

Implementation of three-tier scheme ongoing – recent public notice from regulator

Applications/Schemes Evaluated for registration

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The National Pensions Regulatory Authority (“NPRA” or “the Authority”) recently issued a public notice with reference number 10/03/12 on the implementation of the second tier of social security scheme in Ghana. The public notice also provided information on approved schemes registered and those that have received provisional approval. The Authority promised to issue guidelines and directives at a later date on the third tier scheme and past tax credits arising from employee and employer contributions made to the third tier scheme.

According to statistics shared by the NPRA, applications totaling 179 were received for the following types of schemes:

- Master Trust Occupational Pension Schemes;
- Employer Sponsored Occupational Pension Schemes;
- Master Trust Provident Fund Pension Schemes;
- Employer Sponsored Provident Fund Pension Scheme;

- Group Personal Pension Scheme; and
- Personal Pension Schemes.

Full details of the status of these applications can be accessed on the NPRA’s website [www.npra.gov.gh].

Remittance of tier two contributions to Approved Schemes

Effective 1 December 2012, approved tier two Master Trust and Employer Sponsored Schemes will begin receiving contributions for the month of November 2012 and beyond.

Thus 5% of the total 18.5% contribution, which was previously paid to the Social Security and National Insurance Trust (“SSNIT”), will now be paid to the Custodians duly registered by the NPRA.

The approved Master Trust Scheme will only be allowed to receive contributions after they show proof of contracts between the trustees and participating employers.

The notice also emphasised imposition of the existing penalty of 3% on late contributions with no waivers.

The likelihood of defaulting employers being identified by the NPRA and approved custodians and trustees is higher now than ever. This is because trustees of approved schemes are required to inform the NPRA on the

contributions made and defaulting employers on a monthly basis.

Payment of tier two Contributions by employers who belong to a registered scheme.

For employers who belong to a registered scheme or who have set up an Employer Sponsored Scheme, their contributions for November 2012 and thereafter are to be made to the NPRA's registered custodians of their approved scheme.

Sanctions will apply as appropriate for any employer who transfers contributions to any scheme and trustees before 1 December 2012.

Copies of Employee Contribution reports are to be furnished to the NPRA on a monthly basis effective for the month of November 2012.



Employers in this category are to continue to make the tier two contributions of their employees for October 2012 and before through the SSNIT designated branches. These contributions will be transferred to the Temporary Pension Fund Account ("TPFA") at Bank of Ghana ("BOG") to be invested in treasury bills.

Payment of tier two Contributions by employers who do not belong to a registered scheme

In recognition of the fact that not all employers have signed up with the approved Occupational Pension Schemes, the NPRA in consultation with the Ghana Employers Association, Organised Labour, SSNIT and Licensed Corporate Trustees has set out the following guidelines for such employers:

- Employers must, by 31 December 2012:
 - Join an approved Master Trust Scheme; or
 - Set up a stand-alone Employer Sponsored Scheme; or
 - Together with other employer group(s), take appropriate steps, and in line with the National Pensions Act, 2008 (act 766) and the guidelines already issued, establish a Master Trust Scheme.
- The Authority will impose a fine on any employer who fails to do the above by 31 December 2012;
- Employees are encouraged to ensure that their employers take the appropriate steps to do one of the above to manage their contributions.
- Employers in this category are to continue to make the tier two contributions of their employees for October 2012 and before through the SSNIT designated branches. These contributions will be transferred to the Temporary Pension Fund Account ("TPFA") at Bank of Ghana for investment.

Request for Employee Data and reconciliation and validation

Corporate Trustees of Master Trust Scheme and Trustees of Employer Sponsored Schemes in tier two are to send requests for employee contributions data to the Administrators of the TPFA for periods from 1st January 2010 to 31 December 2012 on behalf of employees enrolled in their schemes for reconciliation and validation leading to the eventual transfer of funds to the schemes.

This process is meant to reconcile the TPFA records kept by the Administrator with the employers historical records for effective and smooth transfer of funds to the approved schemes. Exceptions noted by the trustees will be resolved by the trustees and Administrators of the TPFA within 30 days.

After the reconciliation of the TPFA, the NPRA will, by 1 January 2013, transfer contributions to respective Master Trusts and Employer Sponsored tier two schemes.

Transfers will be made only after the NPRA has satisfied itself that there is a contract between the trustees and participating employees.

Benefits for employees who are no longer with the employer at the time of the transfer will be moved to a preservation account pending instructions from the employee involved, and as per directives issued by NPRA.

Other matters

The NPRA is currently undertaking an exercise to identify defaulting employers for the period between 1 January 2010 and 31 December 2012. Such employers will suffer the appropriate penalties for the non-compliance.

Penalties will also be applied on non-payment of workers contributions or delayed payment, after the transfer of funds to trustees of approved schemes.



Note that trustees of approved schemes are required to furnish the NPRA with a complying and defaulting employee list on a monthly basis.

The NPRA will issue further directives on the effective date of operations and collection of contributions for tier three.

Regarding past credits, the NPRA will not later than 31 December 2012 issue further directives regarding the transitional provisions of 25% lump sum benefits mandated by the Pensions Act of 2008 and as agreed by SSNIT.

In due course, the NPRA will update stakeholders on the tax deductibility issues with the Ghana Revenue Authority.

It appears that the NPRA is much focused on employers who have not complied with their obligations to the tier two schemes and is preparing the grounds to impose penalties dating back to January 2010.

Employers should endeavour to settle all outstanding contributions and regularize their position as soon as possible to halt the accumulation of 3% penalty every month on the unpaid contrivution.

PwC's tax line of service provides pay as you earn services to clients across various industries including compliance and advisory services relating to the three tier social security scheme.

How PwC can assist your business

PwC Ghana is ready to assist your business to take full advantage of this opportunity to regularize your tax position with the tax authorities under this amnesty.

Please contact the underlisted persons if you wish to discuss any of the matters contained in this publication or if you require our professional tax advice on any transactions:

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