CENTRE FOR POLICY SCRUTINY

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ASSESSING THE ABOLISHMENT OF THE E-LEVY, COVID-19 LEVY AND BETTING TAX: Fiscal Impact and Equity Considerations.

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1. EXECUTIVE SUMMARY

Fiscal policy plays a central role in mobilizing revenue, redistributing income, promoting full employment and stabilizing the economy. Until their abolishment, the Electronic Transfer Levy ('E-Levy'), COVID-19 Health Recovery Levy ('COVID-19 Levy'), and the withholding tax on betting and lottery winnings ('Betting tax') had become significant sources of revenue for the Government of Ghana.

These taxes were introduced as part of efforts to broaden the tax net, settle the compounding debts the government incurred during the outbreak of COVID-19, and raise additional revenue for entrepreneurship, youth employment and digital and road infrastructure. However, the implementation of these taxes generated a lot of backlash and debate about their efficiency and fairness. As a result of all the opposition these taxes faced during their period of implementation, during the first budget speech of Ghana's new government on 11th March 2025, the finance minister announced that the E-Levy, COVID-19 Levy and Betting Tax would be scrapped, a decision that would go on to receive almost unanimous approval by Parliament and to the delight of the general public.

The purpose of this study is to evaluate the implications of the abolishment of these taxes by using three baselines. i.e., original revenue projections, actual collections and behavioral adjustments. Distributional analysis is also conducted using available data as well as proxy-based evidence drawn from financial inclusion and mobile money usage data, household consumption patterns, and available qualitative evidence on betting activity.

i. Key Findings

The findings of this paper reveal that the fiscal significance of the three levies is considerably homogeneous.

Although the E-Levy was introduced as a major revenue mobilisation measure, it failed to meet the expectations of its initial projections. Available evidence suggests that collections were substantially below budgeted expectations initially, reflecting both design limitations and behavioural adjustments, including reduced usage of electronic transfers and substitution into cash transactions in the short term. However, the levy quickly recovered and produced expected results as the economy progressed. The elimination of this levy, therefore, results in considerable loss measured against original projections and actual collections.

The COVID-19 Levy, in comparison, contributed more consistently to government revenues due to its broader base and integration within the consumption tax systems, resulting in a high estimated fiscal cost of abolishment, though it was explicitly temporary.

The Betting tax was the least measurable of the three instruments, largely because the formal taxable base was narrow and enforcement constraints were significant. A substantial portion of betting activity occurs through informal or offshore channels, limiting the revenue potential of the tax in practice. The elimination of the Betting tax, therefore, results in a lower fiscal loss compared to the E-Levy and COVID-19 Levy.

The study further found that the distributional incidence of the levies differed across income groups. The E-Levy was regressive in nature as it imposed a disproportionately higher burden on low- and middle-income households, especially those who heavily rely on mobile money for routine transfers and informal business transactions. Its removal, therefore, has potential welfare benefits for poorer households and supports financial inclusion objectives for low- and middle-income households.

Though the COVID-19 Levy is intended to be proportional in nature, it is more regressive in practice since it is a consumption-based tax, and lower-income households spend a larger proportion of their income on consumption. Unless offset by exemptions on essential goods and effective social protection measures, the COVID-19 Levy increases the cost of living more sharply for poorer households. Its abolition therefore provides some relief to consumers, though the magnitude of benefit may depend on market pass-through effects and pricing behaviour.

For the Betting tax, the equity outcome is more ambiguous. On one hand, it may pose a progressive burden because spending on gambling is discretionary and could be considered more concentrated among certain groups, suggesting a potentially progressive burden. On the other hand, evidence indicates that betting participation is high among unemployed and low-income youth, implying that the tax may also have been borne by vulnerable groups. Furthermore, the betting tax can also serve as one of the corrective measures addressing the social costs of gambling. As a result of this, beyond revenue considerations, the scraping of the betting tax addresses broader welfare concerns.

ii. Policy Trade-offs and Implications

The abolition of these levies highlights a critical policy tension between political responsiveness and fiscal sustainability. While removal may ease the immediate cost burden on households and improve public acceptance of the tax system, it also risks weakening domestic revenue mobilisation at a time when Ghana remains under significant fiscal constraint. However, the study also recognizes that unpopular taxes with high avoidance incentives may generate weaker-than-expected revenue and undermine trust in the tax system.

iii. Recommendations

The study recommends that government revenue replacement strategies should prioritize measures that are enforceable and be more considerate of low- and middle-class income earners. These include strengthening investing in the forecasting capacity of staff at the Ministry of Finance, overhauling and centering stakeholder participation in tax lawmaking, re-introduction of the E-levy or a similar tax that plugs our domestic revenue mobilisation efforts in the enduring digital economy, reviewing and re-aligning the free-zones regime, and strengthening compliance and administration.

2. INTRODUCTION AND BACKGROUND

Beginning in 2021, the Government of Ghana embarked on an aggressive domestic revenue mobilization drive in response to the significant economic crisis resulting from the COVID-19 pandemic (Asante, Kumi & Kodom, 2024). The economic crisis was characterized by high budget deficits, increasing public debt, rapidly depreciating local currency, and a series of downgrades by international credit-rating agencies. To meet revenue objectives, the government introduced over ten new taxes, including the E-Levy, COVID-19 Levy, and Betting tax. These levies were highly unpopular and widely contested due to concerns regarding economic hardship and the burden placed on households and businesses. Both leading political parties had promised to abolish the E-Levy, in particular, in the lead-up to the 2024 general elections. Unsurprisingly, the E-Levy, COVID-19 Levy and Betting tax have subsequently been abolished over the last year. However, the abolishment of these taxes has generated renewed debate on Ghana's domestic revenue mobilisation drive, the fiscal sustainability of public finances and the equity implications for different income groups.

This study examines the fiscal and equity implications of eliminating the E-Levy, COVID-19 Levy and the Betting tax. Using fiscal data, the study evaluates the implications of the abolished revenue instruments relative to projections, the cost of abolishment and the distributional implications of who was bearing the burden. Thus, the analysis is guided by four key questions:

- What was the actual revenue performance of each levy compared to original projections?
- What is the estimated fiscal cost of abolishment under different counterfactual baselines?
- Who bores the economic burden of each levy, and what does removal mean for different income groups?
- What are the policy trade-offs of abolishment, and what alternative revenue measures merit consideration?

3. FISCAL ANALYSIS OF ABOLISHING THE E-LEVY, COVID19 LEVY AND BETTING TAX

i. Revenue Performance

a. E-Levy

The E-Levy is a tax on electronic money transfers introduced in 2022 and aimed at broadening the tax base in the country's largely informal economy, in its quest to enhance domestic tax mobilisation. It was originally introduced as a 1.75 per cent charge on mobile money payments, bank transfers, point-of-sale transactions, and inward remittances. The tax faced prompt and widespread public pushback on multiple grounds, including concerns that it contravened established taxation principles by potentially imposing a double burden on taxpayers. Additionally, critics argued that it could hinder progress toward the digitalisation of Ghana's economy and exacerbate challenges faced by workers in the informal sector, who have been significantly impacted by the pandemic (Anyidoho; Gallien; Rogan, & Van den Boogaard 2022).

In the face of widespread public opposition to the tax, the government was forced to embark on a nationwide campaign to sell the tax to the Ghanaian public and eventually rolled out the levy on 01 May 2022 at a reduced rate of 1.5 percent. A daily exemption threshold for transactions up to GHS100 was also introduced among other concessions. The tax rate will further be reduced to 1 per cent later in the same year on 29 December 2022. The government posited that the GHS100 exemption threshold accounted for some 40 per cent of transactions and would, thus, provide sufficient relief for the poor.

The E-Levy achieved only 9.3 percent of its original revenue target of GHS 6.9 billion (approximately US$ 812 million), returning a little over GHS 643 million in 2022. Analysts have attributed the poor first-year revenue performance primarily to inaccurate forecasting rather than the deficiencies in the implementation of the E-Levy (Gallien, Hearson & Abounabhan, 2024). The levy contributed some GHS 1.19 billion (approximately US$ 188.14 million) to Ghana's total revenue in 2023, exceeding the target of GHS 1.11 billion (approximately US$ 93.54 million) by 101 percent. Contrary to expectations, the performance of the E-Levy fell short of its 2024 targets by 9 percent, bringing in GHS 1.81 billion (approximately US$ 122.79 million) as against a target of GHS 1.97 billion (approximately US$ 134.29 million). The levy was abolished on 02 April 2025 following a change in government.

b. COVID-19 Levy

The COVID-19 Levy was introduced in May 2021 and imposed on the supply of goods, services and imports at a rate of 1percent to raise revenue to support COVID-19 expenditures and related matters . This levy was administered alongside the existing Value Added tax (VAT) system and was imposed and collected on supplies of goods, services and imports which attracted VAT either at a flat rate or the standard rate.

In 2022, collections from the COVID-19 Levy were GHS 1.72 billion, exceeding the annual target of GHS 1.14 billion by some 50.3 percent and 53.1 percent above the revised target.

In 2023, the total 2023 collection amounted to GHS2.18 billion, representing a 26 percent revenue growth from 2022 but fell 14.1 percent below the 2023 annual target of GHS2.53 billion and 15.2 percent below the revised target of GHS2.56 billion for the same year. The levy continued its remarkable revenue yield trajectory in 2024, reaching some GHS

2.94 billion in collections, representing a nominal growth rate of 35 percent over its 2023 performance. Collections still fell 7 percent short of its ambitious 2024 target of GHS 3.17 billion.

A revenue target of GHS 3.86 billion (approximately US$ 369 million) was set for the 2025 budget. Despite emerging concerns regarding the possible revenue loss of about GHS 6.4 billion from the discontinuation of the E-Levy, the government resolved to abolish the COVID-19 Levy as part of a broader VAT reform initiative aimed at streamlining the tax system and alleviating the burden on taxpayers.

c. Betting Tax

In August 2023, Ghana introduced taxes on betting and lottery winnings and the revenue of operators. This involved a 10 percent withholding tax on all gross winnings from betting, gaming, and lottery, and a 20 percent tax on the gross gaming revenue of betting operators . The 10 percent withholding tax on winnings was payable at the point of payout, while the 20 percent tax on the gross gaming revenue is paid monthly by lottery operators . These taxes were implemented despite the widespread opposition of many bettors, many of whom were youth (Toklo, 2024).

In response to widespread objections by bettors on the reduction of their final returns, the new government abolished the 10% withholding tax on gross winnings effective 01 April 2025. The government argues that the elimination of this tax reduces the financial burden on households, increases disposable income, and ultimately boosts economic activity. Betting operators have reportedly responded positively to the elimination of the tax and have increased their marketing efforts in Ghana to attract new users (Gibbs, 2025). On the other hand, the 20 percent tax on the gross gaming revenue of betting operators is still in force and the government has reintroduced in the new VAT Act, a 20 per cent VAT on all stakes and wagers to aid the revenue mobilisation efforts of the government.

The taxes from the gaming sector, including the 10% withholding tax on bet winnings, were projected to raise approximately GHS 1.2 billion annually. However, the 10% withholding tax reportedly contributed between GHS78 million, significantly underperforming compared to its initial estimates before it was abolished (Agambila, 2025).

Table 1: Illustration of Revenue Performance of the E-Levy and COVID-19 Levy

Year	Projected (in billions GHS)	Actual (in billions GHS)	Deviation (%)	% Difference
2022				
E-Levy	1.69	0. 643	90.7%	Negative
COVID-19 Levy	1.14	1.72	50.3%	Positive
Betting Tax	N/A	N/A	N/A	
2023				
E-Levy	1.11	1.19	101%	Positive
COVID-19 Levy	2.53	2.18	14.1%	Negative
Betting Tax	N/A	N/A	N/A	
2024				
E-Levy	1.97	1.81	9%	Negative
COVID-19 Levy	3.17	2.94	7%	Negative
Betting Tax	N/A	N/A	N/A	

2025 Budgeted E-Levy & Covid-19

- E-levy Revenue: GHS 2.4 billion
- Covid-19 Revenue: GH 3.97 billion

Total projected GHS 6.37 billion,

{Revenue Loss in 2025 if abolished}

2026 Budgeted E-Levy & Covid-19

- E-levy Revenue: GHS 2.74 billion
- Covid-19 Revenue: GH 4.63 billion

Total projected GHS 7.37 billion.

{Revenue Loss in 2026 if abolished

2027 Budgeted E-Levy & Covid-19

- E-levy Revenue: GHS 3.09 billion
- Covid-19 Revenue: GH 5.32 billion

Total projected GHS 8.41 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.*

ii. Analysis of estimated fiscal cost of abolishment when measured against original projections and actual collections.

a. E-Levy

According to data from the Ministry of Finance, the E-Levy was projected to have generated GHS 2.4 billion in 2025, reflecting a nominal growth rate of 32 percent from the GHS 1.81 billion collected in 2024. Abolishing the E-levy, therefore resulted in a revenue loss of GHS2.4 billion in 2025 alone and some estimated GHS 8.2 billion by 2027 (MoF, 2024). This substantial loss of revenue from the levy significantly undermines the ability of the Government to deliver on essential projects and social intervention programmes under the constraints of an IMF programme.

For context, the estimated GHS 8.2 billion revenue loss by 2027 attributable to the E-levy's removal can fund the construction of 10,400 6-unit standard classroom blocks at a unit cost of GHS800,000 and cater to 2.5 million pupils, essentially removing the schools under trees problem; fully fund the construction of 48 district hospitals across the country (that's some 43 percent of the Agenda 111 Program at the cost of GHS170million per unit); Construct some 1,350 km of single carriage asphalt roads around the country, at the cost of GHS 6 million per km (for context that is more than twice the distance from Accra to Tamale is approximately 600km) and many others.

With lofty projects such as the 'Big Push Infrastructure Programme', a $10 billion extensive road construction and rehabilitation initiative on the government's agenda, such deficits may necessitate increased borrowing, which could worsen Ghana's existing debt challenges, heightening exposure to economic risks.

The revenue shortfall may intensify fiscal pressures and compromise the government's capacity to address essential development and operational requirements, open debt vulnerabilities, and threaten Ghana's economic stability over the medium-term horizon.

b. COVID-19 Levy

Similarly, the COVID-19 Levy is forecasted to have contributed GHS 4.63 billion to revenue in 2026, up from GHS 3.1 billion in 2025. Further analysis projects that by 2027, expected revenue losses for the COVID-19 Levy may total GHS 5.32 billion. (Ministry of Finance, 2024). Flowing from the above, the expected revenue loss attributable to the COVID-19 Levy for 2026 and 2027 equals some GHS 9.95 billion, exceeding the actual revenue of GHS 4.09 billion for the 2022 to 2024 fiscal years. This represents significant potential investment in economic and social infrastructure that is forgone.

c. Betting Tax

The 10 percent withholding tax on betting reportedly contributed between GHS78 - 80 million from its introduction in 2023 to when it was abolished in April 2025, accounting for a relatively minor decrease of 0.042 - 0.053% in total tax revenue. This shows a massive underperformance in revenue when compared to initial lofty estimates of some GHS 1.2 billion annually, mostly attributable to exaggerated estimates of its revenue potential. Still, the removal of the betting tax is expected to provide welcome relief for the gaming industry, which reported a 15 percent decline in revenue between 2023 and 2024. Companies such as LottoHub reportedly laid off 500 employees because of the tax and may now have opportunities to recover. Nonetheless, concerns have been raised regarding gambling addiction, which impacts approximately 4 percent of the adult population in Ghana. The repeal was enacted without additional investment in public health measures, potentially worsening this issue.

iii. Analysis of the impact of the abolishment of the levies on behavioural adjustment

a. E-Levy

Several analysts claim that the E-Levy led to a reduction in the usage of mobile money services, rolling back the gains made over the years in the financial inclusion of the country's poor and pushed many others back into the cash economy. Penteriani (2023), for example, claims that within nine months of the introduction of the E-Levy, mobile money users in Ghana reduced their usage, impacting the financial inclusion of the poorest and most vulnerable. Opponents of the tax argue therefore, that the removal of the E-Levy has created favourable conditions for mobile money operators, and fintech enterprises are now positioned to recover and expand. Moreover, it is argued that fintech startups reliant on digital payments to provide services such as lending, savings, and investment are expected to experience greater user engagement. The recovery in mobile money usage following its earlier decline after the introduction of the E-Levy may stimulate the development of innovative financial products and services, thereby strengthening Ghana's position as a prominent center for digital finance within Africa.

The above position is, however not supported by the data on the mobile money usage in Ghana. On the contrary, the use of mobile money continued to expand in both value and volume of transactions even with the introduction of the E-levy. According to data from Bank of Ghana, the value of mobile money transactions grew more than six-fold between 2020 and 2024 reaching a record GHS4.5 trillion by the end of 2025 . Ghana also maintained its position as the world's leading country in mobile money regulation over the period on the Global System for Mobile Communications Association (GSMA) Mobile Money Regulatory Index (MMRI) .

The value of mobile money transactions grew by some 74.3 percent from GHS564 billion in 2020 to GHS978 billion in 2021. With the introduction of the controversial E-Levy, growth slowed significantly to GHS1.07 trillion, recording only 9.4 percent expansion over the 2021 figure. This was, however, a temporary dip largely attributed to the controversies surrounding the introduction and implementation of the E-Levy rather than a shift in user behaviour. In 2023, the value of transactions rebounded, expanding by some 78.5 percent to GHS1.91 trillion, surpassing the pre-E-Levy growth rate and reaching GHS 3.01 trillion by the end of 2024. In 2025, mobile value transactions continued its growth trajectory, growing at 49.95 percent to reach a record GHS4.5 trillion mark to underscore the resilience of the mobile money subsector.

The numbers notwithstanding, the elimination of the E-Levy has been regarded as a beneficial step by many stakeholders, but concerns remain about the strain on government revenue. The levy was originally anticipated to yield significant income for infrastructure development and public service funding. In its absence, the government will need to identify and implement alternative revenue sources to address the resultant fiscal deficit.

Table 2 : Mobile money year-on-year growth 2020 – 2025 (in progress)

Year	Value of Transactions (in billions GHS)	Growth Rate	Volume of Transactions	% Difference
2020	564	-	3.7	-
2021	978	73.4%	4.3	16.2%
2022	1,007	9.4%	5.0	16.3%
2023	1,910	78.5%	6.8	36%
2024	3,001	57.6%	8.1	19.1%
2025	4,500	49.95%	9.2*	13.6%*

**As at end of September 2025*

b. COVID-19 Levy

The COVID-19 levy in Ghana was primarily a health-related consumption tax, applied to selected goods and services to fund pandemic response and healthcare initiatives. Behavioural responses to this levy can be analysed from the perspective of businesses and their consumers. The levy increased the final cost of taxed goods and services. The imposition of the levy caused consumers to limit their purchase of the affected goods and likely substitute them with untaxed products or even defer consumption altogether. Considering this, abolishing the levy would lower the effective cost of these goods, likely stimulating consumption. This is a positive behavioural adjustment, as increased demand may generate higher overall sales, which in turn would lead to higher VAT and corporate income tax revenues.

For businesses, since they previously passed on the levy to consumers, they may have limited production due to the reduction in consumer demand. Removal of the levy therefore would cause these businesses to expand production as prices have gotten cheaper and consumer demand has increased.

Some experts have argued that the levy played an essential role should have been maintained. The African Centre for Tax Policy Research (ACTOR) for example recommended renaming the levy and allocating its revenue to urgent health priorities such as addressing kidney disease. They argue that the funds could strengthen national preparedness for future health crises, thereby underscoring the levy's enduring relevance beyond the immediate needs occasioned by COVID-19.

Others have argued the contrary. The Ghana Union of Traders Association (GUTA), for example, contends that although the COVID-19 Levy was initially justified by pandemic-related expenditures, the public health rationale supporting its enactment is no longer applicable, and therefore advocated for its abolition.

c. Betting Tax

Recent data indicate a substantial involvement of young people in betting activities. A Statista survey (2021) revealed that 70.68% of Ghanaian youths engage in gambling, placing Ghana fourth in Africa after Kenya, Nigeria, and South Africa. Notably, around two-thirds of these participants are drawn from senior high schools and tertiary institutions (Toklo, 2024).

Betting industry advocates argue that betting serves as a vital source of income for many unemployed youths. Given the high unemployment rates, proponents maintain that betting is one of the primary ways through which young people sustain themselves financially. Conversely, some critics believe that betting should be discouraged among the youth, contending that it fosters laziness and reduces productivity (Akaho-Tay 2023). This perspective emphasises the potential negative social and economic consequences of widespread betting activities amongst young people. Despite these concerns, sports betting has been viewed as a positive activity in Ghana, especially considering its growth within the online market. (Toklo, 2024).

The removal of the 10 percent withholding tax on betting is likely to further incentivise betting activities. The absence of this levy may encourage increased participation in betting, especially among the youth, given its popularity and perceived economic benefits. The reintroduction of a 20 percent VAT on stakes effective January 01, 2025, has somehow received even less commentary, notwithstanding the fact that it imposes a higher financial burden on bettors.

4. EQUITY ANALYSIS OF ABOLISHING THE E-LEVY, COVID-19 LEVY AND BETTING TAX

Tax equity is a measure of the fairness of the tax system based on an individual's ability to pay. There are two aspects of tax equity: horizontal equity and vertical equity.

Horizontal equity, occasionally referred to as "equal justice," is concerned with equal treatment for those taxpayers in similar situations and with roughly equal ability to pay. For example, two families with the same income level and family size should expect to pay the same amount in taxes. Inequity may occur where a select group is able to take advantage of special deductions or tax exemptions that another group cannot.

Vertical equity is concerned with tax rates paid by individuals and families with different abilities to pay. Ability to pay is often defined in terms of income. In other words, it considers how a tax might have different impacts on families with different incomes. (Wodicka, 2018)

i. E-Levy

One of the main critiques against the E-Levy was that it was burdensome for lower-income earners and had the potential to reverse the gains made by Ghana in financial inclusion. Although the GHS100 daily threshold offered some protection to the poorest individuals, low-income mobile money users continued to experience the greatest tax burden. (Hearson, Gallien & Abhounaban, 2025). Mobile money (MoMo) serves an important function for individuals without bank accounts, who often belong to the lower-income and more vulnerable segments of the workforce. A study conducted on Accra's informal sector for example, found that over half (51 percent) of the informal sector workers utilize mobile money services, and that some 41 percent of

MoMo users within the informal sector lack access to traditional banking services (Anyidoho, Gallien, Rogan & Boogard, 2022). This further underscore the significant role mobile money services play in achieving full financial inclusion.

Mobile money services are commonly used by both women and men, spanning various occupations and income levels. Still, high-income informal sector workers have been found to use mobile money services more extensively for their business compared to their counterparts in the formal sector, who happen to earn even higher incomes overall. Nonetheless, lower-income earners were also adversely impacted by the E-Levy, as informal workers in lower-earning groups recorded higher transaction volumes than several groups with greater earnings.

When mobile money transaction amounts exceeding the threshold are assessed as a proportion of earnings, it is evident that the levy remains a significantly regressive tax; the tax burden falls most heavily upon low-income earners. Individuals in lower income brackets experience a disproportionate share of the levy, with the tax comprising just over 8% of monthly earnings for men and 6% for women in the lowest earning groups. Conversely, within the highest earning groups, the projected tax is estimated to be less than 1% of earnings for both women and men (Anyidoho et al., 2022).

The architects of Ghana's E-Levy stated their intention was to achieve a more equitable distribution of the tax burden by incorporating informal sector workers into the tax base (fairness) while protecting the poorest members of society (equity) (Ministry of Finance 2022). Although the threshold does succeed in shielding certain lower-income users, analysis demonstrates that the e-levy remained highly regressive, inefficient and incentivized a return to cash-based transactions within the informal sector (Anyidoho et al., 2022).

It is argued that the elimination of the E-Levy allows mobile money users to avoid this additional cost, resulting in increased disposable income for expenditure, savings, or investment purposes. Further, it significantly lowers the expenses associated with digital transactions. This change is especially beneficial for low-income earners, as it encourages continued utilization of mobile money services by reducing financial constraints. The abolishment of the levy is expected to enhance confidence in digital finance, thereby supporting wider adoption of digital platforms and promoting greater financial inclusion and economic participation, particularly among unbanked populations.

ii. COVID-19 Levy

The COVID-19 Levy, although designed to be proportional, has operated as a regressive tax in practice. This is primarily because it is based on consumption, meaning that lower-income households, established to spend a greater percentage of their earnings on goods and services, by design, were more exposed to the levy. Consequently, poorer households were disproportionately affected, experiencing a more significant increase in their cost of living compared to wealthier groups.

Abolishing the levy provides measurable financial relief for consumers, especially those within lower-income segments. Nevertheless, the magnitude of this benefit will depend on various market factors, such as the rate and completeness at which price reductions reach consumers and the subsequent pricing strategies adopted by sellers after the levy is eliminated.

Unlike Value Added Tax (VAT), the levies including the Covid-19 Levy imposed were initially non-reclaimable for input purchases. The Covid-19 Levy, like the other levies significantly diverged from fundamental VAT principles by preventing registered businesses from reclaiming levies paid on their inputs, thereby increasing the tax burden for these enterprises. This non-irreclaimability incentivised businesses to streamline production chains to minimise repeated levy payments, potentially undermining the self-enforcing characteristics inherent to VAT systems. Additionally, since the Covid-19 Levy was included in the calculation of taxable value for VAT purposes, it had a notable impact on the VAT applied to goods and services, resulting in an overall rise in prices.

In Ghana, VAT exemptions are extensive, with nearly half of household consumption falling outside the scope of VAT. However, studies indicate that VAT exemptions are ineffective as a tool for redistributing wealth to lower-income households. For instance, the wealthiest 10% of households in Ghana spend fourteen times more on exempt goods and services than the poorest 10%. According to Ghana's Finance Minister, the removal of the Covid-19 Levy is expected to return GHS 5.7 billion (approximately $520 million) to businesses and households by 2026.

iii. Betting Tax

The imposition of the betting tax sparked intense public debate, with critics arguing that it was an undue burden on the youth, who form the majority of bettors in Ghana. Bettors were required to pay a 10% tax on net winnings, that is, the difference between the amount won and the stake. This tax is withheld directly by the betting operators when paying out winnings. This reduced the final returns and discouraged casual or small-volume betting.

The abolishment of the withholding tax on betting is therefore expected to reduce the burden on bettors and assist them in maintaining their winnings. But does this change make betting truly profitable? Or is the state incentivising an addictive habit that can potentially trap its youthful and most productive population?

The reintroduction of a 20 percent VAT on wagers and stakes in betting and other gaming activities

The acceptance of stakes or wagers in betting or any form of gaming was a taxable activity under the VAT Act of 2013, Act 870, and subject to VAT at the standard rate of VAT. In 2022, the VAT Amendment (No.2), Act 1087 changed this, exempting the acceptance of stakes and wagers in betting and gaming from VAT. The VAT Act of 2025, Act 1151, has repealed Act 1087, and excluded stakes and wagers from the first schedule. The effect of this is that while the bettors are relieved of the 10 percent withholding tax on their bet winnings, they are now subject to a 20 percent VAT on their stakes effective January 01 January 2025. While it is too early to ascertain the revenue impact of this change, 20 percent VAT on stakes is likely more burdensome to bettors, even if indirect, than a 10 percent tax on gross winnings only and will likely yield more revenue for the state, if enforced.

5. POLICY TRADE-OFFS AND IMPLICATIONS OF ABOLISHING THE LEVIES

The abolition of these levies brings into sharp focus the delicate balance policymakers must strike between being responsive to public sentiment and ensuring the long-term sustainability of government finances. On one hand, the removal of such taxes may offer immediate relief to households, reducing their financial burden and potentially increasing public acceptance of the overall tax system. This move can be seen as a demonstration of government sensitivity to the economic pressures faced by citizens, particularly during periods of fiscal distress.

On the other hand, the withdrawal of these revenue measures poses significant risks to domestic resource mobilisation, especially as Ghana continues to face substantial fiscal constraints. The loss of these revenue streams could undermine the government's ability to meet its expenditure commitments and maintain fiscal discipline. Furthermore, the study acknowledges that taxes, which are widely regarded as unpopular and are perceived to have strong avoidance incentives, often fall short of revenue expectations. Such measures may not only fail to deliver the anticipated fiscal benefits but can also erode public trust in the tax system itself.

6. POLICY RESPONSES FOLLOWING THE ABOLISHMENT OF THE E-LEVY, COVID-19 LEVY AND BETTING TAX

i. Lowering of the tax refund ceiling

Ghana's Finance Minister announced that the abolishing of selected taxes will be compensated for by lowering the tax refund ceiling. He noted that the Tax Refund Account has been misused in recent years. An analysis of tax refunds over the past eight years indicated that GHS29.11 billion accrued to the account, with only GHS12.5 billion representing 43 per cent of the total account utilized for refunds. As a result, the government intends to reduce the tax refund ceiling from 6 per cent to 4 per cent of total revenue, generating savings of GH₵3.8 billion, effectively offsetting the revenue shortfall due to the removal of the E-Levy (GH¢1.9 billion) and the Betting Tax (GH¢180 million). He opined that GH¢3.8 billion was secured for 2025 solely from this measure, adequately bridging the gap left by eliminated taxes.

Critics have argued that this is truly not a revenue measure and it only redirects the use of existing tax revenue.

ii. Enhancing Tax Compliance

The government has instituted enhanced tax compliance measures through audits and by amending the Revenue Administration Act, 2016 (Act 916) as amended to improve efficiency and ensure greater compliance. This measure is anticipated to yield a 2 percent increase in net tax revenue collection.

iii. Simplification of Ghana's VAT System

Additionally, the government has promulgated the Value Added Tax, 2025 (Act 1151) to simplify Ghana's VAT system and eradicate distortions impeding efficient tax collection. The reforms are designed to expand the tax base while decreasing the effective VAT rate from 21.9 percent to 20 percent for businesses and consumers. It has also simplified the computation of VAT payable and GETFUND and NHIL associated with VAT are all now deductible as input VAT.

To reinforce these revenue initiatives, the government has implemented substantial spending reductions. The number of ministries has been reduced from 30 to 23, and ministerial appointments, from 88 to 60, resulting in significant savings on salaries and operational expenses. Further, all arrears and payables are intended to undergo audit and validation prior to payment, and non-essential programs such as YouStart, One District One Factory, and GhanaCARES have been discontinued.

But will these measures be enough to address the massive and certain revenue loss resulting from the abolishment of these taxes? To address the projected fiscal deficit, we recommend in the next section alternatives focused on maintaining macroeconomic stability and advancing inclusive growth initiatives.

7. RECOMMENDATIONS AND CONCLUSION

Invest in the forecasting capacity and skills of the Revenue Policy Department of the Ministry of Finance

The revenue projections are too often way off the mark and significantly lower than actual. For example, the E-Levy that was projected to generate some GHS6 billion in revenue in its first year of introduction returned less than 10 per cent. And even though its revenue yield grew significantly, its total revenue yield over its lifespan never summed up to the initial year one revenue projection of GHS 6.96 billion. Similarly, the 10 per cent withholding tax on betting tax, which was projected to yield some GHS1.2 billion annually and was expected to serve as a significant source of revenue while also addressing concerns around youth participation in gambling, fell utterly short of its anticipated revenue outcomes.

These gaps point to fundamental flaws in our analysis and insufficiently grounded planning assumptions, leading to overambitious projections. The RPD of the

Ministry of Finance would benefit from some training and capacity building that enable them to more accurately perform their forecasting role with regard to new tax initiatives and policies.

Overhaul the Tax Policy Making Process to center on Stakeholder Consultations

Public backlash and anger have led to the underperformance of several tax instruments in Ghana and forced their eventual repeal in Ghana. Tax policies are frequently implemented with limited prior engagement, which tends to weaken public trust and generate resistance. One way to deal with this challenge is to institutionalise structured public consultations to procure public buy-in as part of our tax law-making process, including amendments and repeal of taxes. Take for example, the introduction of the E-levy and its subsequent repeal; repeal of the 10 percent withholding tax on betting and the subsequent imposition of a 20 per cent VAT on all stakes and wagers, no broad-based public consultations. By contrast, jurisdictions including Kenya have more participatory approaches, where proposed tax measures are subjected to stakeholder review, public commentary, and parliamentary scrutiny before final adoption. This broad public consultation process allows policymakers to anticipate public concerns and refine policy design accordingly. Adopting a similar consultative framework in Ghana would be particularly beneficial for designing and implementing more sustainable tax handles for a much wider tax net.

Early engagement would enable the government to clearly communicate the purpose, scope, and expected benefits of such taxes, while also incorporating feedback that may improve their structure and implementation. Evidence from comparative practice suggests a greater likelihood of voluntary compliance and reduced public backlash when citizens feel informed and included in the policy process.

A clear National Policy Direction on Gambling (Betting and Gaming)

We must, as a matter of national urgency, have a conversation around the issue of gambling in all its forms and sports betting, in particular. Do we as a country want to encourage betting as a form of livelihood for a youthful population, or not? This direction would then guide the use of tax policy and other measures to guide the gambling sector.

The government justified the 10 percent withholding tax on bet winnings as measure to disincentivise and discourage the growing participation of young people in gambling. Reports indicate that the tax failed to realise its projections and did not discourage betting as the gambling industry continued to grow. This tax was subsequently repealed because it was apparently burdensome for young people engaged in betting, only for the government to reintroduce a 20-per cent VAT on their stakes and wagers. Fundamental questions remain on Ghana's overall policy direction on the gambling industry. Do we as a country want to discourage gambling among our young people, or do we want to profit from their addiction to gambling through indirect taxes that are not visible and therefore do not annoy them or cause a behavioural reaction?

Reintroduce the E-Levy

There are at least five reasons to reconsider reintroducing the E-Levy or a variation of it. First, the equity concerns, which was one of the main criticisms of the tax, can be addressed by increasing the daily threshold. Also, while equity is a fundamental feature of a good tax, it is best assessed at the level of the overall tax system, including how tax revenues are redistributed. This means it is not necessarily fatal that an otherwise productive tax handle is regressive on its own, so long as it contributes to an overall equitable tax system. For example, the proceeds of a regressive tax can be ringfenced for pro-poor policy interventions, including cash transfers under LEAP, School feeding program, NHIS, or even rural electrification, and this redistributive effect will contribute to an overall equitable tax system.

Secondly, ease of administering a tax is a cardinal feature of a good tax. The administration of a good tax must impose minimal burden on both the tax administration and the taxpayers, and in the instance of E-Levy, the banks, other financial institutions and the telecommunication entities serve as intermediaries for the collection and remittance of the tax. The taxpayer is spared any compliance burden beyond going about their regular transactions, and the tax authority is spared costly administration costs beyond the initial setup and periodic audits to secure the integrity of the tax. This makes E-Levy a cost-effective tax.

Thirdly, despite its troubles, the E-Levy is deemed a futuristic tax because of the increasing digitalization of both the global and local economy. As Ghana's economy becomes more digitized and mobile payments gain roots, E-levy serves the purpose of keeping our domestic revenue mobilization efforts plugged into the emerging digital economy.

Fourth, in 2024, the E-levy returned about GHS2 billion in revenue. This represents a growth rate of approximately 187% over the three years. While these returns remain significantly lower than the initial estimates, it demonstrates that as a tax handle, it still has massive revenue potential, and at a time when we are seeking to close a revenue gap, its revenue contribution is not negligible.

Lastly, and probably the most important reason to reconsider scrapping the E-Levy is the potential impact on our governance. Since the introduction of Value Added Tax, no revenue policy of the Government has rallied the citizens of Ghana the way the introduction of E-Levy did in 2022. The public pushed against this tax in unison for being burdensome economically. What is not talked about enough is how much the E-Levy is in our faces every day and on some days, several times depending on the number of mobile money transactions one makes.

The visibility of a tax and its incidence have long been established by scholars as essential to the social contract that underpins the state-citizen relationship. Citizens who pay taxes are more likely to demand accountability and with it, transparency from their political class. These qualities are some of the reasons why direct taxes are preferred as a catalyst for improving governance. According to the GRA, Ghana has 19.2 million potential taxpayers, out of which only a paltry 2.45 million pay taxes. E-Levy has more contributors than the other tax handles and, in particular, PAYE. The broader reach of E-Levy and its visibility is a constant reminder to the Ghanaian that our skin is in this game of state-building. The persistent pushback, if properly managed, holds the potential to yield better dividends for citizen-state relations, which is far more valuable to our democracy beyond its revenue yield.

Review and realign Ghana's Free Zones Concept

Ghana's export Freezones regime provide beneficial tax treatments to businesses operating under the Freezones regime, subject to them exporting a minimum of 70 percent of their products. The principal benefits of Free zones concepts are to encourage the manufacturing for export, boost the country's foreign exchange earnings, enhance technology transfer and contribute to the expansion of employment opportunities. However, after over 30 years of operating free zones, the time is ripe to review if the benefits obtained are commensurate with the substantial tax expenditure associated with it. This is particularly essential, considering recent and ongoing reforms in the international corporate taxation system, including the introduction of the 15 per cent effective global corporate tax for the world's biggest multinational companies.

Companies operating under Ghana's Free Zones regime enjoy a plethora of tax advantages, including a 10-year tax holiday. Even though the applicable rate of tax after the holiday period has been revised upwards to 15 percent (from the initial 8 percent), a headline corporate tax rate of 15 per cent can still result in an effective tax rate of less than the global minimum of 15 per cent. In the absence of Qualifying Domestic MTT legislation in Ghana, we could potentially be leaving tax revenue on the table for other countries to pick.

Conclusion

The abolition of the Betting Tax, E-Levy and COVID-19 Levy may address the various concerns about tax fairness and provide some form of short-term relief to households. This study demonstrates that the removal of these taxes may pose very significant fiscal challenges. To this end, it is imperative that the government considers carefully designed replacement measures, such as improving the efficiency of tax collections, as well as therecommendations herein, to ensure that vulnerable groups are protected and Ghana's broader development ambitions are not impaired.

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