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FORUM WITH NIGERIAN COMMUNITY IN GHANA

TOPIC: The need for Voluntary Tax Compliance/Tax Incentives

#Our Taxes Our Future



OUTLINE



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- 1. Background**
- 2. Why the need for Domestic Revenue Mobilization**
- 3. The Obligation of Taxpayer**
- 4. Taxes Administered by GRA**
- 5. Tax Initiatives in 2021 Budget Statement.**
- 6. Tax Incentives/ Reliefs available for Taxpaye**

BACKGROUND



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The Ghana Revenue Authority Act, 2009 (Act 791) integrated the three main revenue collecting agencies.

Prior to the establishment of GRA, there were three revenue agencies, namely:

- Internal Revenue Service (IRS);
- Value Added Tax Service (VATS) and
- Customs, Excise and Preventive Service (CEPS).
- The then Revenue Agencies Governing Board (RAGB) together with the above-mentioned revenue agencies were integrated to form the Ghana Revenue Authority

Why Domestic Revenue Mobilization GRA

Tax is more than just a source of revenue. Tax revenues are used

- To finance government re-current expenditure such as payment of personal emolument of public/civil sector employees
- To finance capital expenditure including roads, bridges, schools, hospitals
- To finance government social intervention projects such as free SHS, 1D1F, NHIS
- To make statutory payments such as GetFund, RoadFund, District Assembly's Common fund, MP's Common Fund

Why Domestic Revenue Mobilization



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- ❑ Taxes can help countries increase their autonomy and reduce their long term dependence on external assistance (Ghana beyond aids)
- ❑ Taxes plays a key role in building up institutions of state to ensure good governance and democracy.

It is for this reasons that all persons (individuals, companies, trust, partnerships, charitable organization, traders, trade association, importers and many more must rise up to their **tax obligation and comply voluntarily** so GRA can maximize the needed revenue for national development

TAXPAYER OBLIGATIONS



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- Registration with GRA,
- Filing of tax returns by due dates,
- Paying taxes on due dates and
- Making full disclosure (complete and accurate)

REGISTRATION



1. TIN REGISTRATION: The Commissioner-General is obliged to set up a **Taxpayer Identification Numbering System** for the purpose of

- a. identification of taxpayers; and
- b. promoting tax compliance.

CG has been mandated to use National ID numbers of Individuals as their TIN

2. TAX TYPE REGISTRATION : CIT, PIT, PAYE, CAPITAL GAINS TAX, RENT TAX, VAT, EXCISE TAX, CUSTOMS DUTY etc

REGISTRATION



All expatriates and non-residents working in Ghana, foreign Embassy's, Missions and Consulate are expected to apply for a non-citizen Ghana card .

TIN/Ghana Card PIN is required to conduct official business with the Ghana Revenue Authority;

FILLING OF TAX RETURNS



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- OBLIGATION TO FILE RETURNS
 - TO ENABLE CG ACCURATELY CALCULATE TAX LIABILITY
 - TO ENABLE CG GRANT RELIEF OR PAY REFUND
 - TO QUALIFY FOR OTHER TAX BENEFITS e.g rebates, incentives

- FAILURE TO FILE RETURNS ON DUE DATE
 - CG WILL DETERMINE YOUR ASSESSMENT USING BEST JUDGEMENT
 - CG SHALL IMPOSE PENALTY

Due Date of Filing Returns- DEPENDS ON THE TAX



- **WITHHOLDING:** Within fifteen days after the end of the month in which the tax was withheld
- **Corporate Income Tax**.....4 months after the basis period
- **Personal Income Tax**..... 4 months after the basis period
- **Communication Service Tax (CST)**.....last working day of the following month
- **Self Assessment**..... by the date for payment of the first tax instalment an estimate of tax payable for the year
- **Excise Tax**.....21st of the following month

PAYMENT OF TAXES



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Tax Administration globally is moving away from strict enforcement to Voluntary Tax Compliance

Mode of Payment

1. Quarterly instalment payment for CIT and PIT
2. Withholding Taxes are paid within fifteen days after the end of the month in which the tax was withheld
3. VAT paid within the last working day of the month.

TAXES ADMINISTERED



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The following TAXES are administered by GRA

DIRECT TAXES

- Corporate Income Tax (CIT)
- Personal Income Tax (PIT)

NOTE: Capital Gains Taxes/ Gift Taxes has been subsumed under CIT and PIT.

- PAYE (Taxes on wages and Salaries)
- Petroleum Income Tax
- Stamp Duty

Other Withholding Taxes



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- Rent Tax (8% for Residential)
(15% for Commercial)
- Taxes on Interest (8%)
- Taxes on Dividend Payment (8%)
- Taxes on Royalties (15%)
- Natural Resource Payment (15%)

Payment of Service fees to Residents individuals eg

- fees and allowances paid to resident directors.....20% On Account
- Payment to part time lecturers, examiners, invigilators etc.....10%
- endorsement fees.....10%
- Commission to lotto receivers or agents.....10%
- Commission to sales agents.....10%
- Commission to resident insurance sales and canvassing agents.....10%
- Supply of goods.....3%
- Supply of Services.....7.5%
- Supply of works.....5%





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TAX TYPES (Continued)

The Indirect Taxes include

- Value Added Tax
- Excise Duty
- Communication Service Tax
- Export Duty
- Import Duties
- Levies (NHIL/GetFund, Special Import Levy, National Fiscal Stabilization Levy)

Value Added Tax



- VAT - a tax on general consumption expenditure, charged on
 - supplies of goods and services made in Ghana other than EXEMPT goods or services; and
 - import of goods or import of services other than EXEMPT import. [Section 1(1) of Act 870]

- EXEMPT Goods/Services fall outside the scope of the tax; no tax is due when exempt supplies are made. (Note: “Exemption” refers to GOODS & SERVICES and NOT persons including individuals)

- VAT is chargeable on a supply of goods or services where the supply is TAXABLE SUPPLY and made by a TAXABLE PERSON in the course of a TAXABLE ACTIVITY of that person. {Section 1(2) of Act 870}

- A TAXABLE PERSON is a person registered, or required to register for the tax. {Section 4(1) of Act 870}. Threshold to GHc 200,000/12mths period

Value Added Tax (Continued)



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- Taxable Activity refers to an activity carried on by a person wholly or partly in Ghana,
 - whether or not for pecuniary profit; and
 - which involves (or intended to involve);
 - the supply of goods or services to another person;
 - for consideration

- Consideration; A supply is made for consideration, where the supplier is directly or indirectly entitled to receive payment wholly or partly in money or in kind from the person to whom the supply is made or from any other person.

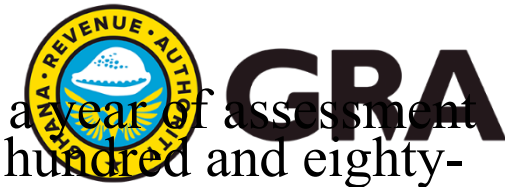


For Service Providers, VAT is calculated at a standard rate

- ❑ Act 970 - the VAT Rate to 12.5%
- ❑ Act 971 - Establishing the NHIL as a STRAIGHT LEVY of 2.5%, decoupled from VAT
- ❑ Act 972 - Designating the GET Fund component of VAT as a STRAIGHT LEVY of 2.5%

Residence Rule

Per Section 101(1)(b) of the Income Tax Law an individual is resident in the country for a year of assessment if that individual is present in the country during that year for an aggregate period of one hundred and eighty-three days or more in any twelve-month period that commences or ends during that year.



A company is resident in the country for a year of assessment if

- (a)* that company is incorporated under the Companies Act, 1963 (Act 179); or
- (b)* the management and control of the affairs of that company are exercised in the country at any time during that year.



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RESIDENT PERSON

A resident person who enters a contract and made payment under the contract to another resident person shall withhold tax as follows:

- (a) the supply of goods.....3%
- (b) the supply of works.....5%
- (c) the supply of any services.....7.5%

NON-RESIDENT PERSON

A non-resident person who enters a contract and made payment under the contract to a resident person shall withhold tax as follows:

- (a) the supply of goods.....20%
- (b) the supply of works.....20%
- (c) the supply of any services.....20%

However, a non-resident person can establish a Permanent Establishment in Ghana and pay taxes in the same manner as resident persons under the following circumstances.



Ghanaian permanent establishment includes

(a) a place in the country where a non-resident person carries on business or that is at the disposal of the person for that purpose;

(b) a place in the country where a person has, is using or is installing substantial equipment or substantial machinery; and

(c) a place in the country where a person is engaged in a construction, assembly or installation project for ninety days or more, including a place where a person is conducting supervisory activities in relation to that project;

(d) the provision of services in the country;

(e) a place in the country where an agent performs any function on behalf of the business of a non-resident person

(i) including, in the case of an insurance business, the collection of premiums or the insurance of risks situated in the country, but

(ii) excluding a case involving a general agent of independent status with its own legal personality acting in the ordinary course of business; and

“owner” means a person who owns a permanent establishment



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Branch Profit tax

The earned repatriated profit of a permanent establishment of a non-resident person (net profit after tax) is subject to tax at the rate of eight percent



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TAX INCENTIVES (RELIEFS/EXEMPTION)

- Exemption for Young entrepreneurs
- Exemption for Private Universities
- Tax Holidays for Selected businesses
- Carry forward of losses
- Payment of Tax Refund
- Personal Reliefs (Section 51 of the Act)

Exemption for Young entrepreneurs

Ghanaian entrepreneurs of age 35 years and below who start their own businesses in the sectors listed below will enjoy the following tax incentives:

- Manufacturing, ICT, Agro processing, Waste processing, Energy production, Tourism and creative arts, Horticulture and medicinal plant
- Exempt from Tax for the first 5 years of operation.
- Preferential tax rate for five years will be granted after the tax holiday.
- They will also be allowed to carry forward losses for five years

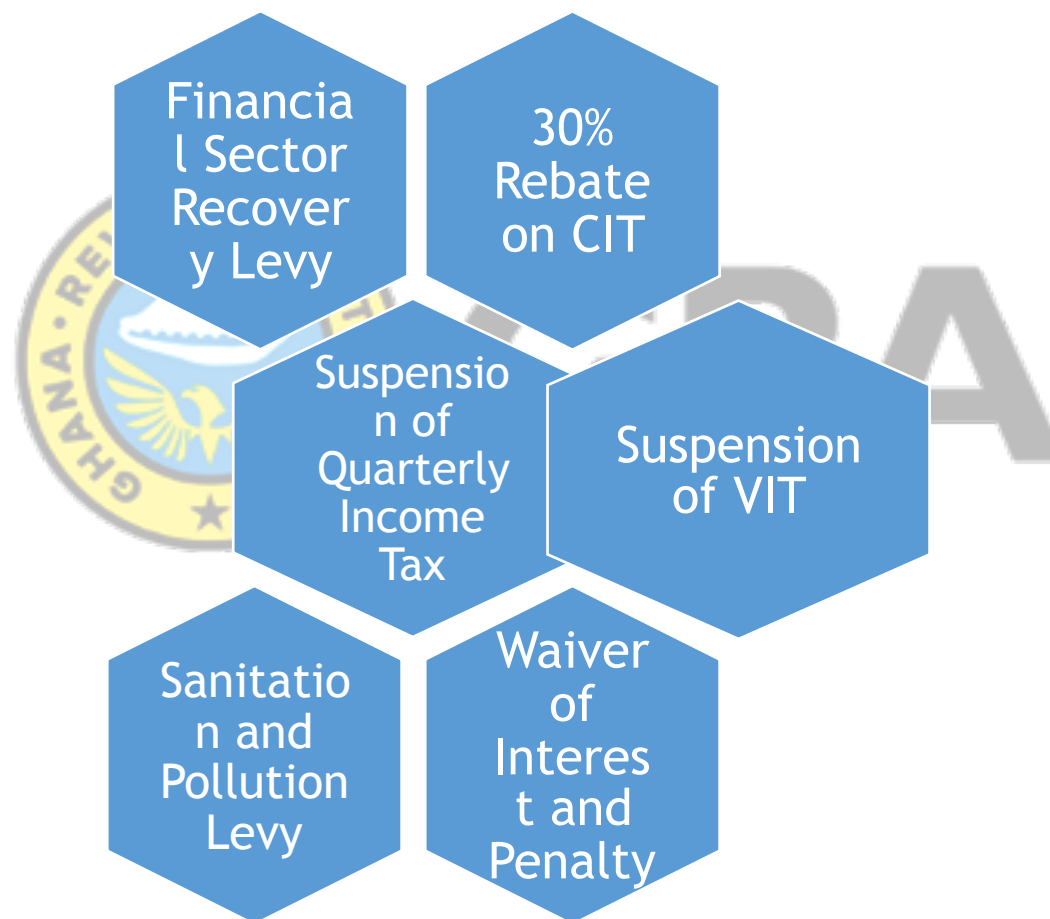


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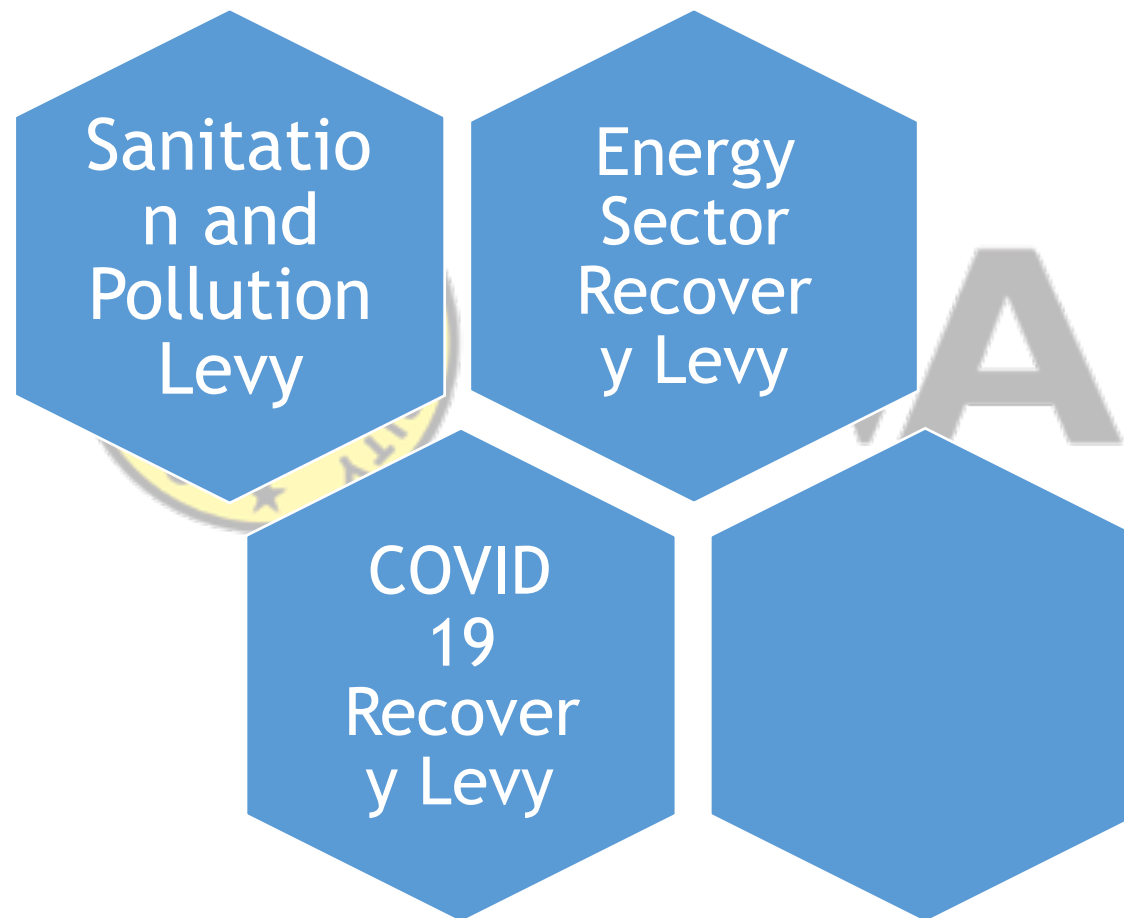
Exemption for Private Universities

- Government will grant relief from corporate income tax paid by privately-owned and managed universities to the extent that profits are ploughed back to expand or maintain facilities.

TAX POLICY INITIATIVES IN 2021 BUDGET



TAX POLICY INITIATIVES, Cont



- Parliament enacted the COVID-19 Health Recovery Levy, 2021 (Act 1068) to impose a special levy on the supply of goods and services and imports to raise revenue to support the COVID-19 expenditures and other related matters
- Chargeable on the **supply of goods and services made in the country** other than exempt goods or services and on imports of goods or import of services to the country other than exempt imports.

- The levy is **one percent** calculated on value of taxable supply of goods or services or the value of imports.

A. Waiver of penalty and interest on accumulated tax arrears.

(i) Where a person on or before 31st December, 2021

(a) pays tax arrears to the Ghana Revenue Authority, and

(b) files outstanding returns in respect of the previous years up to 31st December 2020

(ii) Taxpayers to submit applications between 1st April and 30th Sept 2021

Section 74 of the Revenue Administration Act 2016 (Act 915) has been amended to provide for a waiver of penalty to person(s) who makes voluntary disclosure of any false and misleading statement made to the Commissioner General.

This penalty waiver is granted when the person voluntarily discloses the error before its discovery by the Commissioner General.

Rebate for Selected Sectors of the Economy



- Education sector are entitled to a 30% rebate of their tax rate for 2021 year of assessment.
- Food and Accommodation sector are entitled to a 30% rebate of their tax rate for 2021 year of assessment.
- Travel & Tour business are entitled to a 30% rebate of their tax rate for 2021 year of assessment.
- Arts and Entertainment sector are entitled to a 30% rebate of their tax rate for 2021 year of assessment.

TAX HOLIDAYS FOR SELECTED BUSINESSES



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AGRIC BUSINESS

BUSINESS	TAX HOLIDAY
Tree crop	10 years from first harvest
Cattle	10 years from when business commenced
Cash crop or farming livestock (other than cattle or fish)	5 years from when business commenced



BUSINESS

TAX HOLIDAY

Agro-Processing Business

5 years from when commercial production commenced

Cocoa by-product Business

5 years from when commercial production commenced

Recycling of plastic and polythene materials for agricultural and commercial purposes

7 years from when commercial production commenced

BUSINESS

TAX HOLIDAY

Rural banking

10 years from when operations commenced

construction for sale & letting of low cost affordable residential premises

5 years from when operations commenced

Venture Capital Financing company

10 years from when the company qualifies



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Carry Forward of Losses

All businesses are allowed to carry forward losses. Selected businesses classified as priority sector can carry forward losses for 5 Years while all other sectors can carry forward losses for three years.

The Priority sectors include Mineral and Mining operation, petroleum operation, Energy and Power, manufacturing business, Farming business, Agro processing business, Tourism business and ICT in Software development.



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Payment of Tax Refund

- A Persons who have paid taxes in excess of the tax liability of that person are allowed to apply for a tax refund.
- Where the Commissioner General is satisfied that a person has paid excess taxes either on application by the person or by reason of a court order,
- The CG shall apply the excess tax in reduction of any outstanding tax liability of the person and
- Refund the remainder to the person within 90 days of making the decision.

RELIEF	AMOUNT GHs	01/01/2020
<p>✓ Marriage/ Responsibility An Individual with a dependant spouse or have at least two dependant children</p>	GHs 200.00	GHs 1,000
<p>➤ Disability</p>	25% of the Individual Assessable Income from business or employment	25% of the Individual Assessable Income from business or employment
<p>➤ Old Age An Individual who is 60 years of age and above</p>	GHs 200.00	GHs 1,500
<p>➤ Child Education</p>	GHs 200.00 per ward/	GHs 600.00 per ward/

RELIEF	AMOUNT GHs	01/01/2020
<p>✓ Aged Dependent Relative An individual with a dependent relative, other than a child or spouse, who is sixty years of age or more</p>	<p>GHs 100.00 each Dependent Relative and not more than two dependent relatives</p>	<p>GHs 1,000</p>
<p>✓ Cost of Training An individual who has undergone training to update the professional, technical or vocational skills or knowledge</p>	<p>Not more than GHs 400.00</p>	<p>Not more than GHs 2,000</p>

RELIEF

AMOUNT GHs

✓ **Mortgage Interest Relief**

✓

An individual may deduct mortgage interest incurred during the year in respect of only one residential premises during the lifetime of that individual



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FEEDBACK

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THANK YOU

COMMENTS AND QUESTIONS