

AfriTax publication

Tax Payer Segmentation

The establishment of the GRA is a product of years of plans to streamline the administration of tax collection in Ghana. The GRA's establishment is meant to amongst others integrate the management of domestic tax and Customs; modernise domestic tax and customs operations through the review of processes and procedures; and integrate the Internal Revenue Service (IRS), Value Added Tax Service (VATS) and Customs and Excise Service (CEPS) into domestic tax operations on functional lines.

As part of the activities geared towards making this a reality, the GRA recently issued a notice to the general public in which it set out the criteria for the segmentation of tax payers. The criteria is primarily based on annual turnover, however specific industries are also included. The approved segments are as follows:

Large Tax Payers

Primary Criteria

- Tax Payers with annual turnover of GH¢ 5million and over

Secondary Criteria:

- Specialist industries regardless of their turnover
 - i) *Upstream and Midstream Petroleum companies*
 - ii) *Banking Institutions*
 - iii) *Insurance Companies*
 - iv) *Mining Companies except quarries*
- Members of groups of companies which have one associate qualifying as a Large Tax Payer regardless of their turnover.

Medium Tax Payers

- Tax Payers with annual turnover above GH¢ 90,000 but below GH¢ 5million

Small Tax Payers

- Tax Payers with annual turnover of GH¢ 90,000 and below

The segmentation will take effect in the 2012 year of assessment. Taxpayers whose segments have changed have been notified accordingly. It is hoped that this will bring greater efficiency in administrative procedures. Also, the bringing together of all the arms of the GRA under LTO will be replicated for Medium and Small Tax Payers in due course.

Further to this, at a recent sensitisation workshop held at the Large Taxpayer Office (LTO) on 20 September 2011, the GRA revealed that it did not intend to open up any more of LTOs in Accra in the long term (there is one existing LTO in Accra).

Nevertheless, within Accra, there have been a few developments such as the relocation of the LTO from the Revenue Towers in Osu to VAT house on the Ring Road; the tax office on the Spintex road being prepared to be the first all purpose tax office housing VAT as well as Income Tax officials and finally, the intention to upgrade the Legon GRA office to a medium tax office.

Matters discussed at the sensitisation workshop centred around:

- **Re-registration of Companies**

The GRA in partnership with the Registrar General's Department (RGD) is embarking on a project to reregister all entities as part of the Ghana e-Government initiative. This is meant to computerise business registration, enhance revenue mobilisation and to facilitate improved service delivery through online access to services. Entities have until March 2012 to comply after which non-compliant businesses will be deregistered.

Individual taxpayers will also be required to register to obtain a TIN which will assist the GRA track the taxes paid by them or on their behalf by their employers.

- **Self-Assessment and Objection Processes**

All large and medium taxpayers are required to account for their taxes through the self-assessment system. This 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 should be made in four equal quarterly installments on or before the last day of each quarter of the basis period.

- **Compliance Monitoring and Enforcement Procedures**

Tax Debt Rescheduling

To reschedule a debt, the following procedures should be followed:

- Apply for debt rescheduling;
- Taxpayer should have an unquestionable tax compliance behaviour; and
- Approved rescheduled debts must be backed with post-dated cheques.

For taxes for which the entity acts merely as an agent for the collection and remittance, no special dispensation is granted for the debts to be rescheduled unless proven that that entity would be the bearer of the taxes. Such tax types include the Pay As You Earn (PAYE), Other Withholding Taxes (WHT), Value Added Taxes (VAT) and Excise duties.

Compliance Tools

Application for Tax Clearance Certificates (TCCs) must clearly state the purpose for the applications. Conditions for the issuance of TCCs include:

- An up to date settlement of all relevant taxes (i.e. Corporate taxes, National Fiscal Stabilization Levy, PAYE, WHT, VAT, etc.); and
- Submission of current accounts and directors' returns filed up to the date of TCC application.

On the exemption from 5% WHT, entities which enjoy that waiver should apply for annual renewal of the exemption. Fresh applicants and request for renewals must submit the following information:

- Company's principal business activities;
- Copies of filed returns;
- Evidence of tax audits conducted up to the previous year;



- Statement of tax position for at least 3 years;
- Statement of tax position for 2 or more directors;
- Evidence of settlement of all applicable taxes to date; and
- For renewals, statement of WHT benefits enjoyed to date.

- **Other LTO procedures**

PAYE of all staff including expatriates, management, senior and junior staff must be consolidated and reported on one return. The filed return could be supported with separate schedules to be submitted by the taxpayer. Monthly filing of withholding taxes must also be consolidated.

- **Other matters**

It was confirmed at the workshop that acting allowance should be taxed through the payroll system. In taxing this allowance, the marginal rate of the individual must be appropriately applied, as acting allowance qualifies as an income derived from employment.