

SPEAKING NOTE

16.06.2020

LAUNCH OF TAX AUDIT & QUALITY ASSURANCE UNIT AT GRA

Background:

To increase our **tax-to-GDP** ratio from **13%** to **20%** to match our peers on the Continent requires challenging the status quo. It requires making tough choices which would force people to leave their comfort zones. It calls for having a Quality Assurance Unit. A Unit that will **watch** the **watchman** and protect the taxpayer from abuse by some tax officers in GRA. The current manual system has led to leakages resulting in revenue losses between **GHS700 million** to **GHS1 billion** (McKinsey, 2019). This has led to poor taxpayer experience:

AREAS	IMPACT
Registration	Up to 5 million unregistered taxpayers (both individual & entities)
Filing & Payments	GHS400-GHS600 million in uncollected debt due to bottlenecks, lack of transparency and inconsistent application of debt recovery actions
Compliance, audits & debt management	GHS300-GHS400 million in missed infractions and Post Clearance Audits due to absence of best practices in case management system
Customs	30% deviation from number of audit target due to lack of clear tracking & monitoring as well as manual and heavily paper based processes
Reporting	Limited performance management due to lack of a single & consistent source of data for performance

Source: McKinsey, 2019.

According to Tax Justice Network-Africa, Ghana losses an estimated amount of **GHS2 billion** from transfer pricing abuses from extractive sector. There is an estimated **1.6 million** contributors in SSNIT's database while GRA have **1.2 million** people contributing to PAYE. Also, the informal sector is estimated at **70%** of the economy but contributes only **7%** of business income taxes to the State.



In recent McKinsey study, it is established that between **GHS24 to GHS30 billion** in taxes could be raised if system and processes were efficient.

TAX TYPE	GHS' BILLION
Corporate Income Tax (CIT)	3-6
Value Added Tax (VAT)	13-14
Customs	5-6
Personal Income Tax (PIT)	3-4

Benchmark Indicator

Item	LTO's Current status	Peer Market Benchmark
Audit revenue per auditor	\$2.4 million	\$4.7 million
Taxpayers per auditor	17	550
Audit duration per taxpayer	33 work days	11 work days

Source: McKinsey, 2017.

Purpose:

Some officers in charge of auditing in this Authority sometimes get away with unprofessional deeds and malpractices because, no one audits their work after they are done. Periods audited are never revisited and therefore, so many wrong doing during the audit period is buried upon the issuance of the audit report, now we want to resurrect these. This attitude is also affecting the level of self-assessment as over time, taxpayers have realized that, there is no motivation to declare tax liabilities accurately. There should be an **"audit the Auditor concept"** because once auditors know that their work may be reviewed periodically, they will not compromise on the integrity of their work and unsatisfactorily reduce tax liabilities. As the supervisory Ministry, MoF deems it fit to ensure that its supervisory role is achieved in this era of ensuring Ghana Beyond Aid and job creation. Over the years, the Ministry of Finance has really not played its supervisory role as expected but it's ready now to ensure the rigorous supervision enshrined in the PFM Act going forward.

Next Step Rules:

- the creation of this Unit is to ensure that tax audits by officers are interrogated and reviewed to ensure audit quality is assured;
- to harmonised and streamline tax audit to avoid multiple of audits of the same tax types and same periods of the same taxpayer; the state must never be seen to be coercive for citizens to feel suppressed and subject to the whines of an uncoordinated GRA;
- to supervise, coordinate, manage and consolidate all audits in GRA;
- to promote and enhance best practices in tax audit and tax excellence with professionalism at GRA;
- to ensure tax audit compliance and enforcement reforms in moving Ghana Beyond Aid;

- the idea of this Unit is to improve the system to ensure tax audit professionalism and encourage the many good professionals to do their work with integrity and without negative peer pressure.
- so, the past is gone, not from **June 30, 2020**. Thus, from **30th June 2020**, any staff member found in contravention of our tax laws and the professional ethics shall be **sanctioned** accordingly;
- there will be a publicity campaign to all stakeholders including taxpayers to educate them about the Unit so that taxpayers desist from bad dealings with tax officers;
- taxpayers found to be involved in such unacceptable deals would be penalised together with the tax officers they dealt with;
- a **Call Centre** will be created within the Unit with a 24/7 toll free number for the public so that taxpayers can call and report their challenges regarding officers who trade away the state's taxes for personal gain in the course of their duties;
- activate the Whistle Blower Program by funding the Whistle Blower Account with an initial extension of credit of **GHS5 million** which would eventually be repaid from proceeds of recoveries from new Whistle Blowers; **Whistle blowers** can report wrong doing to toll free number **0800900111**.
- to help digitize all tax audits and ensuring e-tax payment systems at GRA;
- effort would made to move Ghana's tax-to-GDP ratio from **13-20%** to comparable levels of her peers within Sub-Saharan Region;
- to help broaden the tax net to include the informal sector, professionals, middle-class and the larger informal markets by leveraging on technology and other modes of operation;
- provide suitable and regular training and tax exposures for tax auditors;
- ensure critical attention on post-clearance-audit within customs division;
- ensure proper inventory system warehousing and re-export;
- ensure that there is easily and accessible payment channels to taxpayers;
- review and authenticate all forms of exemptions; and
- facilitate the prosecution of tax evaders by assisting office of the Attorney General with data.

Reporting Structure:

As a supervising Ministry, MoF has before now not really engaged GRA. As such, the reporting lines should be aligned with that of Internal Audit reporting concept, hence the Tax Audit and Quality Assurance Unit reports to the GRA Board and Ministry of Finance as best practice.

Conclusion

We will make changes, we will **step on toes**, we will make honest mistakes, but we will have **open doors** for dialogue and feedback; we will aggressively venture into uncharted waters, we will be friendly, we will need allies and above all we will need the **support of all Ghanaians** to collect all revenue due the State.

This is a period of burden sharing and we are to accelerate our recovery from this devastating pandemic of what the locust has eaten away. It has been like the locust in a twinkling eroded 5% of our projected growth to 1.5%. But we must "***Arise, shine, for your light has come and the glory of the LORD rises upon you. See, darkness covers the earth and thick darkness over the people, but the LORD rises upon you and his glory appears over you***" *Isaiah 60*. You remain the key to our economic revitalisation and I pray that you will support this new Unit to ensure that you protect GRA, your professionalism and anchor the restoration of what the locust has eaten away.

Thank you. God Bless!