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A GUIDE TO IDENTIFYING BUSINESS ENTITIES FOR WIDENING THE TAX NET AND ENFORCING TAX COMPLIANCE IN GHANA

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and Enforcing Tax Compliance in Ghana**

June 2022

ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS

DRM	Domestic Revenue Mobilisation
GDP	Gross Domestic Product
GRA	Ghana Revenue Authority
GSS	Ghana Statistical Service
IBES	Integrated Business Establishment Survey
CSE	Contribution from Self Employed
ILO	International Labour Organisation
MMDA	Metropolitan, Municipal and District Assemblies
SWOT	Strengths, Weaknesses, Opportunities and Threats
RGD	Registrar Generals Department
NCCE	National Commission for Civic Education
VAT	Value Added Tax
API	Application Programming Interface

EXECUTIVE SUMMARY

Domestic Resource Mobilisation (DRM) remains imperative for any developing nation, including Ghana. This mechanism wields enormous potential to finance multiple infrastructural and social projects for the benefit of citizens. In Ghana, tax revenues account for about 80% of the total national revenue, making it an essential source of development funding. Thus, inadequate tax revenue mobilisation would contribute to significant budget deficits and increased appetite for borrowing, expanding the country’s debt portfolio.

Ghana's fiscal deficit is primarily contributed by lower revenue mobilisation. The trend in income and expenditure shows that the country’s real expenditure growth surpasses its real income growth by about 13 percentage points in pre-pandemic periods, increasing to about 15 percentage points post the Covid 19 pandemic.

Embedded in the challenge of low domestic revenue mobilisation is the difficulty in collecting significant revenues from the informal sector, which forms a larger proportion of employees in the country. Again, digital platforms provide additional levels of informality which compounds the challenges for business identification and subsequent revenue tracking. Thus, Ghana Revenue Authority must consider more practical approaches toward bringing the informal sector and businesses operating on digital platforms into the tax net. ACEP believes that the output of this study will be vital for designing and planning to sufficiently enhance GRA’s ability to collect more revenue to meet the government of Ghana’s revenue generation targets. Highlights of the challenges and respective strategies for improving revenue mobilisation are provided below:

Informal sector taxation challenges	Strategies to improve revenue mobilisation
No database of informal sector businesses	GRA must have a business register that provides the latest information on businesses. <ul style="list-style-type: none"> • Collaborate with the GSS and leverage IBES to identify businesses for tax purposes. • Collaborate with RGD to obtain information on businesses to follow up on tax obligations
Confusion between GRA and MMDA on income tax collection	GRA must agree with MMDAs on a framework that spells out their respective responsibilities for revenue collection.
Inadequate tax education	GRA must collaborate with the relevant stakeholders (e.g., Ministry of Information, NCCE) to intensify tax information and education. <ul style="list-style-type: none"> • Education must be in all local languages • Involve non-state actors and influential persons to improve reach.
Unfavourable public perception	The government must reduce the wastage in the system and remove the perception of corruption and funds mismanagement among taxpayers.

Digital business taxation challenges

Strategies to improve revenue mobilisation from digital businesses

E-commerce platforms

- E-commerce platform operators are not responsible for enforcing sales tax commitments by firms.
- There are no robust reconciliatory mechanisms to track all transactions on these platforms.
- GRA must mandate all multinational technology companies to provide periodic updates of new Ghanaian businesses registered on their platforms to enable tracking of digital platform operations.
- E-commerce websites must be required to report VAT receipts in real-time to GRA using the appropriate technology and receipting systems.
- In addition, GRA must provide incentives for whistle-blowers to report issues of incorrect verification and fraudulent issuance of VAT invoices.

Electronic market classifieds

- Marketplace classifieds connect buyers and sellers, and subsequent transactions are mainly done through point-to-point delivery, and receipts or VAT invoices are usually not issued.
- The popularity of these marketplaces can be a potential revenue mobilisation source if well monitored
- GRA must mandate market classifieds to register individuals and informal and formal businesses on these platforms with the requisite national and business identification documents and their respective tax identification numbers.
- GRA must make it mandatory for a receipting system to be adopted by people trading on the market classifieds platforms while monitoring compliance.

Content creators and social media influencers

- The potential of withholding taxes from content creators on video blogs has not been widely explored in Ghana.
- There are no robust mechanisms to track revenue generation activities from social media influencers through commercial advertisements. Thus, GRA loses revenue if the clients of the influencers do not withhold the taxes.
- GRA must work with global digital platforms like YouTube to withhold taxes from content creators based on their Ghanaian viewership.
- For tax compliance, GRA must have designated officers to track commercial activities from social media influencers, such as advertisements and promotional videos.

INTRODUCTION

Background

Domestic revenue mobilization is critical, especially for many developing countries. These revenue sources are relevant for financing critical investments in various sectors of the economy. Tax revenue mobilization is a central concern of economic policymaking in many countries since they form a greater proportion of domestically generated revenues. In 2021, Ghana's tax revenues comprised about 82% of its domestic and 80% of its total revenues.¹ Thus, enhancing tax revenue mobilization is integral for governments to create the fiscal space to fund public investment and deliver public services.

Ghana's fiscal deficit is contributed mainly by lower revenue mobilization. The growth rate of the tax revenues is in stark contrast to the growth rate in expenditures. Between 2013 and 2021, Ghana's real income grew at an average rate of about 4.4%, contributed by a 6% growth in real tax revenues. On the other hand, the real expenditure grew at an average rate of about 17% during the pre-Covid 19 pandemic periods and 19% post the Covid 19 pandemic. Employee compensation and interest payments consume a large share of Ghana's expenditure. In 2021, about GHS65 billion, representing about 59% of total expenditure and 92% of domestic revenue, was spent on employee compensations and interest payments.

After making statutory payments, there is little or no revenue for social and infrastructural development, prompting the government to finance such developments with loans which increase the country's debt portfolio and its annual interest payment obligations. In 2021, Ghana's fiscal deficit was 9.4% of GDP, about 4.4 percentage points above the maximum threshold of 5%. The increasing fiscal deficit continues to impede the government's developmental efforts. Also, Ghana has recorded a high budget deficit over the years, partly on account of low tax revenue. The gap between revenue and expenditure growth rates and increasing deficits show that the government's tax revenues are low, which requires urgent attention. Therefore, domestic tax revenues must increase to reduce fiscal deficits and support the government's developmental aspirations.

While the low domestic revenue mobilization is a major concern to the government of Ghana and its development partners, there is an overarching concern that the formal sector makes a large portion of the tax revenues. In contrast, the informal sector, which comprises a greater proportion of the populace, contributes less to national revenue. For example, the informal sector (proxied by the Contributions from the Self-Employed (CSE)) contributed 0.89% and 0.84% of the tax revenue in 2020 and 2021, respectively. Again, marketing goods and service delivery through digital platforms are introducing another layer of informality, making it difficult for the Ghana Revenue Authority (GRA) to identify businesses for tax purposes. Identifying businesses is a big challenge for tax mobilisation in the informal sector. For the

¹ Data sources for actual revenues were obtained from the Ghana Fiscal Data, Ministry of Finance

government to resolve the challenge of revenue mobilisation from the informal sector, it must consider practical measures to bring the informal sector, particularly online trade, into the tax net.

The main objective of this study is to develop context-appropriate strategies to strengthen Ghana's tax revenue mobilization efforts in the informal and digital business sectors. Specifically, this guide seeks to:

1. develop strategies that are context appropriate to identify business locations, online and satellite businesses for tax purposes.
2. propose strategies that GRA can leverage on administrative data of other agencies like the Ghana Statistical Service (GSS) to ensure optimal taxation.

The output of this study will be vital for designing and planning to sufficiently enhance GRA's ability to collect more revenue to meet the government of Ghana's 20% tax-to-GDP ratio target. To achieve this requires that the tax administrator is empowered with all the necessary tools to physically locate businesses in the informal sector which constitutes about 60% of businesses in Ghana,² as well as those operating in the digital space (online and satellite business) for tax purposes.

Respondents and data sources

The research team reviewed related documents and collected primary information from key informants. The interviews targeted businesses in the informal sector, staff of GRA, the Ministry of Finance and other relevant stakeholders. These interviews provided an understanding of the challenges informal taxpayers and GRA faced in fulfilling tax obligations and tax businesses within the informal sector and digital businesses, respectively. The study also assesses taxpayers' compliance decisions that concern the following:

1. The regulatory approach adopted by the tax authority to tax the informal sector and companies operating on digital platforms
2. General awareness of tax obligations and perceptions of tax revenue utilisation
3. Punitive measures for tax evasion

² Ghana Statistical Service. (2015). *Integrated Business Establishment Survey (IBES)*. Ghana Statistical Service. Accra.

THE INFORMAL SECTOR

The International Labour Organisation (ILO) broadly defines informal employment as “all remunerative work (i.e., both self-employment and wage employment) that is not registered, regulated or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise.”³ These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations are based primarily on casual employment, kinship, or personal and social relations rather than contractual arrangements with formal guarantees. The Ghana Statistical Service defines an informal establishment as one that has not registered with the Registrar-General’s Department and does not operate a formal account.⁴

The 2015 Integrated Business Establishment Survey (IBES), a national census of all businesses in Ghana, reveals the informal sector's dominance across the length and breadth of Ghana, which is typical of a developing country. The survey results indicated that about 90.5% of establishments in Ghana are informal, dominated by micro and small-scale enterprises. Furthermore, the regional distribution of formal and informal businesses shows that except for the Greater Accra region, all the other regions have over 90% representation by informal sector businesses (See Figure 1).

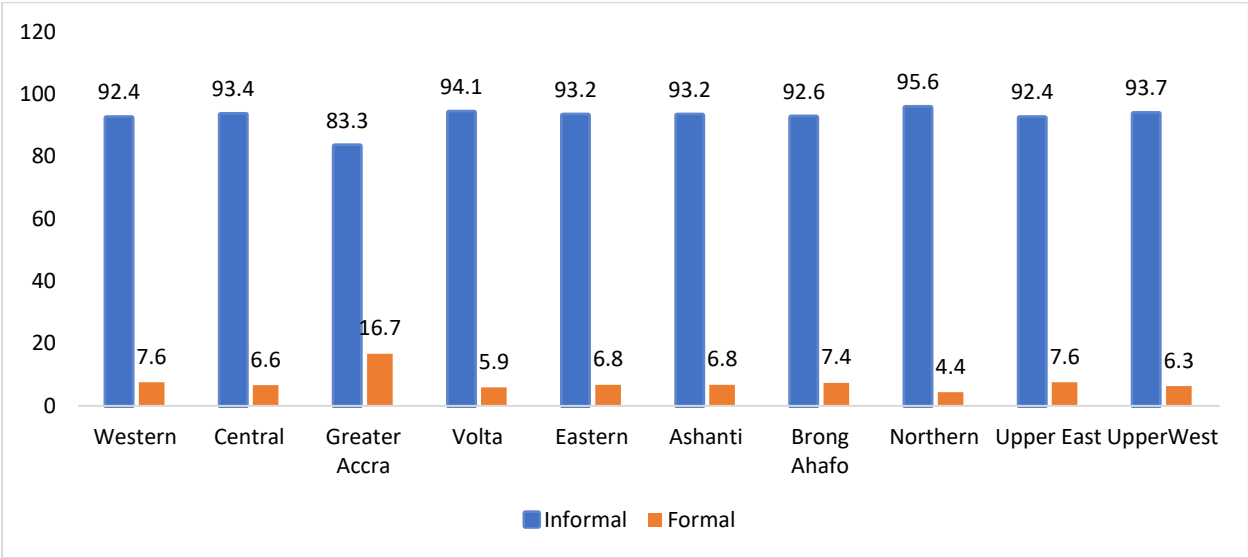


Figure 1: Distribution of formal and informal sectors by region

The informal sector also employs a larger proportion of the working population than the formal sector. IBES further revealed that 60% were engaged in the informal sector. Employment in the informal sector is characterized mainly by the industry and service sectors.

³ ILO Thesaurus. Available at <https://metadata.ilo.org/thesaurus/936921656.html>

⁴ Ghana Statistical Service (2016). Presentations of IBES 1 reports. Available at https://www2.statsghana.gov.gh/docfiles/IBES_Questionnaires/IBES%201%20reports/PRESENTATIONS%20OF%20IBES%201%20REPORTS.pdf

The relatively large proportion of persons involved in the Agriculture Sector is classified as formal primarily due to the survey design of the IBES, which focused on non-household establishments. Thus, the establishments in the Agriculture Sector in the IBES are institutional.

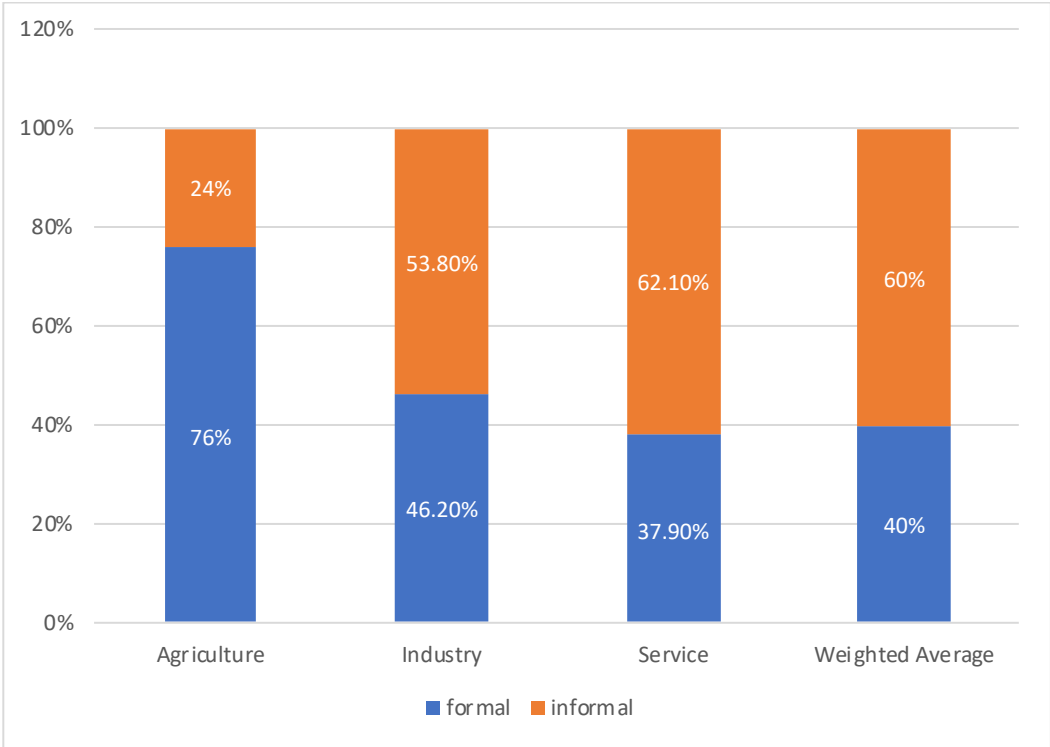


Figure 2: Number of persons engaged by Sector

Source: 2015 Integrated Business Establishment Survey, GSS

Government’s revenue benchmarks from the informal sector

Despite the comparatively large number of informal establishments, the sector’s contribution to tax revenue remains meagre. Actual revenues from the informal sector (proxied by contributions from the self-employed (CSE)) in 2015 amounted to about GHS 260 million. This total amount corresponds to an average annual tax commitment of about GHS580 per informal establishment in 2015. Revenues from the informal sector increased to about GHS474 million in 2021, representing an average commitment of about GHS980, assuming a similar number of establishments in 2015. These conservative estimates provide further evidence to show the low tax commitments made by the informal establishments.

The government’s projections of informal sector revenues indicate a considerable increase in its contribution to tax revenues, which was supposed to increase from 0.89% of tax revenue in 2021 to 1.7% in 2022, and 2.75% by 2025. As a result, actual tax revenues from the informal sector were projected to increase from GHS474 million in 2021 to about GHS 1.36 billion in 2022, increasing to about GHS3.26 billion by 2025 (see Table 1).

Table 1: Contribution of Self-Employed (Informal Sector) to Ghana's Budgets

Year	Tax revenue (GHS million)	CSE (GHS million)	Proportion of CSE in tax revenue
2019	45,639	421	0.92%
2020	44,448	394	0.89%
2021	56,533	474	0.84%
2022*	80,168	1,362	1.70%
2023*	91,596	2,315	2.53%
2024*	106,472	2,879	2.70%
2025*	118,866	3,264	2.75%

Legend: CSE=Contributions from the Self-Employed * represents the government's projections

Sources: 2022 budget statement (Ministry of Finance); Ghana Fiscal Data (Ministry of Finance)

This projection, which moved outside the usual trend of revenue mobilization from the informal sector, suggested that the government and its tax agencies would put much effort into revenue generation in 2022 and subsequent years. Generally, the government's revenue at the end of the first quarter is about 20% of the total revenue for the year. Therefore, given a projected informal sector revenue of GHS1.36 billion, the first quarter revenue should have been about GHS272 million. However, informal sector revenue at the end of the first quarter of 2022 amounted to about GHS101 million, which is less than half of the projected revenue.

The current revenue generation trend makes it unlikely for the country to meet its target within the medium term. The government can raise about GHS500 million from the informal sector by 2022, increasing to about GHS735 million by 2025, given the current rate of revenue generation. This exposes the government to an annual average revenue shortfall of about GHS1.8 billion between 2022 and 2025 (see Figure 3)

The foregoing raises pertinent questions about whether the government has newer approaches toward revenue mobilization from the informal sector or whether it is continuing with its business-as-usual approach. Accordingly, government and its relevant tax agencies, especially GRA, must examine the robustness of the strategies that cause them to deviate from the current trajectory of mobilising revenue from the informal sector. This is important given that the strategy appears to not work as planned in the first quarter of 2022.

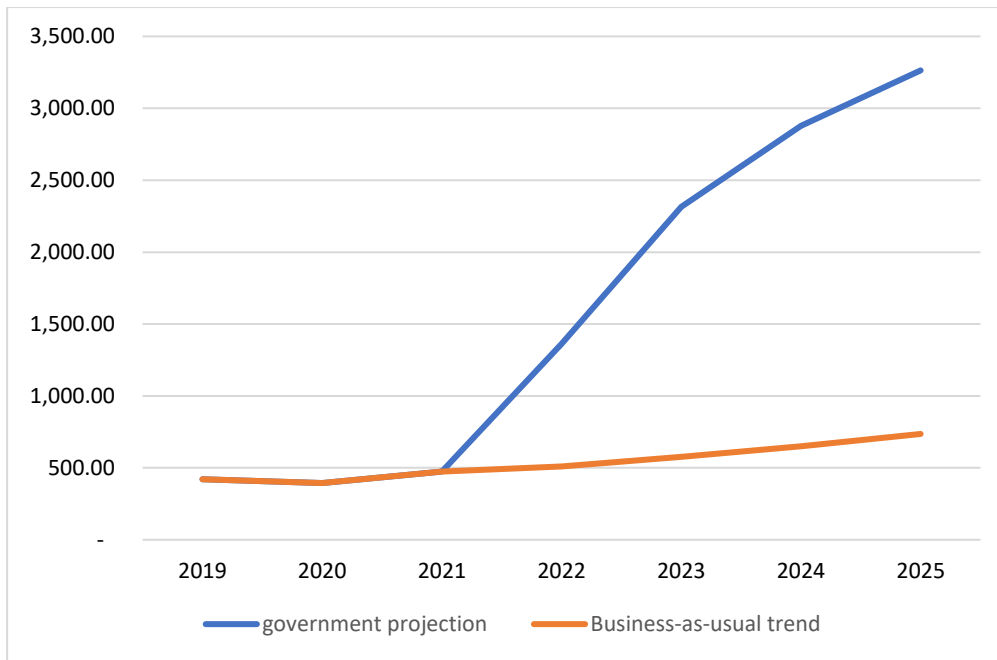


Figure 3: Informal sector revenues and projections from 2022 to 2025

Informal Sector Taxation Challenges

Interactions with key agents from GRA reveal a myriad of challenges to revenue mobilization from the informal sector. These challenges include the lack of a database of informal sector businesses, lack of collaboration among agency stakeholders, inadequate tax education, and the complex nature of tax systems and procedures. The details of the challenges are captured below:

1. No database of informal sector businesses

Generally, the major sources of information for taxation are live business registers with economic activity, locations, and contact details of firms of all sizes (micro, small, medium and large). However, interactions with some GRA officials indicate that GRA does not have a register on all businesses in the informal sector, which are primarily micro and small scale, to guide in planning and forecasting revenue mobilization. For instance, currently, GRA provides quarterly tax stamps to informal businesses based on an assessment by GRA officials of the products sold by many retailers. However, the tax authority does not have a database of such micro and small businesses, mostly informal.

The 2015 IBES indicated that 509,033 establishments out of 638,234 in Ghana were micro businesses. However, interactions with some GRA officials showed that GRA has a database of about 1000 companies which it defines as medium and large-scale companies. Thus, over 630,000 establishments are not captured by GRA. The lack of a database on these large groups of establishments makes it challenging to track the activities of the businesses, which could have provided a good premise for policy enactment to improve informal sector revenue mobilization.

Again, there is a disparity in classification among government stakeholders. For example, while the Ghana Statistical Service (GSS) categorises businesses based on employee size, GRA classifies businesses based on their turnover (See Table 2). Thus, whereas GSS will classify an enterprise with an employment size of 25 and an annual turnover of GHS 100,000 as small, GRA will classify it as medium. An obvious consequence will be the difficulty in synchronizing data, given the disparities and inconsistencies in classification.

Table 2: Classification of enterprises by GRA and GSS

Classification	GRA (annual turnover)	GSS (employment size)
Micro	Less than GHS 90,000	1-5 persons
Small		6-29 persons
Medium	Between GHS 90,000 and GHS 5 million	30-100 persons
Large	Above GHS 5 million	More than 100 persons

2. Confusion between GRA and MMDA on income tax collection

The Local Governance Act, 2016 (Act 936) specifies taxes as part of the MMDA’s income sources from their internally generated funds. The law mandates the district assembly to collect taxes chargeable on the income of certain groups of income earners provided in the Act. As provided in the 12th Schedule of Act 936, these income earners include spare part dealers, chemical sellers, butchers, and liquor sellers (See Box 1 for the complete list). The Ghana Revenue Authority Act, 2009 (Act 791) also mandates GRA to “advise District Assemblies on the assessment and collection of their revenue.” Therefore, income taxes from the income earners provided in Schedule 12 of Act 936, which are mainly informal sector players, must be taken by the MMDAs to finance development. On the other hand, GRA is required to advise MMDAs on assessing and collecting revenues, of which income tax is inclusive.

However, there is little clarity in the interpretation of the law since no framework guides GRA and MMDAs in discharging their revenue collection efforts. Also, there is an inadequate understanding among taxpayers, especially those operating at the sub-national level, of the various classifications of payments. For instance, there is little clarity on what constitutes fees, rates and licenses the Assembly charges and how these differ from income and consumption taxes. Therefore, MMDAs and GRA must streamline their roles in revenue mobilization at the district level and clearly define the tax obligations of informal business establishments.

Box 1: Taxes on Income (12th Schedule of Act 936)

1. Spare parts dealers
2. Chemical sellers
3. Tailors and dressmakers
4. Sandcrete block manufacturers
5. Musical spinners
6. Radio and television repairers
7. Gold and silver smiths
8. Drinking bar operators
9. Professional photographers
10. Chopbar keepers and cooked food sellers
11. Butchers
12. Refrigeration and air-conditioning workshop owners
13. Hairdressers
14. Garage owners
15. Video operators
16. Cornmill owners
17. Co-operative distillers
18. Scrap dealers
19. Livestock breeders and traders
20. Traders
21. Liquor sellers

3. Unfavourable public perception and lack of education

Effective tax systems rely on high levels of voluntary compliance. Therefore, a positive perception of the tax administration system and taxpayer education tools can directly impact taxpayers' willingness to comply voluntarily and help countries raise their revenues.

GRA has indicated in its strategic plans that unfavourable public perception continues to be a risk factor affecting the organization's operation and threatens revenue mobilization. GRA's SWOT analysis identified low public cooperation, corruption, tax avoidance and evasion schemes,⁵ and low tax morale due to the perception of misuse of tax collected⁶ as some threats that inhibit effective revenue mobilisation. Engagements with stakeholders also confirm the public perception that taxes facilitate corruption and inefficiency in government expenditure.

The limited information about the taxpayers' responsibility to pay taxes has also contributed significantly to the low levels of tax compliance. Again, citizens do not have much information

⁵ Ghana Revenue Authority (n.d.). 3rd Strategic Plan 2020-2022. Available at <https://gra.gov.gh/wp-content/uploads/2021/06/Strategic-Plan-2020-2022.pdf>

⁶ Ghana Revenue Authority (n.d.) GRA Corporate Strategic Plan 2020-2024. Available at <https://gra.gm/assets/forms/DTD-brochures/GRA-Corporate-Strategic-Plan-Document-2020-2024.pdf>

on tax payment approaches. For instance, GRA has a mobile application that individuals can use to file taxes. However, engagements with GRA officials indicate the low patronage of this technology. Taxpayer education can help boost the willingness of individuals and businesses to pay taxes voluntarily and plays a vital role in mobilizing tax revenues. Therefore, GRA must introduce innovative and dynamic ways of educating individuals and the citizenry on the importance and need to honour their tax obligations.

Strategies to improve revenue mobilisation in the informal sector

1. Creating a database of informal sector businesses

GRA must have a business register which contains up-to-date information on firms' location, economic activity, and accurate contact details. The register must also include the firms' status, i.e., whether they are active or inactive for both formal and informal firms. In addition, GRA must collaborate with agencies such as Ghana Statistical Service, the Registrar General's Department and the MMDAs for information sharing.

- a. **Collaboration with Ghana Statistical Service.** The IBES report from GSS show several establishments in the GSS database which are not captured in GRA's database. Thus, GRA must liaise with GSS to exchange information, especially concerning informal sector establishments, to enable them to track their performance and activity. In addition, the IBES database will provide a suitable platform for GRA to identify businesses and their respective locations for tax purposes.

Secondly, sector agencies that provide business statistics must work closely with GRA to identify a standard approach for classifying businesses. This would facilitate the easy description of businesses, for example, small, large and micro enterprises. There must also be a country definition of informal and formal businesses to ensure accurate classification and description of business groups among all sector agencies in the country.

Interactions with officials from the Ghana Statistical Service (GSS) show an upcoming phase of IBES which will also capture the GPS location of all businesses. GRA must collaborate with GSS in the design of the IBES survey guide. GRA can leverage such a database to widen tax collection by identifying business locations for tax purposes.

- b. **Collaboration with Registrar Generals Department (RGD):** The Registrar General's Department is currently responsible for business registration (until the office of the Registrar of Companies is fully operationalized, according to the new Companies Act). Therefore, GRA must deepen its collaboration with RGD to obtain periodic updates on the names and locations of businesses and follow up on their tax obligations. These collaborative efforts can complement existing partnerships with other state agencies, such as the statistical service.

- c. **Collaboration with the MMDAs and Other Stakeholders:** GRA and MMDAs must agree on a framework or guideline that clarifies the distinction between the rates and taxes each agency is responsible for collecting. This guideline will serve as a working document that spells out the responsibilities of MMDAs and GRA on revenue collection. The collaboration should also address the confusion regarding the collection of income taxes on specified businesses in the 12th Schedule of Act 936.

2. Tax education and information

GRA must collaborate with all the necessary stakeholders, thus the Ministry of Information, the Communication Service Department, and the National Communication for Civic Education (NCCE) to intensify tax information and education. Citizens, especially operators of informal sector establishments, must be aware of their rights and obligations concerning taxes. This approach will help address the challenges of low-income tax from the informal sector. The education must be available in all the major Ghanaian languages through traditional and social media. The strategies must involve non-state actors and other influential persons to improve reach and target populations.

3. Government must ensure efficiency of spending

Government and GRA must work to curb the negative impression of using tax revenues. Any recommendation or effort towards improving revenue mobilization would be futile if the taxpayer negatively perceives the government's utilization strategies. Furthermore, the government must reduce the wastage in the system and remove the perception of corruption and funds mismanagement among taxpayers. Government must therefore ensure the following:

- a. Timely completion of projects to prevent budget and cost overruns
- b. Competitive procurements of goods and services to ensure transparency and equity in the award of contracts
- c. Value for money in the delivery of development projects
- d. Resource MMDAs to carry out development projects at the local level. The District Assemblies Common Fund and other statutory funds must be timely disbursed for efficient utilization by the subnational governments.
- e. Reduce political interference in GRA's operations, and resource the organization to meet revenue collection obligations.

DIGITAL BUSINESSES

The extensive use of the internet for many different types of business and personal transactions presents challenges for revenue mobilisation by tax agencies. The evolution of internet-based transactions and business models has generated complexities that make tax agencies struggle to understand how tax rules should be modified to apply to these transactions effectively and appropriately. In addition, traceability challenges in electronic commerce make it difficult to implement existing tax laws. However, the current expansion of the digital economy provides an avenue for revenue mobilisation if such areas are effectively monitored. Therefore, government and tax agencies must identify approaches that enable fair taxation within these platforms.

Digital service platforms

Some operators provide platforms for businesses, content creators and other internet users. For example, multinational digital operators such as Google, Facebook, Netflix and Amazon are giant digital platforms that provide these services and obtain revenues from customers across the globe through the sale of ads, periodic subscriptions etc. Alongside many others, some companies offer cloud computing platforms for data storage.

The Value Added Tax Act, 2013 (Act 870), as amended, provides some guidelines for taxing digital services. The law indicates that non-resident persons who provide telecommunication or e-commerce services and whose activities result in taxable supplies exceeding GHS120,000 within 12 months are required to pay VAT per the Act. The rule also applies to Non-Resident Suppliers of Electronic Services for use or enjoyment in Ghana other than through a VAT-registered agent (GRA, 2013).

Recently, GRA has taken steps to tax such digital services effective April 1, 2022, in response to the legal provision. It hopes to generate about GHS 2.7 billion from these services, including betting companies that are not residents but operate in Ghana. GRA intends to register these digital service companies and block those who will fail to comply with its regulation.

Beyond the few big digital corporations, other digital services are subject to tax and require equal attention by GRA. The VAT Act identifies digital services to include telecommunication and electronic commerce services. Box 2 provides a list of such digital services. Interactions with officials from GRA confirmed the challenges in collecting taxes from these digital service providers. The challenges relate to effective approaches to identifying businesses and individuals behind the transactions.

Box 2: Supply of telecommunication and electronic services

“supply of telecommunication services and electronic commerce” include

1. website supply;
2. web-hosting;
3. distance maintenance of programmes and equipment;
4. images, text and information and making databases available;
5. music and games, games of chance and gambling games;
6. political, cultural artistic, sporting, scientific and entertainment broadcasts and events; and
7. distance teaching.

1. E-commerce platforms

E-commerce platforms connect businesses and suppliers with prospective buyers and further enable the delivery of packages bought online. Examples of such platforms in Ghana include *Kikuu* and *Jumia*. These platform owners receive commissions on the sales and advertisements made on their platforms and pay the relevant taxes required by GRA. However, interactions with some platform operators indicate that they are not responsible for enforcing sales tax commitments by the firms. After checkout, the receipts do not show a breakdown for VAT payments. Thus, there is no indication that merchants who sell on these platforms pay sales tax on the items sold. Again, GRA does not have robust reconciliatory mechanisms to track all transactions on these platforms. The best effort from GRA has been to visit the platforms occasionally to demand a list of the top vendors for revenue tracking purposes.

2. Electronic market classifieds

E-market classifieds operate differently from e-commerce platforms (e.g., *Jiji*). Individuals or businesses pay a fee to advertise goods and services on the platform. The interested buyer sees the advertisement and contacts the seller to agree on the purchase modalities, such as final price and delivery. These marketplaces connect buyers and sellers, and subsequent transactions are mainly done through point-to-point delivery, and receipts or VAT invoices are usually not issued. These platforms are becoming popular and highly patronised and could be a potential revenue mobilization source for GRA if effectively monitored.

Generally, merchants that operate on e-commerce and market classifieds platforms bear less overheads than those with physical locations. This is because the merchants mostly operate from remote locations that do not attract comparable costs to those operating in prime locations; malls, high street shops and markets enable them to price below those running in expensive areas. Therefore, if these evasive online markets persist untaxed, they create an unfair advantage over those running in prime locations and paying tax.

3. Content creators and social media influencers

Content creators on video blogs, such as YouTube, provide content and are paid when they reach a threshold on viewership, subscription, and other metrics. In the US, current

tax legislations mandate *YouTubers* to pay taxes based on the number of views from the US. However, such potential has not been explored in Ghana and must be considered a potential avenue for revenue mobilization.

Social media influencers generate income from their following through commercial advertisements. However, such activities are not tracked by the GRA. Thus, GRA loses revenue if the clients of the influencers do not withhold the taxes.

- 4. Mobile applications and other subscriptions:** Mobile and web applications sit on larger platforms such as Google's Playstore or Apple's Appstore. While some applications are free, others allow for premium content that comes at a fee. Therefore, these digital service providers are taxable, as described under section 16 of Act 840.

Strategies for revenue mobilisation from digital business

Taxation is a significant source of revenue for all economies, and Ghana is no exception. Therefore, there is a need to address the challenges of taxing digital businesses, which will help improve revenue and significantly impact the Ghanaian economy. To address the digital industry's challenges of low tax revenue, GRA must collaborate broadly with the platform operators to identify businesses that operate on their platforms for tax commitments. Specifically, the study recommends the following:

1. Collaboration with multinational digital platform operators

GRA must also collaborate with multinational technology companies to tax services on their platforms. To ensure effective compliance:

- a. GRA should mandate all multinational technology companies to ensure that businesses operating on their platforms are registered as taxpaying firms or persons. In addition, the companies must be required to provide periodic updates of newer Ghanaian businesses that have registered on their platforms. This will help GRA track businesses operating on these digital platforms and tax appropriately.
- b. GRA should empower e-commerce websites to collect VAT on their behalf for transactions made on their platforms. The websites must be required to report VAT receipts in real time to GRA using the appropriate technology and receipting systems. The receipts must have a unique identification number that can be used to verify the issuance and the payment of VAT upon purchase. In addition, GRA must provide incentives for whistle-blowers to report issues of incorrect verification and fraudulent issuance of VAT invoices. Similar verifications can be applied to businesses and shops that operate physically and online.
- c. GRA must work with global digital platforms like YouTube to withhold taxes from *YouTubers* based on their Ghanaian viewership.
- d. GRA must have systems to track commercial activities from social media influencers. These activities include advertisements and promotional videos. There must be designated officers to track the activities of social media influencers for tax compliance.

2. Collaboration with electronic market classifieds

GRA must collaborate with electronic market classifieds to obtain information about individuals and businesses who advertise on these platforms. Thus;

- a. GRA must mandate these platform owners to register individuals and informal businesses on these platforms with the national identification card and must be identified with the unique Tax Identification Numbers. Businesses must also be required to register with their business registration identity numbers and must upload their business registration certificates. This approach will enable GRA to track the number of businesses registered on these platforms.
- b. GRA must have a standard system to guide the operations of these platforms. GRA should make it mandatory for a receipting system to be adopted by people trading on the market classifieds platforms. Merchants registered on the platform must use the platform for receipting clients. This also requires GRA to monitor merchants' compliance and provide appropriate sanctions.

3. Education and capacity building on digital taxation

The Digital Business Sector is evolving and requires that GRA is mindful of the changing trends and adapt quickly to amendments to existing tax laws. GRA must therefore build its capacity on the approaches toward revenue mobilization in the digital space. This requires periodic training and interactions with revenue agencies in other countries to understand best practices for revenue generation.

GRA must also invest in technology, research, and development to develop newer mechanisms of digital taxation and revenue mobilization. For instance, GRA should develop an Application Programming Interface (API) that tracks the taxes paid by merchants on digital platforms.

Beyond this, there must be a deliberate effort to train internet users concerning digital taxation. These could be in the form of pop-up advertisements that appear on screens for users' attention.

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