



SUBMISSION OF PROPOSALS ON TAX POLICY AND INITIATIVES BY CIVIL SOCIETY ORGANIZATIONS

The Ghana Integrity Initiative (GII), with support from Christian Aid, has initiated a new project known as the 'Emerging Tax Justice Initiatives' project. The project aims at building on existing research works, undertaking new research, making the findings available to a wider audience and using them to develop campaign messages and policy briefs aimed at helping the country generate adequate domestic resources for its development while not unduly penalising the poor and marginalized in society.

In this regard, GII commissioned three papers on key aspects of tax in Ghana which were validated at three separate roundtable discussions by experts and practitioners in the tax work. The three papers were on "The Impact of Tax Incentives on Development in Ghana", "Transparency in Tax Administration in Ghana" and "The Free Zones Regime in Ghana". The partners went further to develop these papers into information/policy briefs with the aim of engaging in public discourse with legislators and policy makers to implement specific recommendations.

As part of the activities to accomplish its objective, GII and Christian Aid also organised one-day public forums for CSO representatives in Kumasi and Accra on the 24th and the 25th September 2014, respectively, to debate and adopt proposals for submission to the Ministry of Finance for possible incorporation into the 2015 Annual Budget.

At these forums, the following pertinent issues came up and we wish to bring them to your attention:

1.0 Administrative Issues

1. The revenue initiatives, as approved by Parliament, should be implemented and enforced with the responsible agencies publishing regularly the volumes of the revenues generated and the use to which such revenues have been put. For example, Ghanaians need to see the use of the road tolls. It was generally felt that the toll booths are the worse spots on our deteriorating roads when these areas should rather be the best to encourage road users to voluntarily pay the tolls.

2. There is a need to work on changing the attitudes of the employees of the Ghana Revenue Authority to ensure a cordial environment for taxpayers to pay their taxes willingly.
3. The GRA should intensify efforts to curb malpractices in tax administration by improving transparency through the use of ICT and the electronic payment system. In addition, public education posters such as “INSIST ON YOUR VAT RECEIPT” should be displayed in all tax offices and the premises of revenue agents such as hotels and restaurants;
4. The GRA was called upon to implement and enforce the Free Income Tax Assessment Bureau (FITAB) in all districts to broaden the tax net and encourage voluntary compliance.
5. The CSOs called on the government to increase transparency in tax policy and tax administration by reducing the discretionary powers of the Commissioner-General and his officers as well as individual ministers to grant exemptions and tax waivers. The CSOs also called for more transparency and access to information as well as accurate and reliable data for monitoring tax administration and enforcement of the tax laws.
6. The CSOs called on the GRA to undertake more public education and visibility activities to encourage voluntary compliance while imposing penalties for non-compliance.
7. Some of the CSOs called on the government to tie up property/rent tax to the amount of the District Assemblies Common Fund that is allocated to the MMDAs;
8. The participants called for transparent tax audits to determine and separate those who cannot actually pay taxes from those who do not want to pay at all. In this way, patriotic citizens can help expose tax dodgers.

2.0 Tax Incentives and Exemptions:

In deciding on tax incentives and the Free Zones Regime in particular, it is important to analyse the potential benefits that the country hopes to derive from these incentives as well as their effects on local businesses and the economy at large. Moreover, tax incentives should also be equally provided for local investors so as to expand our local economy while efforts are made to identify local people that front for foreign businesses. These steps will go a long way to boost the morale of local businesses and also encourage other people to invest locally.

In line with this, the CSOs emphasized the need for periodic reviews of tax policy and systems as well as individual taxes and rates when the economic circumstances as well as social factors change. It is relevant for the tax laws to be monitored and evaluated as society is dynamic and there will always be changes. For this to be effectively done, the government must consider whether the existing tax laws are effective or relevant today, what the impacts of the existing taxes are on the citizenry and whether new areas can be exploited.

The CSOs, therefore, called for a general review of tax holidays and the free zone concessions as some of them are abused while others have become redundant. The CSOs acknowledge government's decisions to do this but this has not been actually enforced. There is a need to follow up with pronouncements made in the 2014 Budget with the necessary action. It is particularly necessary to introduce a state policy on tax exemptions to avoid abuses and unnecessary extensions with sanctions going to perpetrators whether tax payers or tax officials. The basis of extending incentives and tax holidays must be transparent and fair, particularly, when it has to do with companies that have already enjoyed such incentives but are now being sold out. For example, telecommunication companies were particularly mentioned as an area that need close monitoring. Alternatively, there should be a system to track the real owners of these companies to ensure that the so-called sales are not a mere smokescreen. This will help curb any abuses.

Finally, the Free Zones regime has operated for some time now and some problems have been identified and should be reviewed. For example, tax on 30% of products sold on the local market should be taxed at the same rate as products sold by local businesses not under the free zones regime. Secondly, when free zones companies are sold out after they have exhausted the full benefits, it would be unfair to allow the new owners to start enjoying the free zones concessions afresh. In some cases, the beneficiary owners are the same persons or companies which need to be checked.

The CSOs called for annual reviews of the tax reliefs and tax bands for individuals in the light of the high rate of inflation and other economic factors which drastically render the current reliefs insignificant. The CSOs also called for incentives to be introduced for organisations whose activities are environmentally friendly since they are saving the environment and also creating jobs for the youth. Finally, the CSOs called for the exemption from taxes for equipment imported for persons with disabilities.

3.0 Broadening the tax net

Virtually every category of the private sector is asking for exemption from taxes or a reduction of the tax rates because they create jobs, etc. These businesses must realise that they need reliable electricity, water and other utilities, good roads, schools for their children and hospitals for their workers. The private sector must, therefore, contribute their share to the development of the country. In any case, income taxes are levied on profits while indirect taxes are passed onto the consumers, which mean that the private sector does not have a strong case for asking for these tax incentives.

The CSOs called on government and the GRA to fish out more of the businesses that are not covered by the tax net. This can be done by more and sustained public education with calls on citizens to report secret businesses that dodge taxes. The CSOs, therefore, called for the broadening of the tax net to reduce the burden on the few persons currently paying taxes, mainly salary workers who have no choice than to pay. In line with this call, the following are proposed:

1. The country does not seem to be deriving maximum benefits from bringing the three revenue agencies i.e. VAT, IRS and CEPS under one umbrella as they are still not adequately sharing information and operating to their full capacity. For example, all car dealers who import cars and pay Import duty and VAT on these cars must automatically have files and pay Income Tax to the Domestic Tax Division (DTD) of the GRA. Car rental companies licensed by the DVLA must provide information to the GRA for tax purposes. There are commercial cars that are also not registered as commercial vehicles with the yellow number plates.
2. The CSOs called on the government to avoid politicisation of the taxation by granting exemption on partisan bases. Members of any ruling party should rather be the ones paying appropriate taxes to show their commitment and promote the credibility of the party. However, this does not appear to be the case as they are covered by their party cards.
3. The CSOs called for the taxation of churches, especially the one-man churches some of which are not engaged in any form of charity but sell products such as holy water and anointing oil at exorbitant prices. All religious bodies operating businesses must be taxed on these incomes and all one man churches must be identified and taxed since such churches are operated as businesses. However, the exemptions for churches that do charitable work or have established schools, hospitals, etc., should remain.
4. The CSOs also called on the government to tax the incomes and any other payments to footballers whether they are playing in Ghana or internationally. They are earning incomes and must be taxed as long as the incomes are earned in, derived from or brought into Ghana. The Black Stars officials who were paid appearance fees must also be made to pay taxes immediately on these fees whether it was legal or illegal.
5. There is a need to develop pragmatic measures to rope in the informal sector. A special tax audit is advocated on the informal sector to identify those qualified to pay taxes and measures instituted to collect such taxes. These tax audits must be conducted in a transparent and participatory way to ensure that all potential taxpayers are exposed and made to pay realistic taxes. In line with this, there is a need to review and reintroduce the association payment of taxes by professional associations such as the Hairdressers Association, Beauticians Association, chop bar keepers Association, etc. and progressively graduate them into the formal sector. Most of these professionals earn more than their colleagues in the formal sector. In particular, the Vehicle Income Tax (VIT) must be reviewed upwards with both the owners and drivers of commercial vehicles paying their relevant taxes as they both earn incomes. The owner earns income and the driver earns income.

6. It has become normal for lecturers to print excerpts from books (hand-outs) and sell them to their students. The CSOs call on the GRA to go after such lecturers who sell these hand-outs to their students to pay taxes on the incomes from these sales as they are taxable incomes. This also goes for teachers who organize extra classes for students in connivance with the school heads.
7. On the imposition of VAT on bank transactions, the CSOs called for an increase in income tax rates for banks and other financial institutions who charge huge fees for their services rather than VAT on their services. The CSOs also expressed worry about the failure to enforce the Gift Tax and the Capital Gains Tax and called on the GRA to effectively enforce them.

4.0 Accountability to the People

The CSOs expressed concern about the use of tax revenues by the government and called on citizens to demand transparency and accountability from duty bearers both at the local and national levels, as it is important for citizens to see significant improvements in their lives and derive tangible benefits from the payment of taxes and hence, comply voluntarily. On the other hand, the CSOs also called on government to ensure that funds set up with tax payers' money for specific purposes are strictly used for those purposes and made known to the public. Government must be accountable to the people and also ensure judicious use of the revenues mobilized.

A percentage of national taxes collected should be set aside as a fund specifically for monitoring government expenses for effective utilization of tax revenues. This will enhance the government decision to compensate informants on tax defaulters, a promise that has not yet been implemented and improve on transparency in government spending.

Enforcement of tax laws, including surprise visits, imposition of sanctions and penalties

The CSOs called on government to introduce and ensure very harsh punitive measures against all tax dodgers. The GRA should endeavour to install bonded cameras in all taxable establishments to be able to monitor the number of people that visit such places and the daily sales in order to tax them effectively. The call for the impositions of penalty for tax defaulters must also apply to tax officers who are found conniving or condoning with tax payers to cheat the state or engaging in corrupt acts that divert tax revenues into private pockets.

Public Education and Awareness Creation to ensure voluntary compliance

The CSOs called on the government to provide for a budgetary allocation for the GRA to organize intensive public education using plain and simple language in the various local languages to educate the citizenry on the importance of taxation. This tax education should

begin from the schools i.e. primary to the university level for the students to understand the importance of taxes. This must be a continuous process for all citizens.

A CALL TO STOP THE USE OF PRIVATE REVENUE COLLECTORS

The CSOs did not support the use of private agents for the collection of taxes for the government when there are formal institutions set up with adequately trained staff to do this. This will be a duplication of functions and a waste of public resources, apart from the fact that it is often based on political patronage. Road tolls are one such area and this must stop. The government should begin to publish how much they collect every month at each road toll booth to motivate collectors to work more honestly.

SUMMARY

1. The GRA must increase public education on taxation, using simple and local languages, to ensure voluntary compliance.
2. The GRA should enforce the Free Income Tax Assessment Bureau using the local language in all districts and all local levels to broaden the tax base.
3. The GRA should ensure effective tax audits through transparency, accountability and participation to help expose businesses that dodge taxes.
4. The Government should develop a state policy on tax exemptions to avoid abuses and unnecessary extensions, especially when there are changes of government.
5. The GRA should intensify the monitoring and enforcement of the tax laws in the country, including the use of an electronic payment system to curb malpractices in the system.
6. The Government should introduce incentives for voluntary tax payers and penalties for defaulters as well as corrupt tax officials.
7. Government must be accountable to the people and also ensure judicious use of the revenues mobilized.
8. The government should conduct periodic reviews of the tax system especially on tax holidays and concessions to introduce new ones and remove redundant ones.
9. Review tax reliefs and tax bands for individuals on a regular basis.
10. Review and reintroduce the association payment of taxes i.e. Hairdressers Association, Beauticians Association etc., and gradually rope them into the formal sector

Submitted by Ghana Integrity Initiative in collaboration with Christian Aid and its partners who attended the two public forums in Kumasi and Accra

Signed

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