Self Assessment for medium tax payers

17th Edition – December 2012

Background

The Ghana Revenue Authority (GRA) last year issued a notice to the general public in which it set out the criteria for the segmentation of tax payers. The criteria was primarily based on annual turnover, however industrial groupings were also used as a basis for the segmentation. The classifications based on annual turnover are as follows:

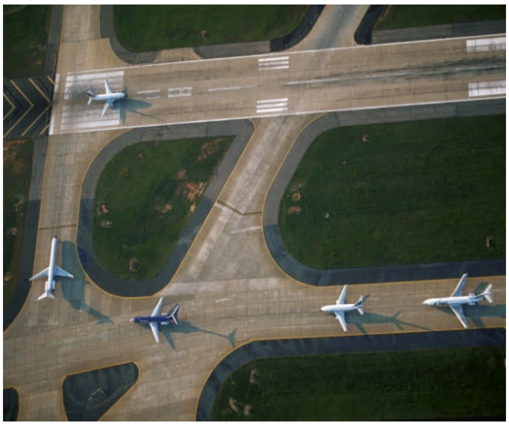
- Large tax payers: GH¢ 5million and over;
- Medium tax payers: above GH¢ 90,000 but below GH¢ 5million; and
- Small tax payers: GH¢ 90,000 and below.

This segmentation is to among other things help determine whether tax payers pay taxes on self assement or provisional assessment basis.

Entities in Ghana are required to pay tax on either a provisional assessment or self assessment basis. Under the provisional assessment scheme, the GRA will provide an assessment based on their estimation of what the likely taxes payable will be. If agreed upon by, the company on which the assessment is served will then be required to settle these amounts on quarterly basis and net off any under or over payments at the end of the year when the corporate tax returns are filed. Goods or services provided by the company to its customers may attract withholding tax which will also be taken account of in the end of year net off.

Being under self assessment entails accounting for and self-reporting the entity's estimated chargeable income and its taxes payable for each year of assessment. This assessment would be used as basis of the entity's corporate tax payments and must be filed with the GRA on or before the commencement of the basis period to which the assessment relates. Payments of the self-assessed taxes are required to be made in four equal quarterly installments on or before the last day of each quarter of the basis period.

The self assessment scheme is applicable to large tax payers whose names have been gazetted by the Commissioner-General of the GRA or whose names have appeared in the print media as such.



Up until October this year, members of the large tax payers unit were under self assessment while medium and small tax payers pay taxes on provisional assessment basis.

It is important to note that after the initial self assessment return is filed, the entity has the option of revising and refiling the return before the end of the year to get the estimates as close as possible to the actual figures. There is a penalty of 30% of the difference in tax which will apply if the difference between the estimated and actual chargeable income is more than 10%.

You need to know that…

Following the GRA's recent notice to the public, medium tax payers are now required to file a Self Assessment return for each Year of Assessment.

The return will determine the entity's expected corporate income tax liability and form the basis for quarterly installment payments to be made by the entity for each year of assessment. Under the Internal Revenue Act 2000 (Act 592) ("IRA"), the self assesment return is due by 1 January for entites which have a 31 December year end. As you may be aware, 1 January is a public holiday and as such the return is required to be filed by the 31 December or the last working day of the year preceeding the year to which the return relates.

For entities with year ends other than 31 December, the self assessment return is due on on or before the commencement of the basis period of the entity which will end within the year of assessment.

This not withstanding, the GRA has granted a grace period of up to 31 March 2013 for medium tax payers who have recently been placed under self assessment.

Your attention is drawn to the fact that payment of the first quarter instalment is still due by 31 March 2013. Hence at the time of filing the self assement return, medium tax payers will be expected to make their first quarter payment. This will also be the case for large tax payers who are already under self assessment and who would have been expected to file their self assessment return by 1 January 2013.

Finally, we should note that for small tax payers, provisional assessments as issued by their individual tax offices will continue to apply.

At PwC, we have built competencies in tax compliance issues and based on this, we are able to assist you to prepare your self assessment return in line with the provisions of the IRA.

For small tax payers on whom provisional assessments are served, we are able to assist you object to those assessments and negotiate with the GRA to settle on a provisional assessment that reflects your projected financial performance.

How PwC can assist your business

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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