

2021 Tax News from the Lens of a Tax Consultant

(Part II)



In our previous edition, we recapped tax measures put in place within the first two quarters of 2021. In this edition, we will highlight some of the tax issues that happened in the third and final quarters of 2021.

Quarter 3 (July, August, September)

In July, the groundbreaking commitment to the 15% minimum effective tax rate was made by 130 countries out of the 139 members of the OECD Inclusive Framework. Although Ghana, regrettably, is not a member of the OECD Inclusive Framework, the commitment goes without saying that the global tax stage has several interesting developments coming up. Around mid-month, the court ruled in the case between Agility Distribution Parks Ghana Ltd and the Commissioner-General of the GRA that specific rules on VAT credits and refunds in the VAT law override general laws on refund under the Revenue Administration law.

In the month of August, the GRA issued a memo to direct its staff to reject business expenses in excess of GH¢2,000 when verifying income tax unless the taxpayer produces supporting VAT invoices. This directive was scheduled to take effect from October 2021.

Towards the end of the third quarter, particularly in September, the first deputy governor of the Bank of Ghana made a troubling revelation that only 2 million taxpayers out of the estimated 30 million population fulfill their (income) tax obligations. So, Ghana may not be able to fund its development goals with such low compliance levels. Other news for the month included the decision by the World Bank Group to discontinue the Doing Business Report over some ethical issues. The Ghana Chamber of Telecommunications urged the Government not to consider the possibility of taxing mobile money in the short to medium term, in response to a proposal which had been communicated by the Government earlier in the year.

Quarter 4 (October, November, December)

The month of October saw the release of three Practice Notes by the GRA. The focus of the Practice Notes included the definition of civil engineering public works, details on supplies to and from free zone areas, and clarification on VAT on imported goods that were exempt from import VAT. Typical of how taxpayers feel about the obligatory security deposit required in the tax objection process in Ghana, it was not surprising for a High Court to hear the case between African Mining Service (AMS) and The Commissioner-General of the GRA. This case added to Ghana's jurisprudence in the area of tax administration, mainly around our tax objection procedures and the exercise of GRA's discretion in approving waiver requests for objection Security Deposits.

In November, SSNIT issued a communique requiring employers to submit the Ghana card numbers of employees as part of the information submitted for the monthly contributions. The Minister of Finance presented the 2022 National Budget, themed "Building a Sustainable Entrepreneurial Nation: Fiscal Consolidation and Job Creation", to Parliament. Among other tax policies, the Budget proposed to reduce the withholding tax ("WHT") rate for the purchase of unprocessed gold from small-scale gold miners from 3% to 1.5%; and to increase the turnover limit for the Modified Taxation System from GH¢200,000 to GH¢500,000. Other proposals included: extension of the zero-rating of locally manufactured textiles to 31 December 2023; introduction of 1.75% electronic transfer levy; review of benchmark (discount) policy for imported vehicles and selected general goods; restriction of the VAT Flat Rate Scheme ("VFRS") to small retailers only; establishment of the AfCFTA Customs Procedures Code ("CPC"); increase sensitisation of the ECOWAS Common External Tariff ("CET") and abolishment of Road Tolls. The Budget also proposed some administrative and other revenue measures such as the passage of the Tax Exemptions Bill into law; intensification of Revenue Assurance

and Compliance Enforcement ("RACE") initiative; automatic review of fees and charges; implementation of a common platform for the administration of property rate; and taxation of high-net-worth individuals. The Tax Exemptions Bill was laid before Parliament for their consideration. The GRA also reminded the public that gaming and betting services attract VAT and its allied levies such as the health levy.

Towards the end of the year in December, we received news that Ghana had signed a double tax treaty with Luxembourg. The National Pensions (Amendment) Bill, 2021 which excludes the Police Service, the Immigration Service, the Prisons Service, the Security and Intelligence Agencies and the Ghana National Fire Service from the unification of pensions was laid before Parliament. The Bill for the 1.75% electronic transfer levy which was proposed in the 2022 National Budget was also laid before Parliament. Then on the eve of the new year the Government made public some of the laws that had been passed and subsequently consented to by the President. These laws include amendment laws for Income Tax, VAT and waiver of penalty and interest ("PIWA"). The Income Tax and VAT laws were amended to give effect to some of the tax proposals made to Parliament in the 2022 Budget. The amendment to the PIWA was however not mentioned in the 2022 Budget Statement. The PIWA amendment provides an extension of the application period for a waiver of penalty and interest and payment of outstanding principal tax to 30 June 2022.

The GRA issued a circular communicating that the Customs Division would discontinue the 30% discount given on the Home Delivery Value ("HDV") of imported vehicles and the 50% discount given on other selected imports effective 4 January 2022. As the clock chimed the end of 2021, the exemption of gains from realisation of securities on the Ghana Stock Exchange expired with the year.

Bringing it All Together

Similar to economic decisions made by Governments across the globe to revitalise their economies, Ghana has introduced and continues to propose several tax reforms and upscale tax administrative procedures to help rake in sufficient tax revenue to finance Government expenditure. The Government has also provided some respite for industries worst affected by the pandemic. Yet, there were quite a number of happenings in 2021 both on the global and local stage that will collectively determine the direction in which the 2022 tax year (and indeed future tax years) is headed, especially with regards to curbing the tax evasion canker.

Still, there were a few court rulings and cases that sought to test the efficacy of the tax administration regime and we now have provisions for an alternative tax dispute resolution mechanism. We hope that the Independent Tax Appeals Board is made functional soon so that Government revenues are not delayed as a result of lengthy dispute resolution procedures.



Abeku Gyan-Quansah

Want to know more? Let's talk.

You can contact me by sending an email to Abeku Gyan-Quansah (abeku.gyan-quansah@pwc.com) and copying in Regina Affumwaah Oppong (regina.a.opping@pwc.com).



At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 156 countries with over 295,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/gh.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/gh for further details.