Media Foundation for West Africa

Tax Gap, Illicit Financial Flows And Revenue Mobilisation In Ghana

Prepared By
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Abbreviations

AU-HLP	–	African Union- High Level Panel
AUC/ECA	–	African Union Commission/United Nations Economic Commission for Africa
CIT	–	Corporate Income Tax
DDEP	–	Domestic Debt Exchange Programme
ECA	–	Economic Commission for Africa
ECA-UNCTAD	–	Economic Commission for Africa and United Nations Conference on Trade and Development
EU	–	European Union
FEMNET	–	African Women's Development and Communications Network
GDP	–	Gross Domestic Product
GETFUND	–	Ghana Education Trust Fund
GLSS	–	Ghana Living Standard Survey
GRA	–	Ghana Revenue Authority
GSS	–	Ghana Statistical Service
GTUS	–	Ghana Time Use Survey
IFFs	–	Illicit Financial Flows
IFS	–	Institute of Fiscal Studies
IMF	–	International Monetary Fund
IMF-ECF	–	International Monetary Fund Extended Facility
MTRS	–	Medium-Term Revenue Strategy
NHI	–	National Health Insurance
NVTTL	–	Net VAT Total Theoretical Liability
PIT	–	Personal Income Tax
SDG	–	Sustainable Development Goal
UNCTAD	–	United Nations Conference on Trade and Development
UNECA	–	United Nations Economic Commission for Africa

UNODC	–	United Nations Office on Drugs and Crime
VAT	–	Value Added Tax
WHT	–	Withholding Tax

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Executive Summary

Ghana's tax effort is low (about 12–13% between the period 2000 and 2023) compared to peer countries both in the subregion and among lower middle-income group. Existing tax gap analyses show a substantial gap which means the country is not fully exploring its tax potential. At the same time, illicit financial flows (IFFs) are draining the country's resources. Preliminary estimates indicate that between 2000 and 2012, Ghana lost over US$8 billion from trade-related IFFs in terms of trade between Ghana, the United States and the European Union (ECA-UNCTAD, 2023). This amount is close to three times the total amount Ghana would receive under the current International Monetary Fund Extended Credit Facility programme. Unrealised revenue through tax gap and revenue leakage through IFFs have repercussions on growth and development. Unfortunately, low-income groups and women would be disproportionately affected given that they rely on public provision of social services the most. This further has implications on inequality. The Medium-Term Revenue Strategy (2024 – 2027) targets 18–20 percent tax-to-GDP ratio. Significantly reducing the tax gap and curbing IFFs seem to the best strategies given that the mood in the country show less appetite for new taxes. The current study provides insights into Ghana's tax gap and IFFs and makes some recommendations on how to improve domestic revenue mobilisation.

Generally, the study found that while there exists import tax gap and tax gap in the informal sector, they are not the major drain to the country's revenue mobilisation. Conversely, corporate income tax (CIT) gap and value added tax (VAT) gap represent the major drains, depriving the country of over 50 – 80 percent of revenue potential from those taxes. This means that the government and revenue authorities and agencies must prioritise strategies to significantly reduce CIT and VAT gap. To achieve these, the study recommends reforms in CIT and VAT.

Ghana's CIT regime needs to be reformed, particularly regarding the reliefs and exemptions. Even though these incentives are put in place to attract investment, they need to be justified by cost-benefit analyses. Measures also need to be in place to safeguard against profit-shifting, misinvoicing, and mispricing to curb commercial practices-related IFFs. This would mean equipping institutions to frequently monitor and track business activities and conduct regular assessments.

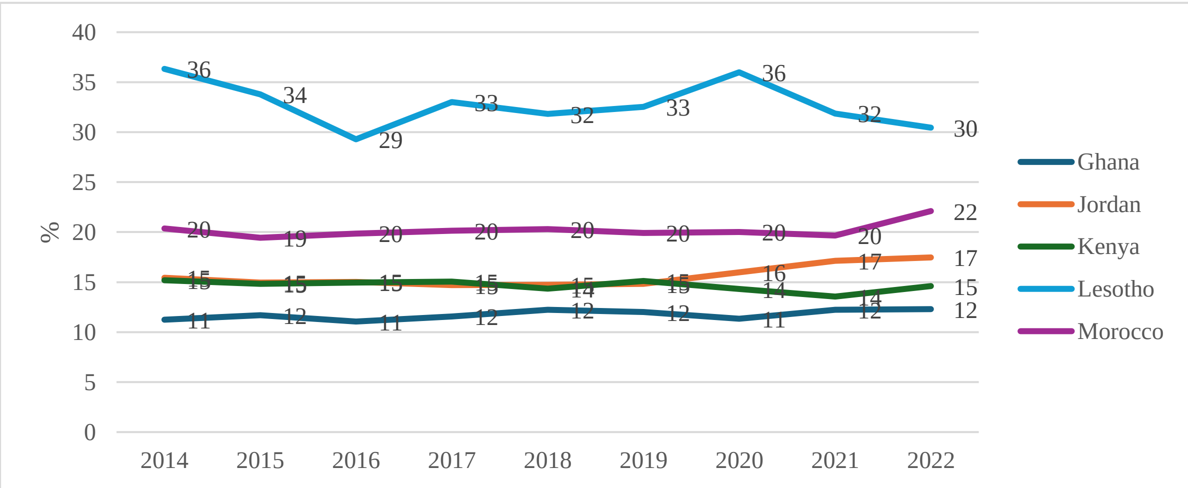
The government has proposed some VAT reforms (mainly regarding the effective rate and the threshold) in the 2026 National Budget presented to Parliament on November 13, 2025. While this is laudable and would contribute to an efficient VAT system, to effectively reduce the VAT gap, the VAT exemptions also need to be reconsidered. For instance, currently, most agricultural activities are exempt (partly because of the subsistence nature of activities) which makes the sector's contribution to tax revenue very low compared to peer countries like Cote d'Ivoire. To fully explore the sector's tax revenue potentials, the government must encourage and invest in commercial agriculture and review the VAT exemptions accordingly.

Finally, corruption and abuse of entrusted power is a major issue of IFFs. The most recent SDG progress report indicates declining corruption perception index for Ghana (Sachs et al., 2025). Ghana has enough laws to fight corruption and may not necessarily need new laws. The country is rather deficient in enforcing them. Curbing IFFs requires strong and committed political will to enforce the existing laws. Essentially, it is important to note that the fight against IFFs is not just an economic issue because revenues are being lost. But it is also an issue of social justice because the revenues when retrieved could be used to finance pro-poor investment such as social protection programmes to help bridge the inequality gap. Also, the government would be able to invest more in care infrastructure that may reduce women's time spent in providing unpaid care and domestic work, which would allow them to fully participate in the labour market and empower them economically.

1.0 Introduction

Ghana's tax effort (ratio of tax revenue-to-Gross Domestic Product) has characteristically been low compared to that of peer[1] countries (e.g., Kenya, Lesotho, and Morocco) – see *Figure 1*. The country's tax effort averaged 11–12 percent for the period 2013 and 2023. Illicit financial flows partly account for the low tax effort. Several reforms particularly around digitisation of tax administration have been implemented to improve the efficiency of the tax system and invariably the performance of the revenue authority and agencies. Specifically, the digitisation policies have been aimed at blocking tax revenue leakages. While the tax effort provides useful information about tax collection trends, it is unable to capture the tax potential or tax capacity and hence the effectiveness of the systems put in place, and by extension, the efficiency of the revenue authority and agencies. In other words, the tax effort does not tell us anything about the effectiveness of tax administration systems and processes. A *tax gap* estimate – i.e., the difference between the potential tax revenue and the actual tax revenue – is a conceptually more relevant and valuable indicator than using revenue targets to monitor the performance of tax administration agencies in maintaining integrity in the tax system (McManus and Warren, 2006).

Figure 1: Tax revenue-to-GDP ratio in Selected Low-Middle-income countries



Source: *World Development Indicator*, World Bank

Understanding of the tax gap is crucial for the government and the revenue authorities for the design of effective tax policies for not only development but also, for an inclusive growth. If the tax gap is widening, revenue will fall, *all else equal*. This will have repercussions on government's investment – including education, health, social protection programmes – and welfare may fall too (Warren and McManus, 2007). Low-income groups (particularly women and the vulnerable) who most likely depend on social services will be disproportionately affected. Indeed, there is evidence that tax gap benefits primarily high-income earners (Sarin and Summers, 2019). Additionally, illicit financial flows (IFFs) drain the government of resources that could have been used to finance growth and development agenda of the government. Therefore, to eliminate (or significantly reduce) the tax gap, it is important to

[1] i.e., low-middle income countries

understand the sources and reasons for non-compliance and implementation of efficient and cost-effective government spending to improve the general public's satisfaction. In fact, the International Monetary Fund (IMF) and the World Bank use tax gap estimates as a performance indicator as part of the conditions for assistance. Issues about IFFs are also very important as the Sustainable Development Goal (SDG)16 (target 4) aims to "significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime" by 2030. The most recent SDG progress report indicates Ghana's progress with SDG 16 has stagnated with corruption perception index declining (Sachs et al., 2025). This study therefore provides a good understanding on tax gap and illicit financial flows in Ghana and subsequently proposes some policy recommendations.

2.0 Objectives of the study

The study is guided by four main objectives. First, the study provides an insight into Ghana's tax system – i.e., structure, composition, and effectiveness of the system by identifying the structural and operational gaps. Second, the study provides an insight into the tax gap in Ghana and the effect on domestic revenue mobilisation. Third, the study provides insights into illicit financial flows (IFFs) in Ghana and discusses the implications on revenue mobilisation. The study also discusses the gendered effects of IFFs to promote gender-sensitive anti-IFFs programming given that the impact of IFFs cannot be assumed to be gender-neutral. The study concludes by making some policy recommendations.

3.0 Methodology

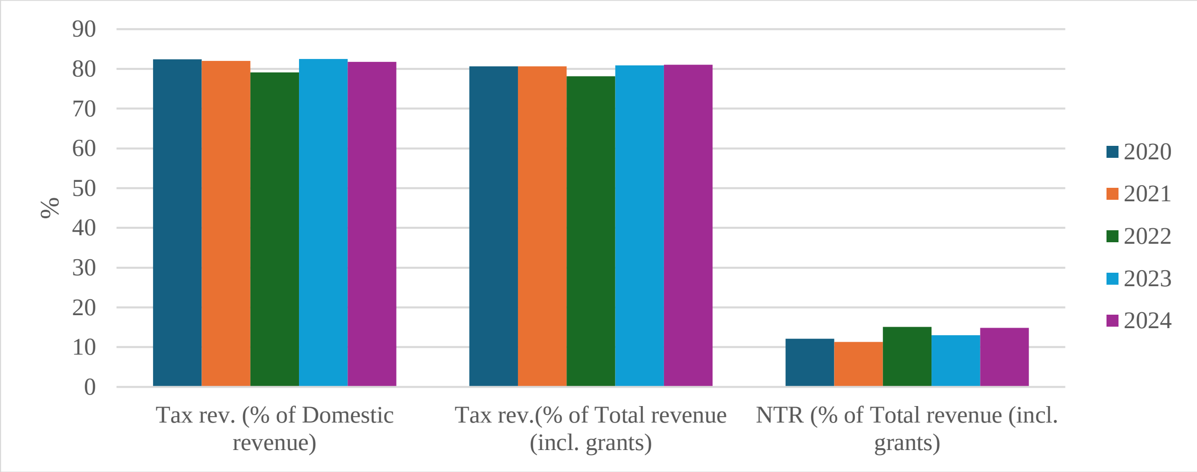
The research method for this study is made up of a review of existing related studies and technical reports. Specifically, the study relied primarily on existing studies conducted on tax gap and illicit financial flows for Ghana. Then, where necessary, inferences were made to relevant policy documents from regional bodies such as the African Union (specifically the High-Level Panel on illicit financial flows report) and the United Nations Sustainable Development Goals.

4.0 Revenue Mobilisation in Ghana (2020 – 2024)

4.1 Composition of revenue

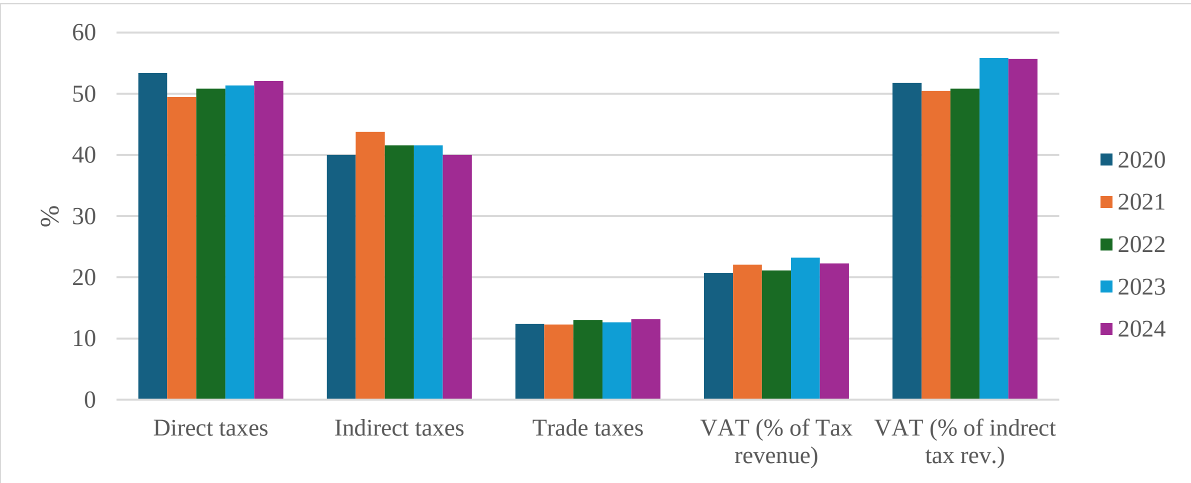
Taxation is the main source of revenue for the government of Ghana (averaging 80 percent between 2020 and 2024). Non-tax revenue for the same period was about 13 percent (Figure 2a). In terms of the composition of tax revenue, direct taxes revenue (i.e., taxes on income and property) are the highest, constituting about 51 percent of total tax revenue for the period 2020 – 2024. This is followed by indirect tax revenue (41%). Revenue from international trade tax has the least share (13%) – *see Figure 2b*.

Figure 2a: Trend and structure of revenue in Ghana (2020 – 2024)



Source: Ministry of Finance and Economic Planning, *Fiscal Data*.

Figure 2b: Composition of Tax revenue in Ghana (2020 – 2024)



Source: Ministry of Finance and Economic Planning, *Fiscal Data*.

Corporate income tax is the main source of direct tax revenue, constituting about 45 percent of revenue from direct taxes for the period 2020 – 2024. This is followed by personal income tax (32%). Therefore, personal income tax and corporate income tax, put together account for about 77 percent of direct tax revenue. Value Added Tax is the main source of indirect tax revenue, constituting about 53 percent of indirect tax revenue (and one-fifth of total tax revenue) during the reviewed period.

4.2 Structure of the key tax instruments

Personal Income Tax

The personal income tax (PIT) is levied on incomes from employment, business and investment of residents and non-residents whose income has its source[2] in Ghana or incomes brought into Ghana, so long as it is above GH₵402 per month. Ghana practices the schedular system which means that chargeable income from each source is determined separately. PIT in Ghana is filed individually and is independent of a person's marital status. The tax rates and chargeable income are revised periodically to reflect prevailing conditions. Table 1 shows the PIT rates and the chargeable income for the period 2024–2024.

Table 1: PIT rates and chargeable income (2020 – 2024)

	2020		*2021*		*2022*		*2023*		*2024*	
	Chargeable income	**Rate (%)**	**Chargeable income**	**Rate (%)**	**Chargeable income**	**Rate (%)**	**Chargeable income**	**Rate (%)**	**Chargeable income**	**Rate (%)**
First	319	0.0	319	0.0	365	0.0	402	0.0	490	0.0
Next	100	5.0	419	5.0	110	5.0	110	5.0	110	0.05
Next	120	10.0	539	10.0	130	10.0	130	10.0	130	0.1
Next	3,000	17.5	3,539	17.5	3,000	17.5	3,000	17.5	3,166.67	0.175
Next	16,461	25.0	20,000	25.0	16,395	25.0	16,395	25.0	16,000	0.25
Next/Exceeding	20,000	30.0	20,000.001	30.0	20,000	30.0	29,963	30.0	30,520	0.30
Exceeding	-	-	-	-	-	-	50,000	35.0	50,000	0.35

Source: Compiled by Author from various sources

From Table 1, Ghana's PIT is progressive given that the higher income earners would pay relatively more taxes. Also, some equity considerations are made given the zero-marginal tax rate (currently for the first GH₵490) for the poorest income group. However, the impact of this equity consideration would depend on the cost of living and whether this tax-free income would guarantee a decent living wage. The Income Tax Act, 2015 (Act 896) also makes provision for several PIT reliefs, tax exemptions, deductions and allowances. Notable PIT exemptions include *inter alia* salary, allowances, facilities, pension, and gratuity of the president; income of a cocoa farmer from cocoa; pension; income of a non-commercial public corporation; and income directly connected to the government or local authorities' activities. Some of the PIT reliefs are aged dependent relief[3], educational relief[4]; mortgage relief[5]; and disability[6] relief.

Corporate Income Tax

The corporate income is levied on the incomes of companies incorporated under the laws of Ghana or elsewhere. Table 2 presents the corporate income tax rates, and this shows a range of rates depending on the type and location of the business. The Income tax Act, 2015 (Act 896) also makes provision for some incentives for businesses in the form of 1 percent tax holiday

[2] An income has its source in Ghana if the income is accrued or derived in Ghana. https://gra.gov.gh/domestic-tax/personal-income-tax/#:~:text=It%20is%20a%20tax%20charged,GH%C2%A2%20402%20per%20month.
[3] granted to a resident individual who takes care of a relative who is at least 60 years old, and is granted up to a maximum of two (2) relatives, who should not be the caregiver's spouse or child
[4] granted to a resident individual based on the amount of qualifying mortgage interest paid in a given tax year for his/her principal private residence, and this is applicable to only one building.
[5] granted to a resident individual based on the amount of qualifying mortgage interest paid in a given tax year for his/her principal private residence, and this is applicable to only one building.
[6] granted to a resident individual who satisfactorily proves to the Commissioner General that (s)he is disabled

(see appendix 1). After the tax holiday, the business is expected to pay the full applicable tax rates.

Table 2: CIT Rates in Ghana

Type of Business/Industry/Activity	Rate (%)
Income of a Trust	25.0
Company principally engaged in the hotel industry	22.0
Company engaged in the export of non-traditional exports	8.0
Financial institution from loan granted to farming enterprises	20.0
Financial institution from loans granted to a leasing company	20.0
Manufacturing companies located in regional capital (except Accra and Tema)	18.5
Manufacturing companies located outside Accra, Tema, and the regional capitals	12.5
Free Zone enterprises after 10 years tax holiday (on domestic sales)	25.0
Free Zone enterprises after 10 years tax holiday (on export of goods and services)	15.0
Petroleum income tax	35.0
Mineral income tax	35.0

Source: Ghana Revenue Authority[7]

Value Added Tax

The value added tax (VAT) is a consumption tax on goods and services which was successfully introduced in 1998 after a failed attempt in 1995. The VAT uses the invoice credit method and the destination principle in the collection of taxes (Osei-Akoto et al., 2014). The current standard VAT rate is 15 percent, applicable to businesses whose taxable supply is (or expected to be) GH₵200,000 or above, over a 12-month period; or GH₵50,000 over a three-month period. However, the incorporation of additional levies (i.e., GETFUND[8], Covid-19, and NHI[9]) leads to an effective rate of about 22 percent. Aside from the standard rate, there are two more VAT rates – i.e., 5 percent flat rate on taxable supply of immovable property by a person for rental purposes or as an estate developer; and 3 percent on businesses with turnover GH₵200,000 – GH₵500,000. The VAT Act, 2013 (Act 870), also makes provision for some exempt goods and services (see Appendix 2).

The VAT has been found to be regressive given that as typical of consumption taxes, the tax burden disproportionately falls on low-income consumers. In addition, Ghana's 22 percent effective VAT rate is one of the highest in the subregion. The inability to deduct the

[7] https://gra.gov.gh/domestic-tax/tax-types/corporate-income-tax/

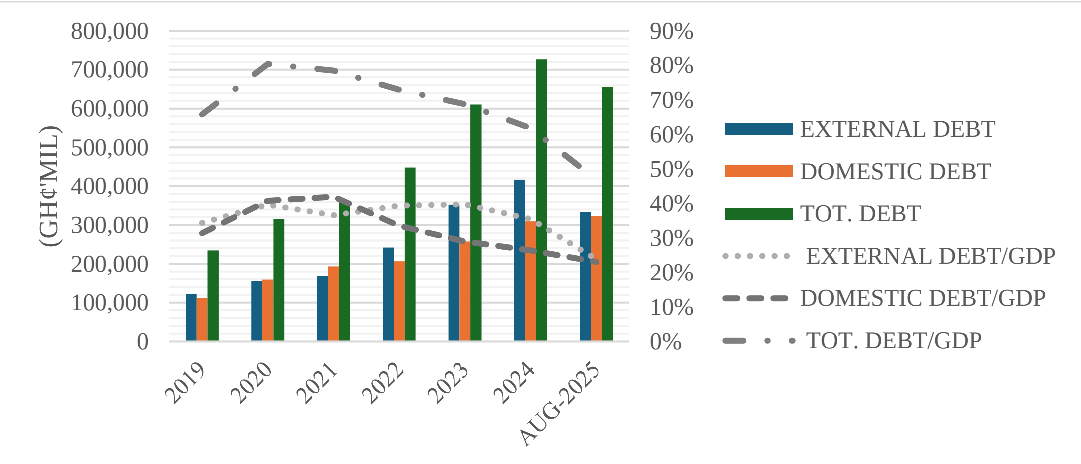
[8] Ghana Education Trust Fund
[9] National Health Insurance

incorporated levies as input tax for businesses also has also resulted in inefficiencies in the system. The 2026 National Budget which was presented to Parliament on November 13, 2025, indicated a reformed VAT of 20 percent effective rate that removes those additional levies, to improve compliance and efficiency. But this will take effect in 2026.

4.3 Implications of the weak revenue mobilisation efforts

The country's weak tax effort partly explains the huge debt burden over the period given that the government had to continuously complement its revenue with borrowing. Indeed, Ghana's debt had been rising since 2006, with an annual growth of about 11 percent between 2006 and 2023 (Quartey et al., 2024). Between 2020 and 2022 (before signing on to the IMF-Extended Credit Facility programme), total debt as a share of gross domestic product (GDP) was about 77 percent (Figure 3) and Ghana's debt had reached unsustainable level. This contributed to the unprecedented macroeconomic imbalances experienced during the period and Ghana had no choice but to seek assistance from the IMF under the Fund's Extended Credit Facility (IMF-ECF) programme. But the country had to first negotiate with its creditors both domestically and internationally, leading the domestic debt exchange programme which began in December 2022 and ended in February 2023.

Figure 3: Public debt burden (2019 – 2025)



Source: Compiled by Author from Ministry of Finance, *Public Debt*

The domestic debt exchange programme (DDEP) had several consequences on both individuals and the economy. Then, as a characteristic of IMF programmes, the country is required to implement austerity measures, and this has implications on government spending including capital expenditure. The government was also required to improve revenue mobilisation, and in line with that, the Medium-Term Revenue Strategy (MTRS) (2024 – 2027) was developed. The MTRS (2024 – 2027) aims to ultimately raise the tax-to-GDP ratio to 18–20 percent (Ministry of Finance, 2023). Even though in 2024, the country recorded some improvement in its tax effort (from about 13% to 15.9%), this is still appreciably far from the target in the Medium-Term Revenue Strategy. Unfortunately, many domestic investors have not fully recovered from the shock and "scars" from the DDEP, coupled with the generally difficult living conditions. This means that there is less appetite for new taxes now. Therefore, the issue of effective collection of taxes is imperative given the times we find ourselves and the fact that there is no indication of assessing the international capital markets anytime soon.

5.0 Tax Gap in Ghana

5.1 Conceptual issues

Definition

The tax gap is the difference between the theoretical tax liability (or the potential tax revenue that should be collected) and the actual tax collected (see for example: McManus and Warren, 2006; Warren, and McManus, 2007; Khwaja and Iyer, 2014 and Danquah and Osei-Assibey, 2018). Some authors such as Raczkowski (2015) have incorporated taxpayers' behavioural responses[10] and defined tax gap as "the level of application of tax evasion by the taxpayer, which results in an undue reduction in the tax base and a decrease in due contributions to the state budget" (p.60). But in its simplest definition, tax gap is the amount of tax that is legally owed to the government but not collected due to non-compliance, tax evasion, etc. The tax gap is therefore definitively different from the concept of "tax space" introduced by Khwaja and Iyer (2014). That is, tax space is defined as "the amount of revenue that a country can afford" to collect, given its economic strength, not based on what the parliament has mandated (p. 3). This means that unlike the tax space which accounts for a country's inherent economic capacity by looking at the "revenue potential (economic)" at a particular period, tax gap simply looks at the "legal revenue potential".

Composition and Source of Tax Gap

The literature on tax gap analysis identifies three components, namely, *underreporting gap*, *underpayment gap*, and *non-filing gap* (see for example: McManus and Warren, 2006; Warren and McManus, 2007; Raczkowski, 2015; Danquah and Osei-Assibey, 2016; and Bureau of Fiscal Service[11]). Underreporting gap results from taxpayers who though may lodge their tax returns but understate their tax liability. Underpayment gap is made up of taxpayers who though file their tax returns but fail to pay the tax owed. Non-filing gap emanates from people or businesses who typically wouldn't have formally registered with the tax authority and thereby neither pay tax nor lodge any tax returns (Warren and McManus, 2007). The literature also notes numerous sources of or contributing factors of the tax gap. These include *inter alia* complexity of the tax system, dissatisfaction with governments and their spending, corruption, apathy, greed, high level of shadow (underground/informal) economy, and economic considerations (Warren and McManus, 2007; Khwaja and Iyer, 2014; Raczkowski, 2015). For instance, in Raczkowski (2015) which estimated the tax gap for countries in the European Union (EU) for the period 2011–2014, the highest tax gap in 2014 was estimated for Italy (13.8% of GDP), and it turned out that Italy had the highest level of shadow economy among the countries studied. Other individual (or firm-owner) characteristics such as gender,

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[10] See also Gemmell and Hasselidne (2014).

[11] https://www.fiscal.treasury.gov/files/reports-statements/financial-report/2023/tax-gap.pdf Accessed on November 7, 2025.

educational background and type of economic activity have also been revealed to be contributing factors of tax gap (Danquah and Osei-Assibey, 2018)

5.2 Ghana's Tax Gap Analysis

5.2.1 Estimating the tax gap

Studies on tax gap typically use two approaches – i.e., macro or micro approaches. However, in developing countries, the analyses carried out have predominantly focused on the macro level due to data constraints. The macro-level (or top-down) analysis typically assumes that tax gap is mainly a result of the shadow economy (Danquah and Osei-Assibey, 2018) because the shadow economy is either undertaxed or not taxed. It then uses aggregate data and estimates the income from the shadow (hidden/underground) economy, and this is multiplied by the effective tax rate to obtain the tax gap (see for example: Giles, 1999; and Cobham, 2005). The micro (or bottom-up) approach on the other hand relies on firm or individual level survey data on taxpayers to estimate the shadow economy and subsequently the tax gap by employing microeconomic or micro-econometric tools (Danquah and Osei-Assibey, 2016).

In the Ghanaian context, studies on tax gap analysis are limited due to data constraint. This study identified four empirical studies[12] on Ghana's tax gap, together employing both micro and macro approaches. These studies together estimated the tax gap associated with corporate income tax, value added tax, import tax, and the tax gap in the informal sector. Therefore, the discussions carried out in this section rely on those studies. It is worth noting that despite the limited number of studies, they cut across arguably the major taxes in terms of their contribution to tax revenue. This makes the discussions and inference carried out robust.

5.2.2 Ghana's tax gap - *what does the existing evidence say?*

Tax gap in the informal sector

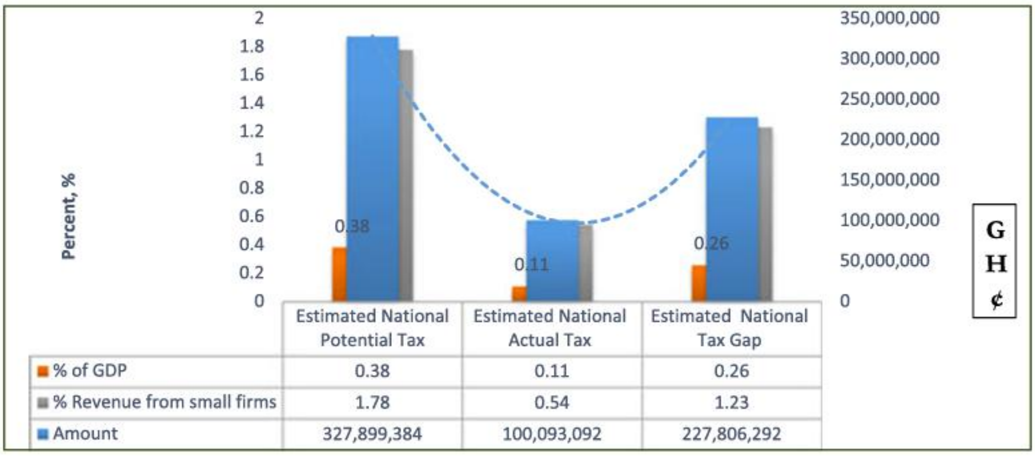
Ghana's economy is predominantly informal, with the informal sector accounting for almost 80 percent of total employment (Ghana Statistical Service, 2024). There is a narrative that the informal sector is untaxed (or undertaxed). This narrative is false because it treats the informal sector being made up of homogenous actors. It is rather true that "some" groups of informal workers are either untaxed or do not pay tax at all given that their activities are either not easily noticed or the unorganised nature of their activities makes taxing them costly. It is also possible that some categories of informal businesses are undertaxed (or not taxed at all) because of the inefficiency or ineffectiveness of the tax system. Danquah and Osei-Assibey (2018) deviated from the false narrative of the informal economy being untaxed and estimated the tax gap in the informal sector. Their study combined data on non-farm households' enterprises from the Ghana Living Standard Survey Round Six (GLSS 6)[13], and quarterly data on tax payable by specified small-scale enterprises obtained from the Small Tax Payer office of the Ghana Revenue Authority (GRA), to estimate the annual national potential and actual taxes in the

[12] These were Danquah and Osei-Assibey 2016 and 2018; World Bank (2020); and Ministry of Finance (2024).

[13] The GLSS 6 is a nationally representative household survey carried out by the Ghana Statistical Service in 2012/2013.

informal sector which were US$81,974,846 and US$25,023,273, respectively. This represents an annual tax gap of about US$56,951,573 (Danquah and Osei-Assibey, 2018) – *see Figure 4*.

Figure 4: Estimated National Tax Gap in the Informal Sector



Source: Danquah and Osei-Assibey, 2018

The authors went further to characterise the estimated tax gap based on firm-level and owner characteristics. In terms of firm-level characteristics, the tax gap associated with small businesses was at least five times that of medium-size firms, and twice that of large firms. The annual tax gap was also higher (US$82,162.7) among firms with no savings compared to firms that saved ((US$66,924.9). Regarding the individual (owner) level characteristics, the tax gap associated with female business owners (US$122,592.55) was almost five times higher than that of their male counterparts (US$26,493.12). Firm owners with no formal education had a slightly higher tax gap (US$75,710.2) than those with at least primary education (US$ 73,377.47). These provide important signal for which categories of businesses in the informal economy revenue agencies should target effectively to improve revenue mobilisation.

Implication on Revenue Mobilisation

From Figure 4, the estimated tax gap represents 0.26 percent of GDP and 1.23 percent of revenue from small firms lost annually. In fact, to appreciate this loss, from Figure 4, the estimated national actual tax collected is just about a third of what should have been collected (i.e., estimated potential tax) theoretically. This represents significant revenue loss to the state.

Value Added Tax (VAT) Gap

In 2015, a Tax Gap Estimation Committee made up of representatives from the Ministry of Finance, Ghana Revenue Authority and the Ghana Statistical Service was created to among other objectives, to “set up the modalities for annual Tax Gap estimation” (Ministry of Finance, 2024). The Committee estimated the VAT Gap, which is “the difference between the Net VAT Total Theoretical Liability (NVTTL)[14] on total consumption expenditure in the country and the VAT that is actually collected” (p.11). Table 3 (columns 2–5) presents the estimated VAT gap for the period 2013 – 2022. The average VAT tax gap ranged between 55–66 percent, with the

[14] The NVATL is the gross VAT liability less all deductions specified in the Value Added Tax Act 2016 (Act 870), Sections 33–38.

period average estimated at about 59 percent. The contribution of the agricultural sector to VAT gap was the least partly because most of the products from the sector fall under the exemption category. The services sector was the main driver of the VAT gap (47–65%).

Table 3: VAT Gap and VAT Revenue (2013 – 2022)

Year	*VAT Gap*	Agriculture	Industry	Services	VAT Revenue (GH₵)[15]
	%	*% Contribution*			
2013	57.70	5.39	47.39	47.21	3,317,062,996
2014	57.70	6.25	44.66	49.09	4,671,649,584
2015	55.30	6.81	45.30	47.89	6,254,377,722
2016	60.50	5.19	42.45	52.37	7,129,731,876
2017	55.30	5.39	35.39	59.22	8,549,447,863
2018	58.80	4.48	48.85	46.67	8,892,689,347
2019	58.60	4.01	39.14	56.85	9,330,102,895
2020	65.90	3.09	41.62	55.29	9,207,493,065
2021	60.70	3.36	31.31	65.33	12,480,075,970
2022	61.20	2.90	42.39	54.71	15,950,834,206
Average	**59.2**	**4.7**	**41.9**	**53.5**	**8,578,346,552**
Minimum	**55.3**	**2.9**	**31.3**	**46.7**	**3,317,062,996**
Maximum	**65.9**	**6.8**	**48.9**	**65.3**	**15,950,834,206**

Source: Ministry of Finance, 2024[16]

Implication on Revenue Mobilisation

To appreciate the implication of the VAT gap on revenue mobilisation, column 6 of Table 3 shows the VAT revenue received for the corresponding years. Now, the estimated average VAT gap means that for the reviewed period, Ghana received only about 40 percent of the potential VAT revenue. The estimated average VAT gap and the actual VAT revenue received for the reviewed period translate into an average loss of about GH₵12,86752 million. Even though the report on the VAT gap estimated by the Tax Gap Estimation Committee did not compare the gap to the GDP, a similar analysis by the World Bank but, for the period 2011 – 2016 estimated the gap at 1.0 – 2.8 percent of GDP.

Corporate Income Tax Gap

Using a nationally representative sample of 24,719 establishments, a study by the World Bank (2020) estimated the corporate income tax (CIT) gap for 2014. The CIT gap is the "difference between the total amounts of CIT theoretically collectable based on the applicable tax law and the total amounts of CIT actually collected in a given period" (Tax Gap Project Group (TGPG), 2016; cited in World Bank, 2020). Overall, the CIT gap was estimated at 85.6 percent. However, excluding manufacturing companies under the freezone area (in Tema), the estimated CIT gap was 81.6 percent – i.e., a marginal reduction of about 4 percentage points. These gaps

[15] VAT revenue figures are the author's addition sourced from the Ministry of Finance, *Fiscal Data*.

[16] https://www.addistaxinitiative.net/sites/default/files/resources/Day%202%20Ghana%20BU%20ATI%20Tax%20Gap%20Presentation.pdf Accessed on November 8, 2025

represent 12.7 and 9.4 percent of GDP respectively (Table 4). Disaggregating the tax gap by region, the Greater Accra (excluding Tema freezone companies) alone accounted for 84.1 percent of the tax gap (Appendix 3). In terms of sectoral contribution to the tax gap, the key sectors were wholesale and retail services (27.8%), manufacturing (23.5%), financial and insurance (12.0%), information and communication (11.9%), and construction (9.7%) – *see Appendix 4*. The study further revealed that large[17] firms, which represented only about 9 percent of total corporate establishments, were due close to 53 percent of total potential tax revenues (World Bank, 2020). These are clearly important signals for the revenue authority and agencies regarding where (i.e., region and sector of operation) enforcement strategies and compliance measures need to prioritise.

Table 4: Corporate Income Tax Gap in Ghana (GH₵ million)

	Ghana	Ghana (Excl. Manufacturing in Tema FZ)
Potential Corporate Income Tax	22,980.7	17,973.6
Actual CIT	3,307.5	3,307.5
CIT Gap	19,673.2	14,666.1
CIT Gap as Percentage of Potential CIT	85.6	81.6
CIT Gap as Percentage of GDP	12.7	9.4

Source: World Bank, 2020

Implication on Revenue Mobilisation

Once again, to appreciate the extent of the revenue loss, consider these: the CIT gap estimated (81.6%) – excluding Tema freezone companies – constituted 9.4 percent of GDP in 2014; meanwhile, the total revenue (including grants) Ghana received for the same period was 21.8% of GDP. This means that the CIT gap is almost a half of the total revenue and grants (as a share of GDP) for the year in question. In other words, total revenue (including grants) could have increased by about 43 percent had the CIT gap been zero.

Import Tax Gap

The study by the World Bank (2020) also estimated the import tax gap for the period 2012–2016 using information on trade between Ghana and her major trading partners[18]. Relative to the tax gap in VAT and CIT, the import gap was smaller. The average import tax gap was estimated at about 33 percent, ranging between 24–36 percent for the period 2012 – 2016 (Table 5). The major contributors to the import tax gap were the European Union, Nigeria, China and Thailand (World Bank, 2020) – *see Appendix 5*. The study further revealed the commodities more susceptible to import tax evasion to be articles of apparel and clothing accessories, knitted or crocheted (World Bank, 2020).

[17] i.e., large firms are firms with at least 50 employees.
[18] These include Argentina, Australia, Brazil, Canada, China, European Union, India, Indonesia, Japan, Republic of Korea, Nigeria, Singapore, South Africa, Switzerland, Thailand, Turkey, United Arab Emirates, United States of America, and Vietnam

Table 5: Import Tax Revenue Gap as % to Potential

Countries	2012	2013	2014	2015	2016
Argentina	-5.9	9.5	-3.8	-2.8	39.9
Australia	-44.7	-78.8	-93.0	-136.4	-16.1
Brazil	23.7	16.2	-4.9	10.1	-26.6
Canada	-32.5	-39.2	-29.2	-15.8	-21.9
China	51.8	40.8	50.7	57.4	60.7
Europe Union	11.9	35.2	43.0	15.1	23.8
India	13.4	18.8	13.4	-18.2	17.7
Indonesia	15.3	15.3	-11.6	-1.4	43.7
Japan	-46.2	-20.9	-15.8	4.2	2.1
Korea (Republic of)	9.2	-14.6	8.4	11.7	15.0
Nigeria	85.9	85.0	23.2	83.1	52.9
Singapore	92.0	13.5	17.7	-2025.7	-151.3
South Africa	3.7	-10.6	-24.1	-20.0	8.4
Switzerland	-21.1	19.3	19.0	-632.2	-125.1
Thailand	24.1	9.1	28.0	-1.2	24.7
Turkey	-15.9	4.3	-11.2	-81.4	4.1
United Arab Emirates	7.0	49.6	19.7	-39.8	-77.4
United States of America	-21.0	-5.4	10.9	-2.0	-29.5
Viet Nam	17.7	5.3	15.1	8.4	19.1
	35.6	36.2	32.2	24.3	34.4

Source: Estimates by GRA; cited in World Bank, 2020

Implication on Revenue mobilisation

The import tax gap as a share of GDP was relatively low, ranging between 0.8–1.1 percent of GDP. The low import tax gap means that in relative terms, it is not a major drain to the country's revenue mobilisation. The implication is that efforts to increase revenue mobilisation in Ghana should prioritise the other forms of taxes – i.e., corporate income tax and value added tax.

Table 6: Summary of the findings on the empirical studies on Ghana's tax gap

Type of Tax	Estimated tax gap (%)	Tax Gap as a % of GDP	Period under consideration (i.e., the study period)	Data	Study
VAT	55.3 – 65.9	"Not provided"	2013 -2022	National	Ministry of Finance, 2020
VAT	18.2 – 39.3	1.0 –2.8	2011 -2016	Ghana Revenue Authority (GRA)	World Bank, 2020

CIT	81.6 – 85.6	9.4[19] – 12.7	2014	IBES[20] I & II	World Bank, 2020
Import tax	24 – 36	0.8 – 1.1	2012 – 2016	Trading between Ghana and major trading partners	World Bank, 2020
Informal sector	1.23	0.3	2012/2013	GLSS 6 (Nationally Representative Survey)	Danquah and Ose-Assibey, 2018

Source: Author's compilation from the various studies

5.3 Key Tax Reforms in the last five years

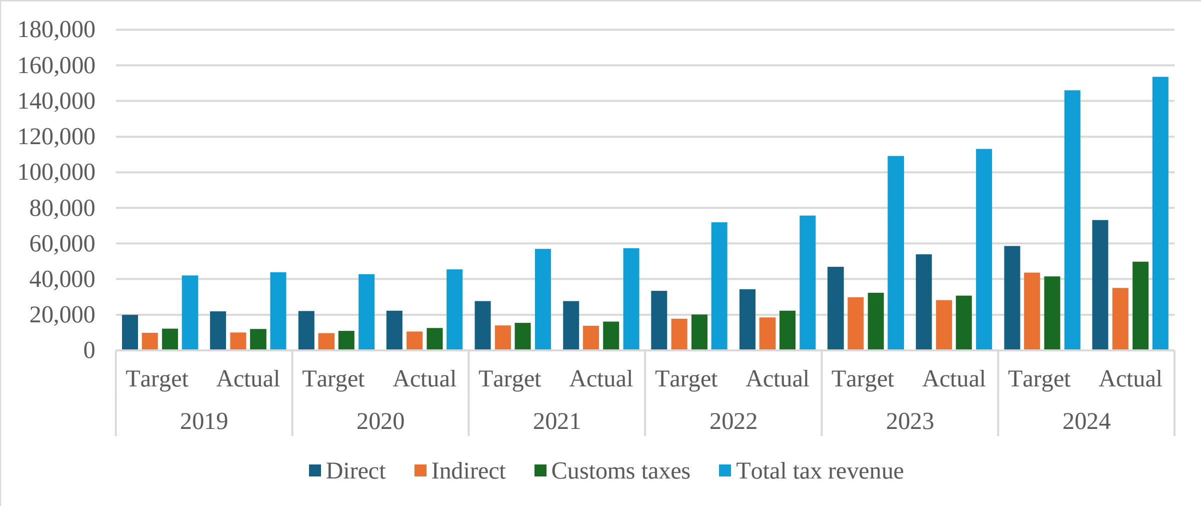
The tax system has seen several reforms over the years, and these have been driven by many factors including revenue leakages, and inefficiency in the tax system (see for example: Bekoe et al., 2015 and IFS[21] and Ministry of Finance, 2024), which are ultimately aimed at addressing the tax gap. The tax reforms in the last five years have broadly been characterised by improving revenue mobilisation[22] and efficiency in the tax system. In terms of improving revenue mobilisation, several taxes were introduced and key among them were the Covid-19 Health Levy (one percentage point increase in National Health Insurance Levy, a VAT flat rate separately)[23]; Sanitation and Pollution Levy (GH₵0.10 on the price per litre of petrol/diesel)[24]; Energy Sector Recovery Levy (GH₵0.20 on the price per litre of petrol/diesel)[25]; withholding tax on lottery winnings (Betting tax)[26]; and the Electronic Transaction Levy (1.5% valued on digital transactions below GH₵100)[27]. The chargeable income brackets for personal income tax were increased from six (2019) to seven (2023) by the introduction of the highest tax rate (35%) on incomes exceeding GH₵50,000 – *see Table 1*. There have also been specific reforms to address the VAT gaps such as the implementation of the Commissioner-General's certified invoice as the basis for all deductible expenses for income tax purposes; and the 5 percent VAT flat rate to replace the 15 percent standard VAT rate on all commercial properties[28]. Digitilisation programmes have also seen intense momentum to improve efficiency in the tax system such as the Unified Common Platform for Property Rate Administration, and GRA transformation programme to, among other objectives, implement a cashless policy.

From Figure 5, tax revenue targets were exceeded by between about 1 and 6 percent between 2019 – 2024. For instance, aside from 2021, direct tax revenue exceeded its target by 10.6 percent on average for the period. Within the same period, indirect tax revenue targets were

[19] Excluding Tema freezone companies
[20] Integrated Business Establishment Survey, conducted by the Ghana Statistical Service
[21] Institute of Fiscal Studies
[22] in line with the government's "Ghana Beyond Aid" agenda launched in 2019.
[23] To take care to the pandemic-induced health spending which caused health expenditure to exceed the annual budgetary allocation to the sector.
[24] Under the Energy Sector Levies Act (ESLA)
[25] i.e., Delta Fund
[26] The Betting tax was repealed April 2025
[27] The rate was reduced to 1% in 2023 and repealed in April 2025.
[28] to simplify administration and enhance revenue mobilisation

exceeded in three years (2019, 2020, and 2022) by an average of 4.6 percent. Meanwhile, indirect tax revenue targets were missed consecutively in 2023 and 2024 by an average of 12.5 percent. Revenue targets from customs were missed in 2019 and 2023 by 1.7 and 4.9 percent respectively.

Figure 5: Targeted vs. Actual Tax Revenue (in GH₵ million) – 2019 - 2024



Source: Compiled from GRA Annual Reports

5.4 Structural and Operational gaps in Ghana's tax system

Simply comparing the target and actual revenue suggest that the tax system is perhaps efficient given that the targets were met in most cases. But earlier evidence about the tax gap unequivocally indicates that Ghana is far from its revenue potential. Also, the revenue objective in the MTRS (2024 – 2027) implies that there is the need for more robust and sustainable tax reforms. The tax gap remains an issue of growing concern and this section discusses some structural and operational challenges by looking at specific taxes.

First, although the standard CIT rate is 25 percent, the corporate tax rate ranges between 8 percent and 35 percent depending on the nature and location of business. On one hand, the variation is good because of its potential for promoting businesses. On the other hand, this also complicates the administrative processes involved in tax implementation and/or encourages businesses to engage in aggressive tax avoidance practices. This partly explains the huge corporate tax gap. In addition, Ghana's standard CIT of 25% is relatively low compared to peer countries such as Cameroon (33%), Kenya (30%) and Senegal (30%).

Second, the tax system is characterised by a range of generous withholding tax (WHT) rates which may create opportunities for abuse – e.g., WHT on residential vs. Commercial property. For instance, an owner of a commercial property may be incentivised to misclassify it as residential property instead of a commercial property given that the withholding tax of rent on residential property (as investment income) is 8 percent while that on commercial property is 15 percent. The point is, while the differing withholding tax rates may seem to encourage compliance, there is an incentive to cheat or the opportunity for abuse which subsequently drains the country's resources.

Third, the tax system is characterised by huge fiscal cost resulting from the "over" generous tax exemptions (see Appendix 2 for the VAT exemptions) contributing to the tax gap. Table 7 presents the estimates on tax expenditure for VAT, PIT and import duties for 2021 from a study by the World Bank (2024). Huge tax expenditure costs have implications on efficiency of the tax system.

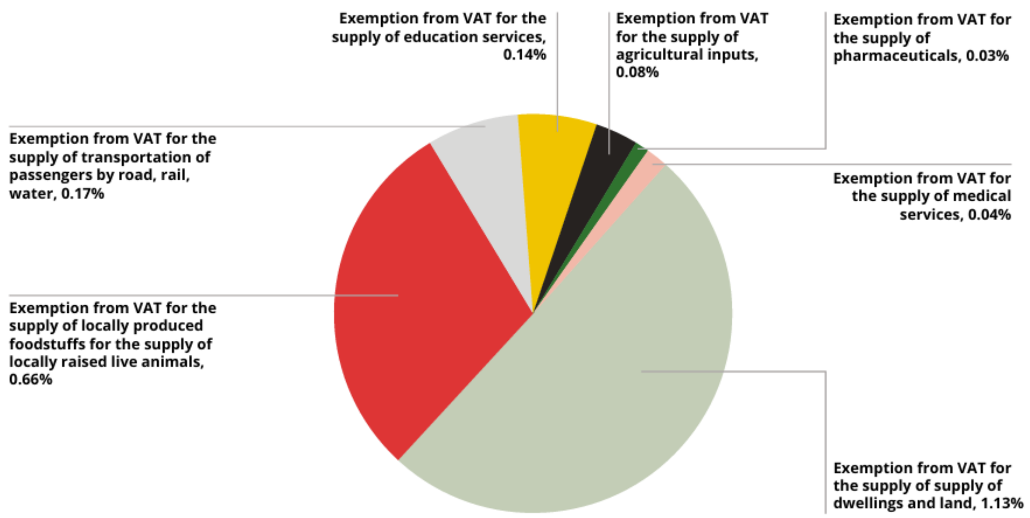
Table 7: Tax Expenditures in Ghana[29]

	Nominal value (GHS, millions)	Value as share of GDP (%)	Value as share of actual revenue from relevant tax instrument (%)
VAT	8,677	1.85	72.4
PIT	6,292	1.37	61.6
Import duties*	1,407	0.23	20.5
TOTAL	**18,376**	**3.87**	**37.5**

Source: World Bank, 2024; p.63

From Table 7, the tax expenditure associated with VAT, PIT, and import duties ranged between GH₵1.4–8.7 billion in 2021. These correspond to 0.2 – 1.9 percent of GDP, and 20.5 – 72 .4 percent of actual revenue received from the specific tax instrument. The tax expenditure associated with the VAT is the highest (1.85% of GDP and 72.4% of actual revenue) and this is largely from the VAT exemptions for the supply of dwellings and land (1.13% of GDP) and supply of locally produced foodstuffs (i.e., supply of locally raised live animal) – see Figure 6.

Figure 6: Tax Expenditure of VAT, by Exemption category in 2021 (% GDP)



Source: World Bank, 2024; p.65

[29] * The estimate was based on 2022 data.

Fourth, investment incomes (i.e., interest paid on investment in both short and long-term financial instruments by financial institutions) are exempt from personal income tax. Indeed, there had been an earlier attempt to tax this component of income in 2016. It was unsuccessful because of outcry by some sections of the populace, partly influenced by the political economy. This reduces the progressivity and the efficiency of the PIT regime because the rich or high-income earners who are more likely to own such investments rather enjoy this exemption.

Finally, according to the 2021 PHC, only 20 percent of employed people work in the formal sector (GSS, 2021), and payroll taxes make up 99 percent of total revenue from PIT (World Bank, 2024), with PIT on capital gains, investment income, and business income of the self-employed, accounting for less than 1 percent (World Bank, 2024). This means the PIT proceeds are far less than the potential making the productivity of PIT relatively low.

6.0 Illicit Financial Flows in Ghana

6.1 Definition

The issue about the definition of illicit financial flows (IFFs) has been discussed extensively in the literature (see for example: Grondona et al., 2016; FEMNET, 2017; and AKINA MAMA WA AFRIKA, 2020). However, the UN Statistical Commission in March 2022 endorsed the definition of IFFs as "financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders" (ECA-UNCTAD, 2023; p.5). An important point worth noting is that IFFs can be from both legal (like tax avoidance) and illegal activities and the sources are discussed extensively in section 6.2.

As earlier indicated, IFFs deprive countries the resources that could have been used for social development. SDG 16.4 explicitly acknowledges this threat and calls for a reduction by 2030. In fact, the fight against IFFs had begun earlier even before the SDGs. For instance, the 4th Joint African Union Commission/United Nations Economic Commission for Africa (AUC/ECA) Conference of African Ministers of Finance, Planning and Economic Development held in 2011 mandated ECA to establish the High Level Panel (HLP) on Illicit Financial Flows from Africa to among other objectives ensure Africa's development relies as much as possible on its own resources. In this regard, the High Level Panel on Illicit Financial Flows was established in February 2012.

Indeed, the two documents (AU-HLP and SDG 16.4) have become the main reference documents by civil society organisations, activists, academics, and other stakeholders working around IFFs.

6.2 Components of IFFs in Africa

Generally, activities that constitute IFFs can be grouped into four – *tax and commercial activities; illegal markets; corruption; and exploitation-type activities and financing of crime and terrorism* – (ECA-UNCTAD,[30] 2023) and this classification is presented in Figure 7.

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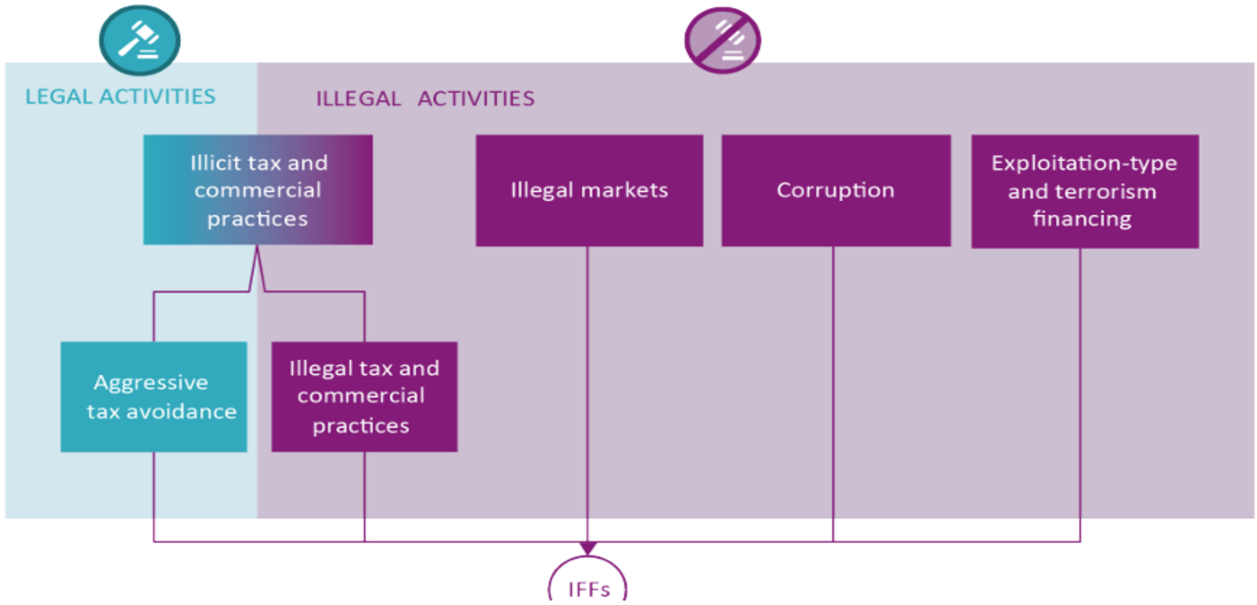
[30] United Nations Economic Commission for Africa (ECA) and the United Nations Conference on Trade and Development (UNCTAD).

IFFs from tax and commercial practices include *inter alia* tariff, duty and revenue offences, tax evasion, competition offences and market manipulation (UNCTAD and UNODC, 2020). These practices "need to be carefully considered as they arise from legal business transactions" (ECA-UNCTAD, 2023; p.6). Drawing a clear line or distinction between fair use of policy incentives and their abuse is difficult. Illegal tax and commercial IFFs practices have several purposes – e.g., hide wealth, evade or aggressively avoid tax, and dodge customs duties and domestic levies. In Africa, IFFs from commercial activities typically take the form of abusive transfer pricing, trade mispricing, misinvoicing of services and intangibles and using unequal contracts, all for purposes of tax evasion, aggressive tax avoidance and illegal export of foreign exchange (High Level Panel, 2015).

Figure 7: Sources of IFFs



Source: UNCTAD[31] and UNODC[32], 2020

Illegal markets IFFs emanates from trade in illicit goods and services such as drugs, firearms, and smuggling of migrants. The trade typically involves a degree of criminal organisation with profit motive (UNCTAD and UNODC, 2020). In Africa IFFs from criminal activities include trafficking of people, drugs and arms to smuggling, and fraud in the financial sector (e.g., unauthorised or unsecured loans, money laundering, stock market manipulation and outright forgery) (High Level Panel, 2015).

Corruption (particularly political corruption) can be regarded as a source, facilitator and/or a result of IFFs (UNECA, 2015). As a source of IFFs, corruption can be an avenue for IFFs by creating an enabling environment to generate funds through illegal activities. As a facilitator, the funds from corrupt activities can be used to undermine the justice system (e.g., law enforcement institutions, regulatory environment, etc.) and weaken government accountability

[31] United Nations Conference on Trade and Development
[32] United National Office on Drugs and Crime

for IFF activities to thrive or perpetuate or maintain patronage networks. This subsequently "regularises/institutionalises" corruption. IFFs can also result in corruption in both state and non-state institutions (AKINA MAMA WA AFRIKA, 2020; and FEMNET, 2017). Corruption-related IFFs include *inter alia* bribery, embezzlement, abuse of functions, trading in influence, and illicit enrichment. The AU-High Level Panel defined IFFs from corruption in Africa to be in the form of abuse of entrusted power.

IFFs from exploitation-type activities come from the financial benefits from force and/or *involuntary* transfer of economic resources – i.e., slavery and exploitation, extortion, trafficking in persons and kidnapping. However, IFFs from financing of crime and terrorism are illicit voluntary transfers of funds aimed at funding criminal or terrorist activities (UNCTAD and UNODC, 2020).

6.3 Implications of IFFs on Domestic Revenue Mobilisation

Data on IFFs is very limited, and it is not surprising, given that the activities that constitute IFFs are mostly illegal and/or hidden. This makes it difficult to track. Even where data is available, it may be difficult to verify for accuracy. Therefore, the discussion in this section relies on what is known for Africa in general, and the limited Ghana-specific information available.

IFFs simply drain the government's purse and so represent revenue lost. On average, Africa is estimated to be losing over US$50 billion annually in IFFs, and the trend has been increasing over time (High Level Panel, 2015). In fact, IFFs from Africa increased from US$20 billion (2001) to US$60 billion (2010) (High Level Panel, 2015; p. 34). These statistics are only based on data from the merchandise sector. This means that the revenue lost to IFFs would be greater if all the sources are adequately accounted for.

With regard to Ghana-specific data on IFFs, the report by ECA-UNCTAD under the United Nations Development Account Project on *Defining, estimating and disseminating statistics on illicit financial flows in Africa* provides some useful information. Preliminary estimates for gold, cocoa, and other extractive industries indicate that between 2000 – 2012, IFFs from trade misinvoicing[33] between Ghana, the United States and the European Union (both inward and outward IFFs) amounted to US$8.44 billion (ECA-UNCTAD, 2023). This amount is almost three times the total amount of money Ghana would receive under the current IMF-ECF programme. Even that, this estimated IFFs does not cover all sources of IFFs in Ghana, which means that the country is losing fortunes to IFFs.

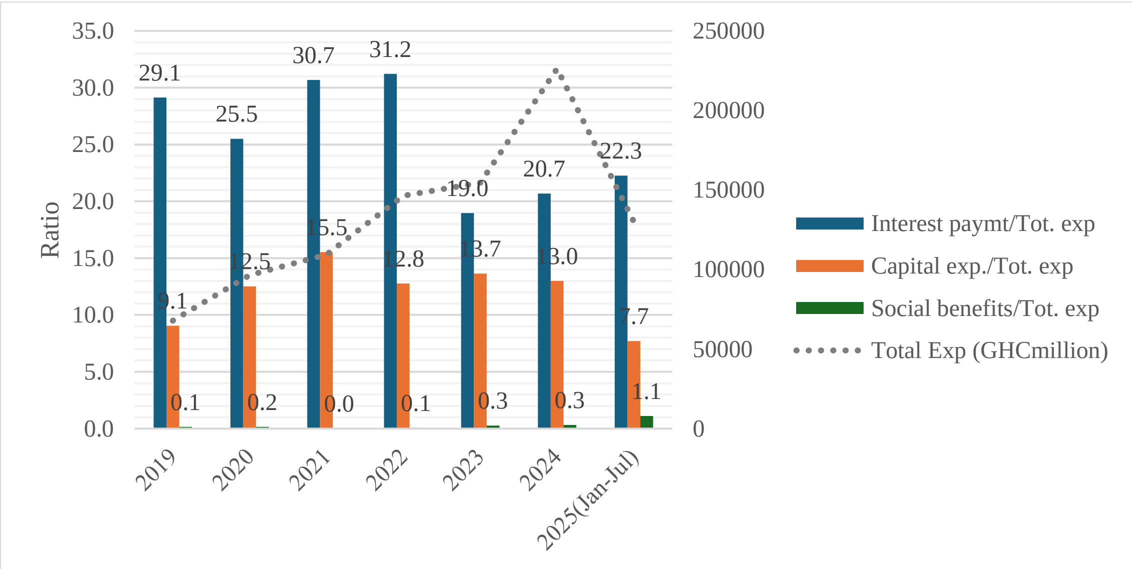
6.4 The Gendered Implications of IFFs

The gendered implications of IFFs are more indirect. First, when a country's revenue is drained and has limited resources to expend, it is compelled to cut down spending (including capital expenditure) and so, can only provide limited and/or low-quality services – e.g., education, health, social and care infrastructure, social protection programmes, etc. – (Merkle 2019; OECD 2014; Waris 2017). From Figure 8, it is not surprising to see that the shares of capital

[33] Using the Partner Country Method Plus (PCM+) and Price Filter Method Plus (PFM+). Refer to ECA-UNCTAD, 2023 for detailed descriptions of the methods.

expenditure to total expenditure; and social benefits[34] to total expenditure has generally been declining in the last five years. Unfortunately, when insufficient or low-quality social services are provided, women and low-income groups are disproportionately affected because they depend on these services the most. For instance, if the government provides insufficient sexual and reproductive healthcare (SRH) services because of revenue leakages (probably resulting from IFFs), all things equal, women would be the most affected because their SRH needs are more than those of men. Similarly, if the government provides insufficient social services (like water and/or electricity), women will bear the brunt of more unpaid care and domestic work. For instance, the Ghana Time Use Survey (GTUS) indicates that women spend (209 minutes) about three times the time spent by men (69 minutes) in providing unpaid domestic and care work (Ghana Statistical Service, 2012).

Figure 8: Trend in Expenditure shares (2019 – 2025[35])



Source: Compiled from Ministry of Finance, *Fiscal Data*

Second, since IFFs drains the country's revenue, the state might consider other options in mobilising revenue and the easiest options which are normally considered by governments are taxation – i.e., introduction of new taxes or upward revision of existing tax(es) and/or borrowing (internally or internationally). For many developing countries such as Ghana, typically, for the taxation option, these are levied on already compliant taxpayers such as small and medium-size businesses and individuals. This would disproportionately affect women given that most women-owned businesses are small or medium sized (Ritter, 2015; and Grondona et al., 2016). Where the government resorts to borrowing, the consequence would be increased interest payment burden, constraining the government the needed fiscal space to spend on pro-poor interventions. Indeed, Figure 8 also shows high and rising interest payment burden on Ghana government until 2023 where this dropped significantly and has since been

[34] Such as the Livelihood Empowerment Against Poverty (LEAP)
[35] 2025 data are from January – July.

relatively low (though rising marginally) following the debt restructuring programme which was implemented.

Finally, when analysing/discussing the gendered implications of corruption, the analysis/discussion should look beyond monetary exchanges and consider other indirect effects. For instance, there is evidence that women are more vulnerable to sexual extortion (Boehm and Sierra, 2015). In addition, human trafficking, an important contributor to (or source of) IFFs disproportionately impacts women because they are more likely to be the victims of trafficking. Also, corruption induced public procurement typically result in high-priced or low-quality goods and services delivered (Boehm and Sierra, 2015). Either way, women and low-income groups would be the most impacted given that they lack (or have limited) alternatives.

7.0 Conclusion and Recommendation

Although Ghana has recorded improvements in its tax efforts in the last couple of years, it remains low compared to peer countries, and appreciably below the Medium-Term Revenue Strategy (2023 – 2027) target of 18–20 percent. The macroeconomic environment so far in 2025 has improved significantly relative to 2022 – i.e., inflation is appreciably low (single digit) and trending downwards, strong performance of the domestic currency, declining debt and general positive sentiments. But the consequences of the domestic debt exchange programme coupled with the effects of some previous regressive tax policies (such as the electronic transfer levy), have contributed to less appetite for new taxes for now. At the same time, the government has expressed its lack of interest in exploring the international capital markets. Therefore, to be able to finance the government's growth and development agenda, the tax system must be very efficient and effective.

Ghana's low tax effort can partly be explained by the huge tax gap and illicit financial flows. Preliminary estimates indicate a loss of over US$8 billion to IFFs through trade misinvoicing between Ghana, the US and EU. This estimated amount is only trade in gold, cocoa and other extractives. Even though these are the major exports (in term of value) for Ghana, this amount does not include the other sources of IFFs such as corruption-related IFFs, which is becoming a major concern. Ghana needs to take decisive steps to eliminate (or at least significantly reduce) the tax gap and effectively curb IFFs. The study therefore proposes some policy interventions.

First, the existing empirical evidence indicates that corporate income tax (CIT) gap and value added tax (VAT) gap rather drain the country's revenue the most. While efforts need to be made to widen the tax net to cover the informal sector categories that are currently outside the net or underpaying taxes, interventions that prioritise companies (particularly large companies) and VAT will significantly improve revenue mobilisation. One way to go about it is to review the corporate tax incentives and exemption policy. Tax incentives have the potential to attract foreign investment but often times, there is a lack of clear and convincing cost-benefit analyses justifying them. The estimated CIT gap is over 80 percent – this is unacceptably high. Ghana's CIT regime needs to be reformed, and the reliefs and exemptions need to be justified by cost-benefit analyses. There should be measures to safeguard against profit-shifting, misinvoicing, and mispricing. At the same time, the study acknowledges the political economy implication given that many of the large companies are multinational companies. This means that the decision of tax policies must "seriously" take into account the political economy dimension. Second, the inefficiencies associated with the VAT and the estimated VAT gap of nearly 60 percent are clear justifications for VAT reforms. The currently reformed VAT (outlined in the 2026 National Budget)[36] is good but, may not be enough to eliminate the VAT gap completely. The VAT exemptions need to be reconsidered. Currently, the VAT exempt goods and services are very broad (ranging from agricultural production, water and electricity, domestic transport, etc.) [37]. This is estimated at about 1.85% of GDP, and 72% of all VAT revenue collected (World Bank, 2024). Take the agricultural sector for an example. The sector's contribution to the GDP between 2014 and 2024 averaged about 21 percent but accounts for very small share of total tax revenue because most of the products fall in the exempt categories and/or companies in the sector enjoy many tax incentives. Meanwhile, in Cote d'Ivoire, even though the agricultural sector contributes a similar share to GDP, the sector accounts for an appreciably higher share of its tax revenue. To fully benefit from the sector's revenue potential, this study recommends that the VAT exemptions (on agricultural production) be reviewed. In addition, the government must invest and encourage commercial agriculture. In other words, farming should be seen more as a commercial venture than simply as a way of life. That way, the sector can be taxed accordingly.

Third, the current excise tax regime is narrow. There is the need to review and broaden the excise tax base to include goods such as plastic products, and other environmentally harmful goods. This will improve revenue mobilisation and also generate some health benefits.

Fourth, it is evident that the revenue-leakage effects of IFFs may disproportionately affect women and low-income households given that they depend significantly on the state's provision of social services. Therefore, tackling illicit financial flows is not only an economic issue (i.e., improving revenue mobilisation) but it is also about social justice and addressing inequality in access to basic human needs. This means that the anti-IFFs must be gender-sensitive and inclusive.

Fifth, corruption and abuse of entrusted power is a key issue of IFFs. The most recent SDG progress report for instance indicates declining corruption perception index for Ghana (Sachs et al., 2025). Ghana has "beautiful" laws and systems to fight corruption. The problem however is the weak enforcement. The nature of the actors, the enablers, and cross-border character of the IFF activities point to the political nature of IFFs. Therefore, curbing IFFs requires strong and committed political will to enforce the existing laws.

Finally, to successfully develop effective strategies and measures to eliminate (or significantly reduce) the tax gap and IFFs, there is the need for regular estimation (at least annually) and close tracking of the indicators. Particularly in the case of tax and commercial practices-related IFFs, given that drawing a clear line or distinction between fair use of policy incentives and their abuse is difficult, a close monitoring of activities is key. Unfortunately, data to do so is

[36] Presented to Parliament on November 13, 2025

[37] See Appendix 2.

very limited. There is therefore the need for governments to invest in data and equip the agencies to perform their functions more effectively.

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Appendix

Appendix 1: CIT Incentives in Ghana

Sector/Business	Period of tax holiday	Special Corporate Income Tax (%)	Actual Tax Rate after Tax holiday (%)
Agro processing business conducted wholly in the country	First Five (5) years	1	25.0
Cocoa-by product business wholly in the country	First Five (5) years	1	25.0
Tree crop farming	First Ten (10) years	1	25.0
Cash crops or livestock (excluding cattle)	First Five (5) years	1	25.0
Cattle farming	First Ten (10) years	1	25.0
Waste processing business	First Seven (7) years	1	
Rural Banks	First Ten (10) years	1	8.0
Real Estate (certified low-cost housing)	First Five (5) years	1	25.0

Appendix 2: Value-Added Tax Exemptions in Ghana

Group/category	Specific item(s)
Live animals[38]	Cattle, sheep, goats, swine, and poultry
Goods for the disabled	Made up of articles exclusively designed for use by the disabled.
Educational items or services	This includes the supply of educational services across all levels, approved by the Minister for Education; laboratory equipment for educational purposes; and library equipment.
Medical supplies and services (pharmaceuticals)	Medical services, essential drugs, specified active ingredients for essential drugs, and selected imported special drugs determined by the Minister for Health and approved by Parliament.
Transportation	This includes transportation by bus and similar vehicles, trains, boat, and air.
Machinery	Made up of machinery, apparatus, appliances, and parts designed for use in certain sectors (i.e., agriculture, veterinary, fishing and horticulture; industry; mining and dredging; and railway and tramway).
Crude oil and hydrocarbon products	The specific products include petrol, diesel, liquified petroleum gas (LPG), kerosene and residual fuel oil.
Land building and construction	Land or buildings intended to be used for dwelling; excluding other uses such as hotel accommodation, warehousing and storage.

Source: Ghana Revenue Authority - https://gra.gov.gh/domestic-tax/tax-types/vat-exemptions/

[38] This excludes animals such as horses, asses, mules, hinnies and other similar exotic animals.

Appendix 3: Corporate Income Tax Gap by Region (GH₵ million)

Region	POTENTIAL	ACTUAL	GAP	% GAP	% CONTRIBUTION TO TOTAL GAP
Greater Accra	20,551.7	3,207.3	17,344.4	84.4	88.2
Excl. Tema Manufacturing	*15,544.6*	*3,207.3*	*12,337.3*	*79.4*	*84.1*
Ashanti	1,169.8	26.5	1,143.3	97.7	5.8
Western	714.7	40.1	674.6	94.4	3.4
Eastern	55.8	7.7	48.1	86.2	0.2
Central	136.4	4.4	132.0	96.8	0.7
Brong Ahafo	121.3	5.8	115.5	95.2	0.6
Volta	72.1	6.5	65.6	91.0	0.3
Northern	128.9	7.1	121.8	94.5	0.6
Upper East	24.2	1.2	23.0	95.1	0.1
Upper West	5.7	1.0	4.7	82.6	0.02
TOTAL	22,980.7	3,307.5	19,673.1	85.6	100.0

Source: World Bank, 2020

Appendix 4: Corporate Income Tax Gap by Sectors (GH₵ million)

SECTOR	POTENTIAL	ACTUAL	TAX GAP	TAX GAP (%)	% CONTRIBUTION TO TOTAL GAP
Agric, Forestry & Fishing	24.3	21.6	2.7	11.2	0.01
Mining & Quarrying	1,984.4	441.2	1,543.1	77.8	7.8
Manufacturing	5,791.9	1,163.8	4,628.2	79.9	23.5
Manufacturing in Tema	*5,007.2*				
Electric,Gas, Steam & Aircondition Supply	125.8	42.1	83.8	66.6	0.4
Water Supply,Sew. & Waste Management	329.0	13.5	315.5	95.9	1.6
Construction	2,010.9	98.7	1,912.2	95.1	9.7
Wholesale & Retail Services	5,749.4	272.9	5,476.5	95.3	27.8
Transport & Storage	637.2	104.9	532.3	83.5	2.7
Accommodation & Food Services	25.6	15.5	10.1	39.5	0.1
Information & Communication	2,568.1	230.1	2,338.0	91.0	11.9
Financial & Insurance	3,088.6	721.7	2,366.9	76.6	12.0
Real Estate Activities	23.4	27.6	(4.2)		(0.0)
Professional, Science. & Technical Services	82.0	44.8	37.2	45.4	0.2
Admin. & Support Serv. Act.	456.8	16.5	440.3	96.4	2.2
Public Administration & Defense		8.0	-	-	
Education	59.3	14.3	45.0	75.9	0.2
Human Health & Social Work Activities	14.8	14.9	(0.0)	(0.2)	(0.0)
Arts & Entertainment	1.6	1.8	(0.1)	(7.8)	(0.0)
Other Service Activities	7.6	53.3	(45.7)	-	(0.2)
Activities of Households as Employers		0.1	-	-	
Activities of Extra-Territorial Organ.	-	0.4	-	-	
TOTAL	22,980.7	3,307.5	19,673.2	85.6	100.0

Source: World Bank, 2020

Appendix 5: Contribution to Import Tax Gap

Countries	2012	2013	2014	2015	2016	Average
Argentina	(0.0)	0.1	(0.0)	(0.0)	0.2	0.0
Australia	(0.6)	(0.7)	(0.6)	(1.1)	(0.2)	(0.6)
Brazil	2.3	1.4	(0.3)	0.7	(1.2)	0.6
Canada	(0.8)	(1.0)	(0.6)	(0.9)	(0.7)	(0.8)
China	38.1	28.0	47.7	84.0	68.7	53.3
Europe Union	9.0	29.2	36.9	17.9	21.7	22.9
India	1.8	2.7	2.0	(3.2)	2.0	1.1
Indonesia	0.5	0.8	(0.6)	(0.1)	1.3	0.4
Japan	(0.5)	(0.2)	(0.2)	0.1	0.0	(0.2)
Korea (Republic of)	0.3	(0.3)	0.2	0.6	0.5	0.3
Nigeria	38.9	36.6	10.7	39.9	9.1	27.0
Singapore	9.3	0.2	0.2	(29.5)	(1.5)	(4.3)
South Africa	0.3	(0.6)	(1.9)	(1.7)	0.5	(0.7)
Switzerland	(0.0)	0.1	0.1	(3.3)	(0.4)	(0.7)
Thailand	2.6	0.8	3.0	(0.1)	1.6	1.6
Turkey	(0.5)	0.1	(0.4)	(2.3)	0.2	(0.6)
United Arab Emirates	0.2	3.1	1.0	(2.1)	(1.8)	0.1
United States of America	(2.0)	(0.6)	1.4	(0.3)	(2.5)	(0.8)
Viet Nam	1.2	0.5	1.5	1.3	2.4	1.3
	100.0	100.0	100.0	100.0	100.0	100.0

Source: Estimates by GRA; cited in World Bank, 2020

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