measures taken – Fiscal Policies (excluding tax)



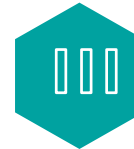
Liquidity for Health Care Providers

- The MoF paid GH¢300 million to NHIA as part of measures to provide liquidity to Health Care providers and the pharmaceutical industry.
- Government arranged Life and Sickness Insurance for Health Care Professionals on the front line of the Health Care Pandemic.
- An insurance package, with an assured sum of three hundred and fifty thousand cedis (GH¢350,000) for each health personnel and allied professional at the forefront of the COVID-19 fight and for contact tracers, a daily allowance of one hundred and fifty cedis (GH¢150).



Reduction in Data Cost

- Engaging the Telcos to reduce the cost of data and telecommunication services to households and small businesses



Collaboration with National Board for Small Scale Industries (NBSSI) to Provide Loans to Small Scale Industries

- Government will collaborate with the National Board for Small Scale Industries (NBSSI), Business & Trade Associations and selected Commercial and Rural Banks to roll out a soft loan scheme up to a total of six hundred million cedis (GH¢600 million), which will have a one-year moratorium and two-year repayment period for micro, small and medium scale businesses.

Source: MoF presentation to Parliament on 30 March 2020

Measures taken – Monetary Policies



Policy Rate and Reserves

- The Bank of Ghana (BoG) has decreased the monetary policy rate by 150 basis points to 14%.
- Reduction in the required reserve requirement from 10% to 8%.



Capital Conservation Buffer

- Capital Conservation Buffer (CCB) for banks of 3.0% is reduced to 1.5%



Support to Mobile Money Users

- All mobile money users can send up to GH¢100 for free (excl. cash out). Daily limits of mobile money transactions increased.



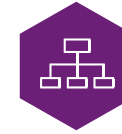
Interest Payment

- Arrange with BOG to defer interest payments on non-marketable instruments estimated at GH¢1,222.8 million to 2022 and beyond.



Government Borrowing from BoG

- Amendment of the Bank of Ghana Act to allow for government borrowing from BOG up to 10% of previous year's tax revenue in the event of tight domestic financing market conditions



Commercial Banks Support

- Commercial banks to;
 - provide syndication facility of GH¢3 billion to support industry especially in the pharmaceutical, hospitality, service and manufacturing sectors.
 - grant six-month moratorium of principal repayments for selected businesses;
 - reduction of interest rates priced-off the Ghana Reference Rate (GRR) by 200 basis points (2% per annum).

Measures taken – Social interventions



An additional allowance of 50% on the basic salary (March, April, May and June 2020) of frontline health workers.



Free 'Aayalolo' buses to convey health workers in Accra, Tema, Kumasi and Kasoa to and from work, along specific routes, for the entire duration of the restrictions.



Procurement of additional Personal Protective Equipment (PPE) for frontline health workers which will include the government engaging local manufacturing companies to assist with domestic production of PPEs.



Government will absorb water bills of all Ghanaians for April, May and June 2020

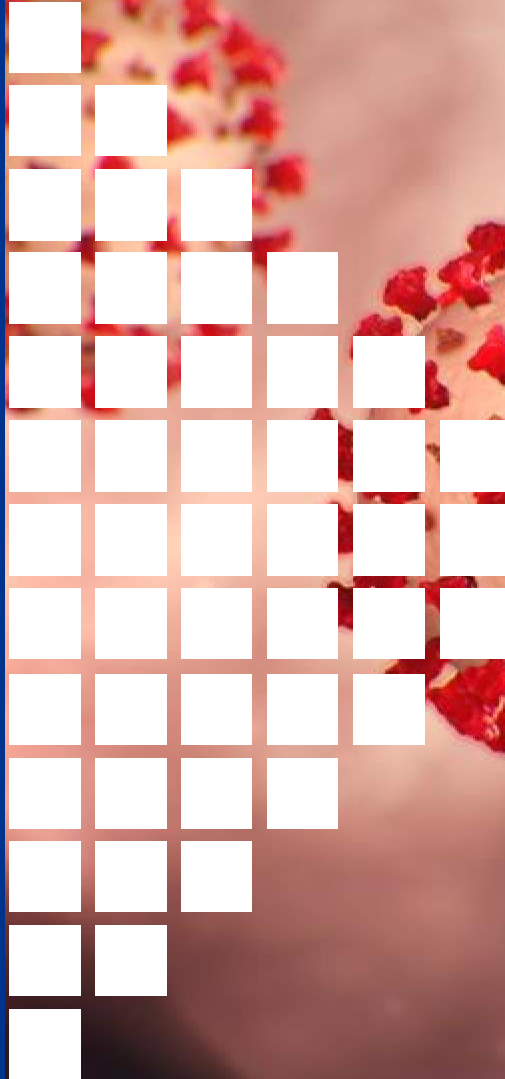
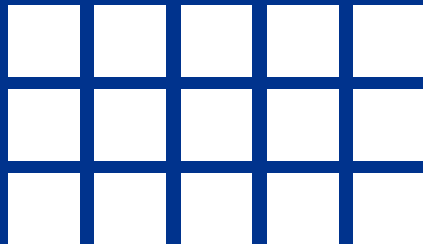


Government will absorb electricity bills for all low-income/lifeline consumers as well as 50% of all other consumers for April, May and June 2020

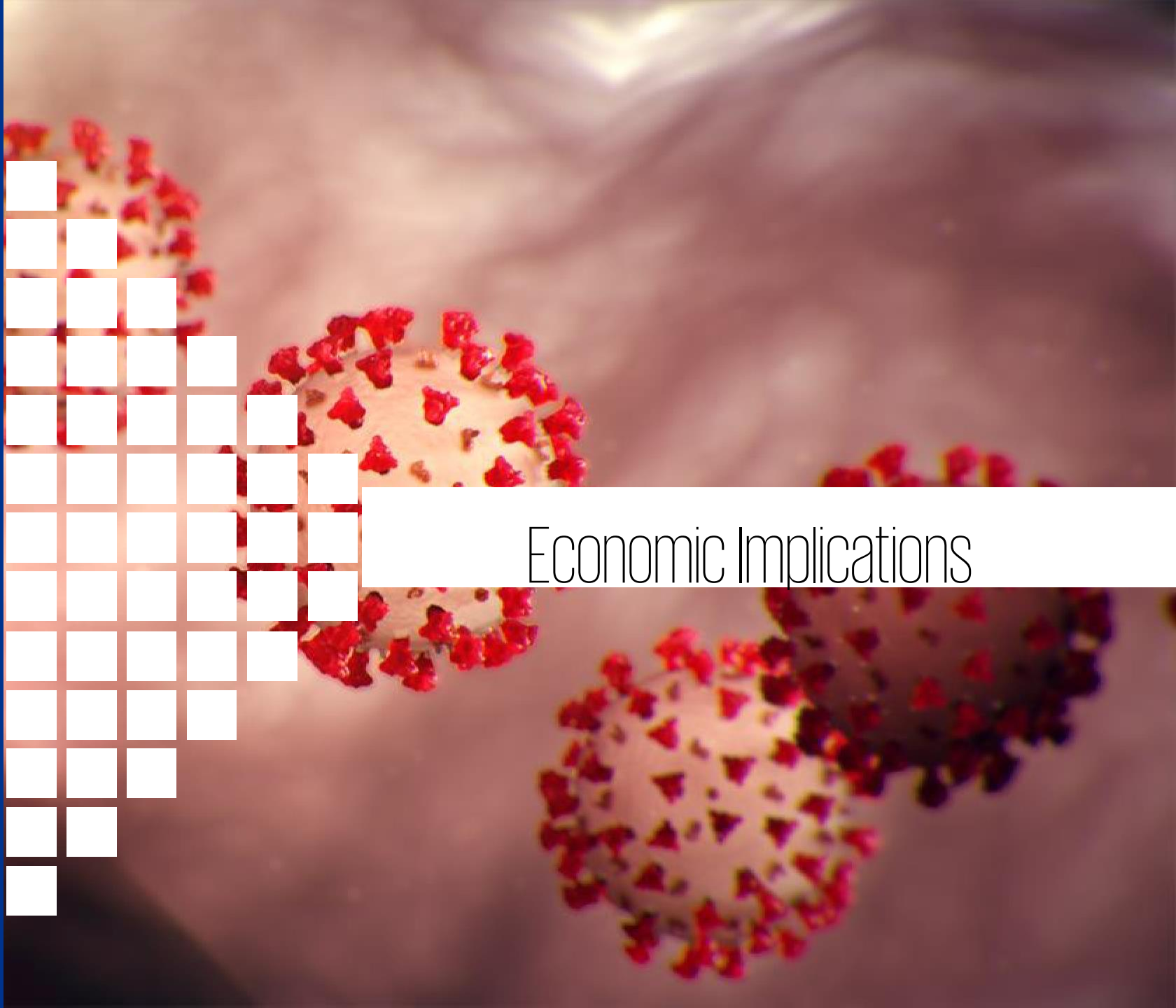


Recruitment of new nurses and midwives from accredited public and private training institutions to beef up health sector numbers

Source: MoF presentation to Parliament on 30 March 2020



Economic Implications



Implications on the Economy

Hospitality industry

- Occupancy rates of hotels are expected to decline from **70%** to **below 30%**
- Considering the global trends in the cancellation of flights, closure of borders and the need to maintain social distancing including the ban on social gatherings, revenues and cashflow of hotels, restaurants, bars, pubs and nightclubs will experience decline significantly

Agriculture

- The agricultural sector is also expected to experience adverse disruptions in the supply chain coupled with lower demand activities.
- Uncertainty, fear and panic could also negatively impact the planting decisions of farmers.
- If the pandemic intensifies, it could lead to **shortage in food supply and a general inflation** of food prices.

Investment

- In an attempt to curb the spread of the virus, travel restrictions and border shutdowns were imposed. An unintended consequence of the Government's directive is the inability of foreign investors to enter the country to transact business or even undertake feasibility studies
- This trend is expected to worsen as the level of uncertainty increases going forward.

Health institutions

- The Government is putting in measures to support the health institutions by pledging **US\$100 million** to the COVID-19 Preparedness and Response Plan.
- However, the Ministry of Health and the Ghana Health Service are of the view that the country's health facilities does not have the capacity to handle a full-fledged pandemic.

Trade and industry

- Trade volumes both domestic and international are reducing especially with China which constitutes the highest of Ghana's imports and the second highest of Ghana's exports
- The decline in international trade will result in a **reduction of expected import duties**

Fiscal impact

- The Government of Ghana anticipates that, the total shortfall in petroleum receipts, import duties, tax revenues and the cost of the preparedness plan and the Coronavirus Alleviation Programme will cost the economy about **GH¢ 9.5 billion**.
- The primary balance of the economy will worsen from a surplus of **GH¢ 2.8 billion** to a deficit position of **GH¢ 5.6 billion**.

Source: MoF presentation to Parliament on 30 March 2020

However, we anticipate some positive impacts from current situation

Positive Impacts



... Enhance Local Production: Opportunities are provided for import substitution, thereby, enhancing local production of goods and services.

... Improve Agriculture Production and Export: Opportunity to boost domestic production and consumption of some food commodities, such as rice, maize, cassava, yam and chicken and export of commodities for which the Ghana has comparative advantage in to trade within the West African Sub-region, among countries that have not closed their borders to cargo

... Reduced Prices for Petroleum Products: Consumers of petroleum products across Ghana are, however, likely to benefit from the decline in international price of crude oil as the ex-pump price of petroleum is likely to reduce.

... Improve Balance of Payment: The increased demand for gold as a safe haven as a result of the virus outbreak will likely impact positively on the balance of payments and receipts from mineral royalties

Source: MoF presentation to Parliament on 30 March 2020

Possible implications at the macro level



Revised Budget

- The pandemic reverses some macroeconomic gains with fiscal deficit projected to widen to 6.6% of GDP. A new budget statement may be required to address these gaps and reset targets.



Economic Fundamentals

- Pressure on the cedi due to bond sell-off by foreign investors and dwindling reserves. Servicing external debt could be expensive and borrowing cost will rise as evidenced by rising yields on Eurobonds



Foreign Direct Investment (FDIs)

- FDIs will dwindle as investors set new priorities. This will significantly affect medium term strategic goals including the funding of the sustainable development goals (SDGs)



Services Sector

- Continued border closure and restrictions of activities will impact trade and the tourism sub-sectors.
- Banking sector to be impacted due to potential default.
- Telecommunications sector to record positive trend due to rising demand for data.



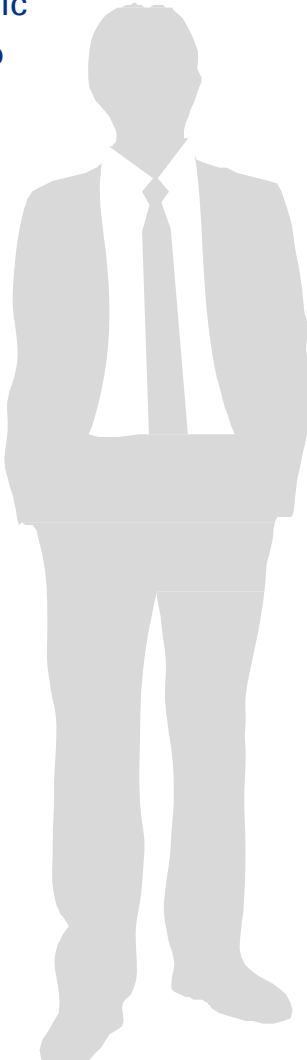
Industry Sector

- Significant impact on industry sector. Decline in oil prices to impact growth and continued restrictions to impact the manufacturing sector due to dampened demand.



Agriculture Sector

- Agriculture may not be heavily impacted as it relies less on intermediate imports. However, uncertainty could lead to food shortages and panic buying which may induce food inflation



Possible implications at the micro level



Cash Flow Planning

- Firms are likely to experience cash flow issues and impact ability to service debt. Businesses need to rationalise resources and restructure maturing debts



Innovation

- Firms must drive innovation in business process to better prepare for similar uncertainties. Digitisation of business processes to eliminate manual interventions



Supply Chain Disruptions

- With major supply sources and hubs like China shutting down, businesses will experience material shortages and the need to plan purchases to ensure efficient use of scarce resources.



Business Continuity Plan

- Firms need to put in place business continuity plan (BCP). This is to ensure business is not interrupted and a back-up to fall on in case of emergency



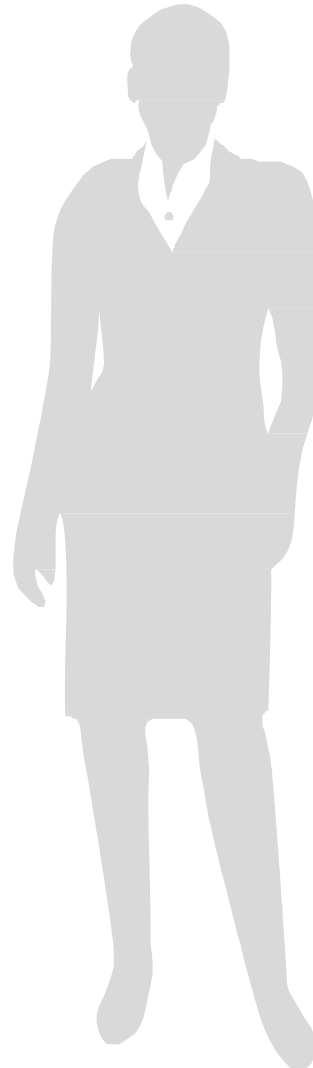
Redundancies

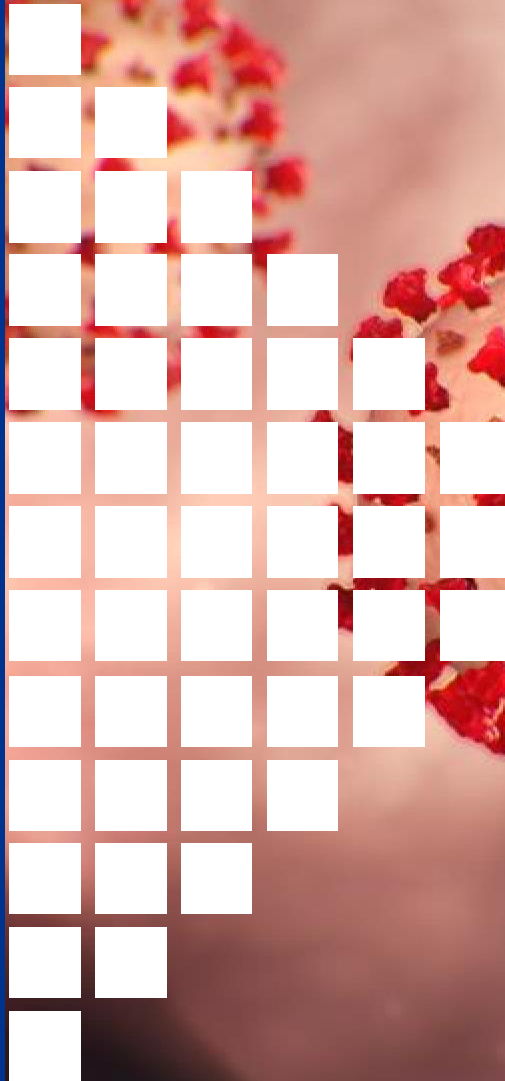
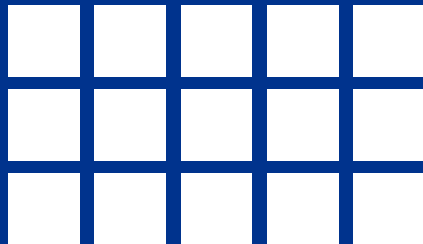
- There is the likelihood of firms shedding redundant staff as business experiences decline. Firms need to prepare for such scenarios and rehire when there is improvement.



3 Rs

- Businesses need to **retreat, review and re-strategise** for the headwinds ahead. Turnaround may be in a short to medium term depending on the degree of impact on the business.





Tax Consideration

Corporate Income Tax

There is a minimal corporate income tax consequence for financial end 31 December 2019. The reason being that, adverse adjustments such as increase in provisions including bad debts and impairments (which are treated as non-allowable expenses under our current Income Tax Act, 2015 (Act 896)) that may arise as a result of the pandemic may not be required.

Personal Income Tax

The Ghana tax system taxes individuals on residency basis. As such, a non-resident becomes resident for tax purposes if present in the country for an aggregate period of one hundred and eighty-three (183) days or more in any twelve-month period that commences or ends during the year of assessment. This law does not take into consideration a non-resident who has overstayed and thus attained residency status as a result of the pandemic.

Therefore, where there is no legislation that amends this provision, instead of the individual being subject to tax in Ghana at the non-resident rate of 25%, that individual will be subject to tax at the graduated tax rate with 30% being the highest marginal rate on annual taxable income exceeding GHS240,000.

Filing of Tax Returns

The Revenue Administration Act, 2016 (Act 915) provides for taxpayers to apply for extension of time to file and pay tax. The Commissioner-General may grant the approval if good cause is shown. It, therefore, suffices to say that, our tax laws have made provisions for taxpayers' inability to file on time in event of uncertainties. As a result, where it can be envisaged by taxpayers that they will be unable to file their tax returns by the due dates, an opportunity for extension could be sought for a maximum period of two (2) months.

Should the outbreak persist at the end of the two (2) months extension period, what avenues may be available?

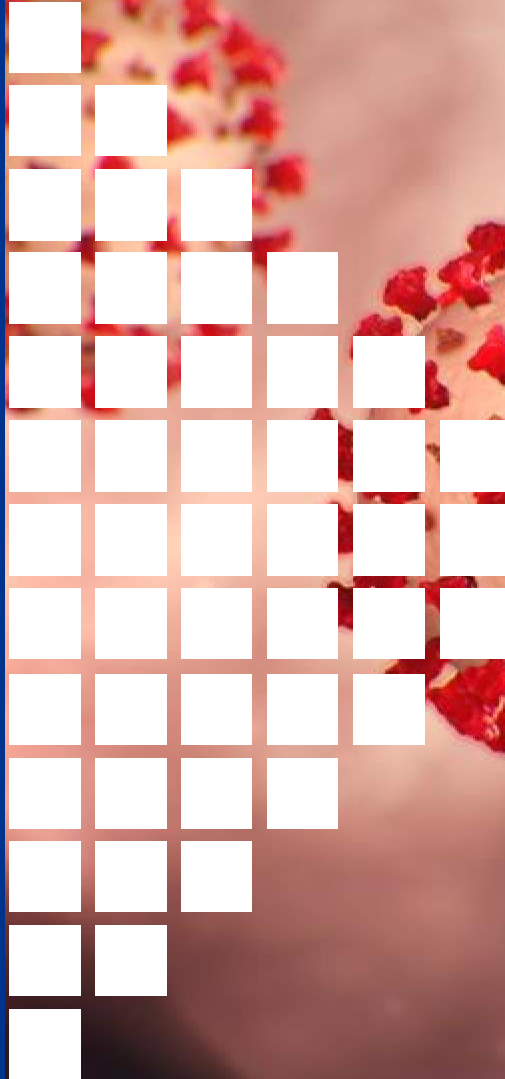
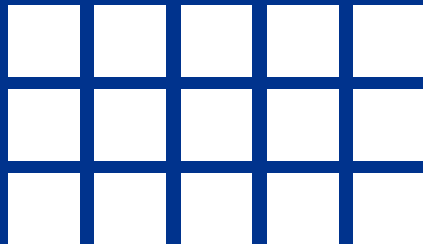
In response to this, the Government through the Minister of Finance proposed to Parliament among other things a two (2) month automatic extension of time to for the filing of tax returns after the end of the financial year. As a result, where this is legislated, businesses will have additional two (2) months to complete their financial statements audits and related submission of tax returns.

Similarly, individuals will this year have the opportunity to file their personal income tax returns in June 2020 instead of the statutory deadline of 30 April 2020.

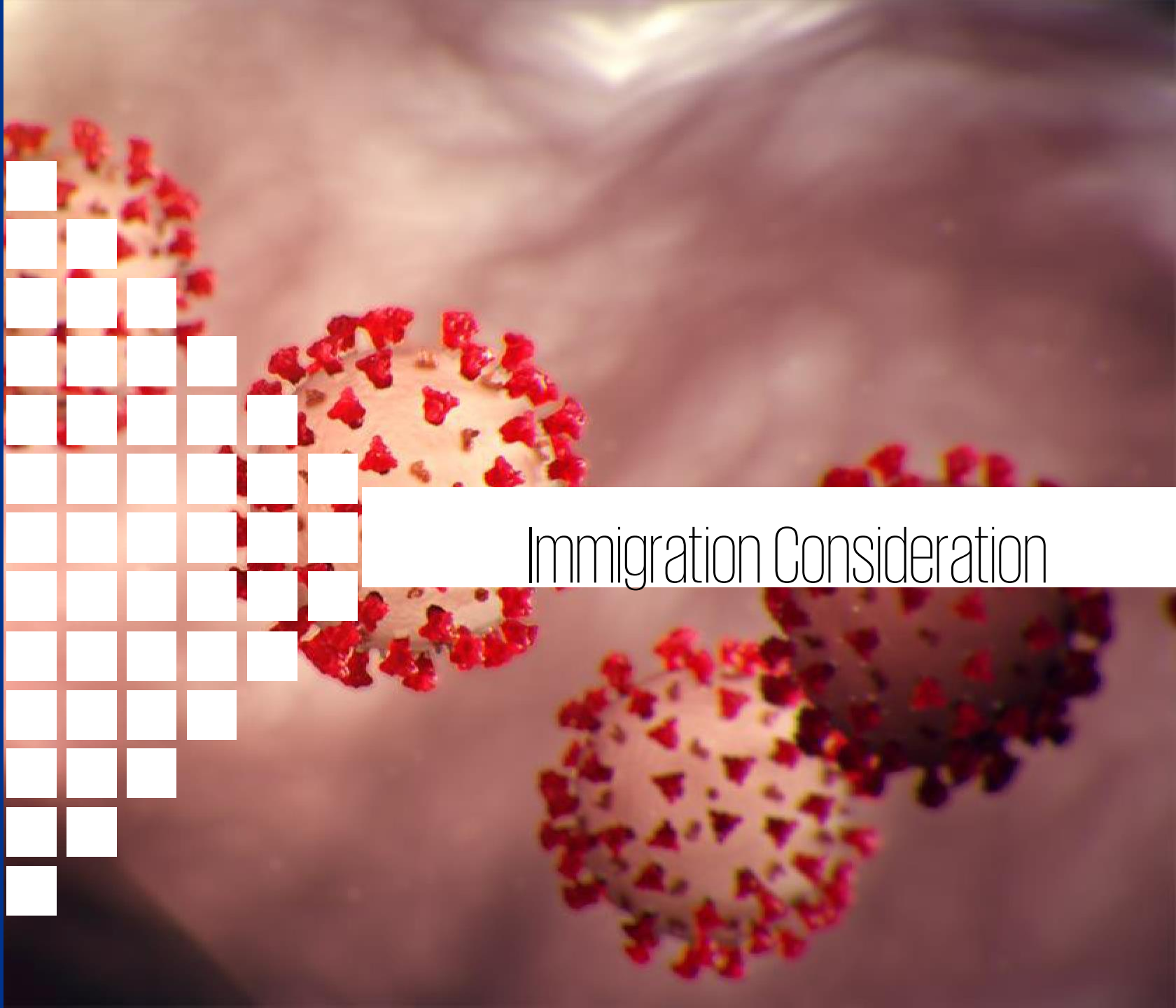
Payment of Tax

Considering the impact Covid-19 has had on businesses, they may be unable to make their tax payments as they fall due. In this regard, they could apply for an extension of time for the payment of tax as provided in the Revenue Administration Act, 2016 (Act 915).

Act 915, provides that an extension for a maximum of twelve (12) could be granted where good cause is shown.



Immigration Consideration



Boarder Closure

Ghana, like many other countries, is limiting cross-border travel into the country with significant impact for the mobility of a company's international workforce.

The outright closure of boarder until further notice as announced will impact companies with expatriate populations in terms of existing and future assignments inbound to Ghana or outbound from Ghana.

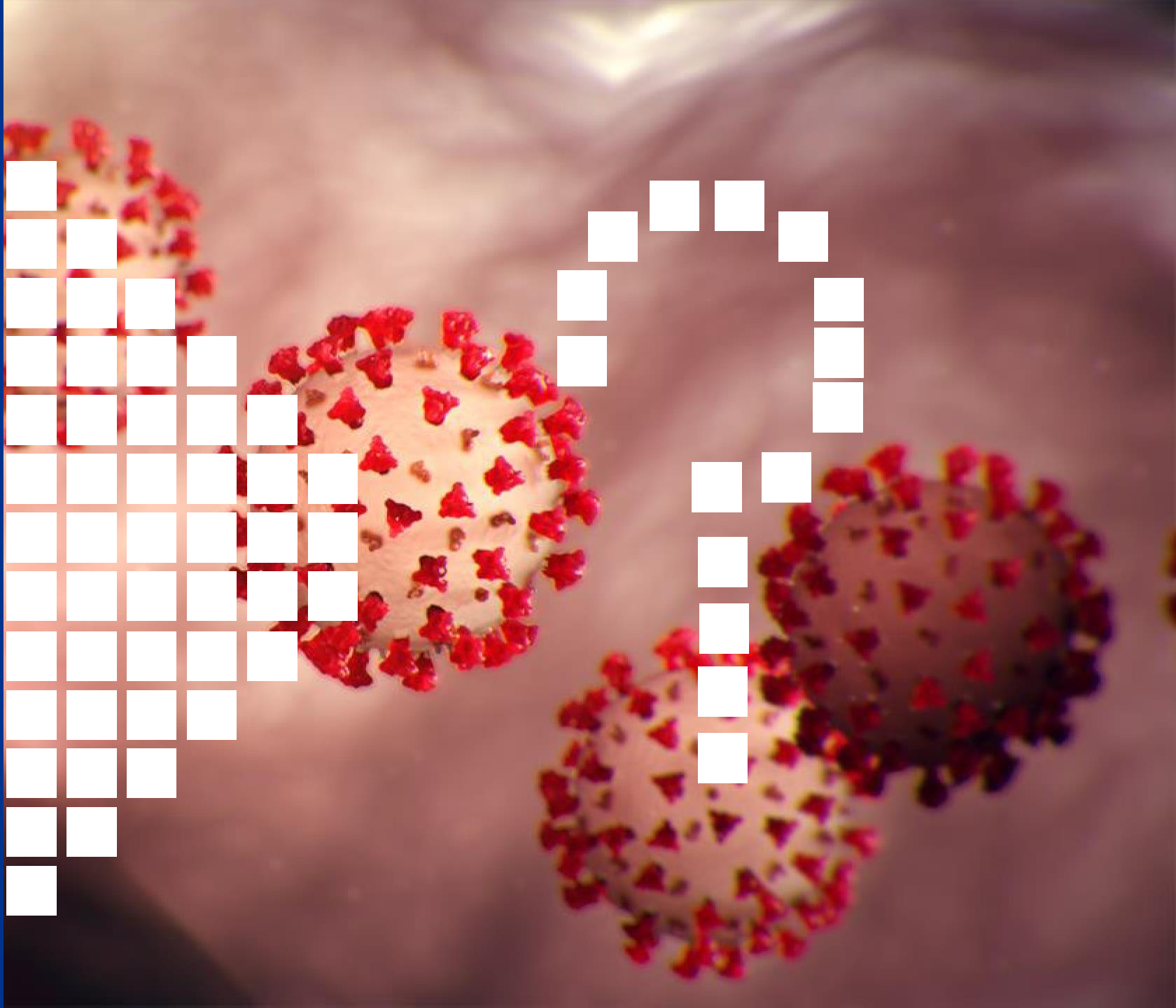
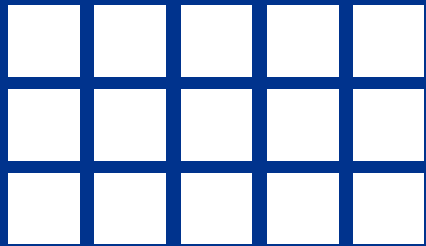
Employees and their families who may have received offers for an international assignment to Ghana may need to postpone the commencement of their assignments. This could cause some anxiety, stress, and inconvenience, especially where plans for relocation are already underway (or where they are already in Ghana on temporary visas).

The changes wrought in travel and daily life in light of recent government measures, may mean delays, more administration, and a considerable amount of inconvenience for some companies, their affected employees, and the Ghanaian population, generally speaking, though it is in the interest of protecting public health and safety.

Social Restrictions

- ❑ **Public gathering:** All public gatherings such as workshops, conferences, funerals, festivals, and religious activities, have been suspended until further notice. Private burials can be held with a maximum of 25 people while observing the social distance of one-meter.
- ❑ **Educational Sector:** All universities, senior high schools, and basic schools (both private and public) have been authorised to shut down.
- ❑ **Public Establishments:** All establishments, such us supermarkets, restaurants, and hotels are to observe enhanced hygiene procedures by providing running water and soap for washing of hands and hand sanitizers.
- ❑ **Transport Sector:** The Ministry of Transport is to collaborate with all public transport services to observe enhanced hygiene procedures by providing running water and soap for washing of hands and hand sanitizers.
- ❑ **Businesses and Workplaces:** All businesses and other workplaces can continue to operate but should observe the prescribed social distance of 1-meter and other hygiene conditions.

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