

# Taxation in Ghana

## Social contract or social punishment?

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# What does tax mean to the Ghanaian?

‘In Ghana, tax is a social punishment’

*Ghanaian tax professional*

‘People want to see what their government is doing for them before giving it any money in taxation’

*BBC World Service business daily report in SL.*

# What does tax mean to the Ghanaian?

‘I have come to the conclusion that tax paying is such an unpleasant thing that anyone who loves paying taxes or even pays without complaining ought to have his or her head examined...’ *Dua 2005*

‘the (Ghanaian) would rather pay his tithes and offerings to the church and pay community levies rather than give any money to the State’



# The State Of Ghana And Taxation

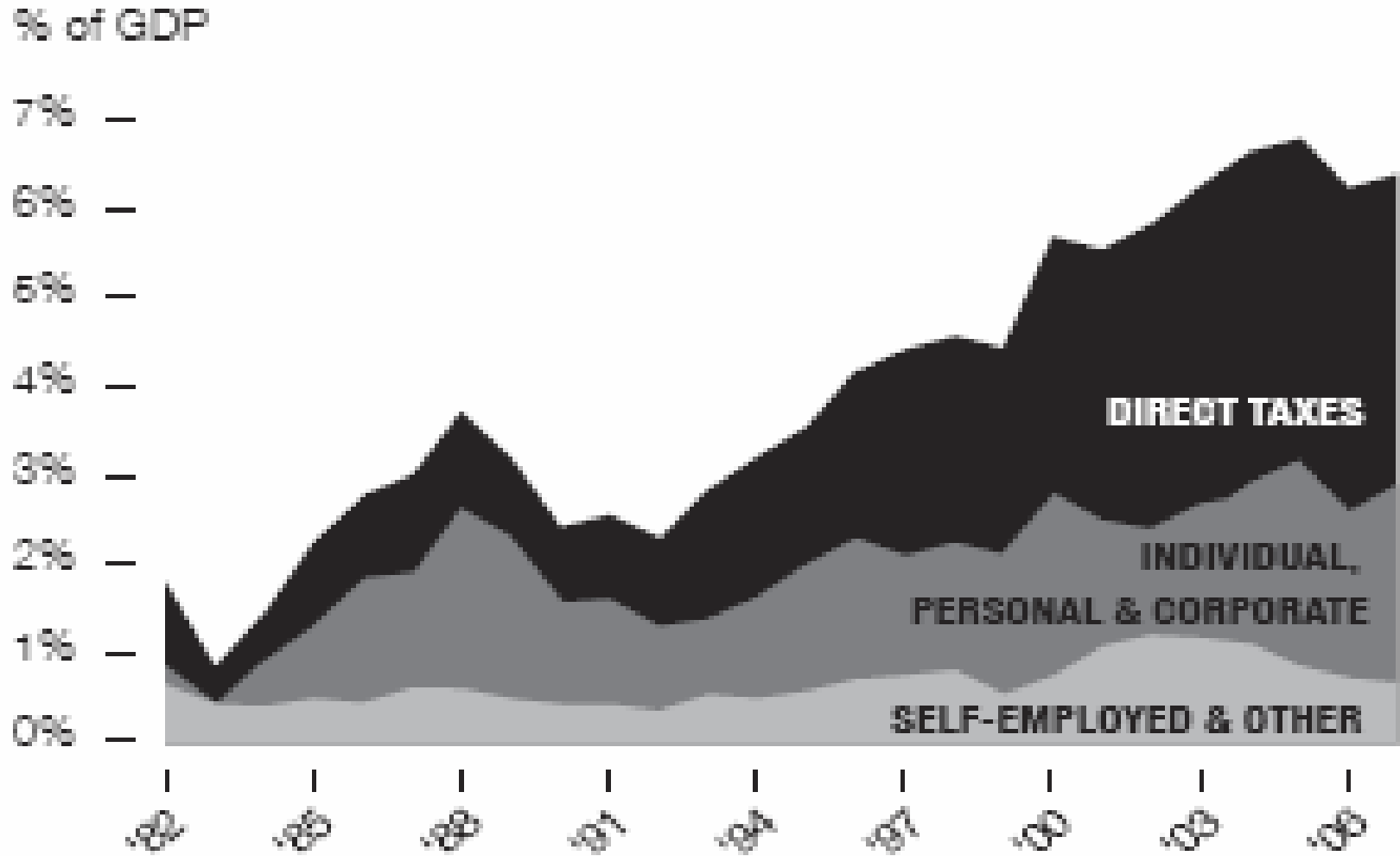
Most effective tax collector in Africa following only S.A and Kenya (20% of GDP in 2007)

Large informal sector (75%) contributing about 40% to GDP only 1.5% to total tax revenue

Formal sector (20%) contributing 12.2% to total tax revenue

Local level taxation make up only about 0.2 % of GDP

# Direct Taxes by Component, 1982-2007 (fig. 2)



# The taxation and development concept.

- the experience of paying taxes may give rise to a feeling of ownership of the state, leading citizens to make greater demands for public accountability' (Moore 2008)

- “the fiscal history of a people is above all an essential part of its general history” (Levi, 1988).

# Political economy of taxation in Ghana's history

Pre-colonial ( $\leq 1877$ )



Colonial (1877-1956)



Post colonial (1956-1979)



Modern Ghana (1980-1992)



Constitutional Ghana ( $> 1992$ )



# Political economy of taxation in Ghana's history

Year	
1855	Introduction of poll tax to cover cost of administration of the colony. Fiercely resisted. Not implemented.
1931	Introduction of income tax. Resisted. Implementation delayed till 1943
1948	Increase in import and export duty taxes. Month long boycott of commercial goods and services. Catalyst in independence struggle
1961-1980	Various coups linked to 'economic hardships'

# Political economy of taxation in Ghana's history

Year	
1995	Introduction of VAT at 17.5%. Strong public resistance. VAT reintroduced in 1997 after wide awareness creation campaign at a reduced rate of 10% .
2007	Introduction of Communications Services Tax. Public accepted due to information share in advance of introduction
2009	Reduction in petroleum tax. Campaign promise
2010	100 % increase in road and bridge toll tax. Resisted. Implemented
2010	Introduction of 20% tax on local gin and purified water. Resisted. Passed and repealed. Not implemented

# Taxation and good governance in Ghana

- 'the more government income is earned, the more likely are state-society relationships to be characterized by accountability, responsiveness and democracy' Moore 1998



# Taxation and good governance in Ghana

Taxation has been used as a source of public mobilization but mostly around specific issues of increases in the payment of taxes

The ability of taxes to be used as an effective catalyst for change in Ghana not yet done by CS. Monitoring of the use of tax revenues not implemented –only 20% CST actually went into youth employment.

Kenyan National Taxpayers Association formed to mobilize taxpayers for effective expenditure monitoring. This possibility exists in Ghana

# Taxation and good governance in Ghana

Ghana depends largely on natural resources-gold, cocoa and timber

Oil revenues will be between \$200 million to \$1.6 billion , i.e. 4-30% of government revenues

May lead to reduction in tax collection, increase in rent seeking behavior, reduction in the voice of citizens advocating for good governance in their rights as tax payers (define resource curse)

# Why does tax matter to Christian Aid?

We believe that

the relationship between states and citizens can be strengthened due to tax.

tax, as oppose to aid, is the foundation of states' ability to provide basic goods and services to their citizens, (less than 10% of GDP in developing countries).

the absence of effective taxation in poorer countries is directly responsible for the poverty in which many of their citizens live

# Our global asks

Christian Aid and coalitions are calling for

Multinational companies to report their economic activities on a disaggregated country by country basis

An international agreement that requires all jurisdictions, including tax havens, to automatically exchange tax information with all others including developing countries.

# Christian Aid's tax work in Ghana

2009 - Taxation and Development in Ghana: Finance, Equity and Accountability.

Tax policy and administration

Tax avoidance by TNCs

Taxing the informal sector

Offshore banking

Taxation and governance



# Ghana tax program

## Ultimate outcome

Increased tax revenue for development and poverty through an equitable, gender-sensitive, just and transparent tax system

## Intermediate outcomes

Improved tax regime that favors the growth of the informal sector

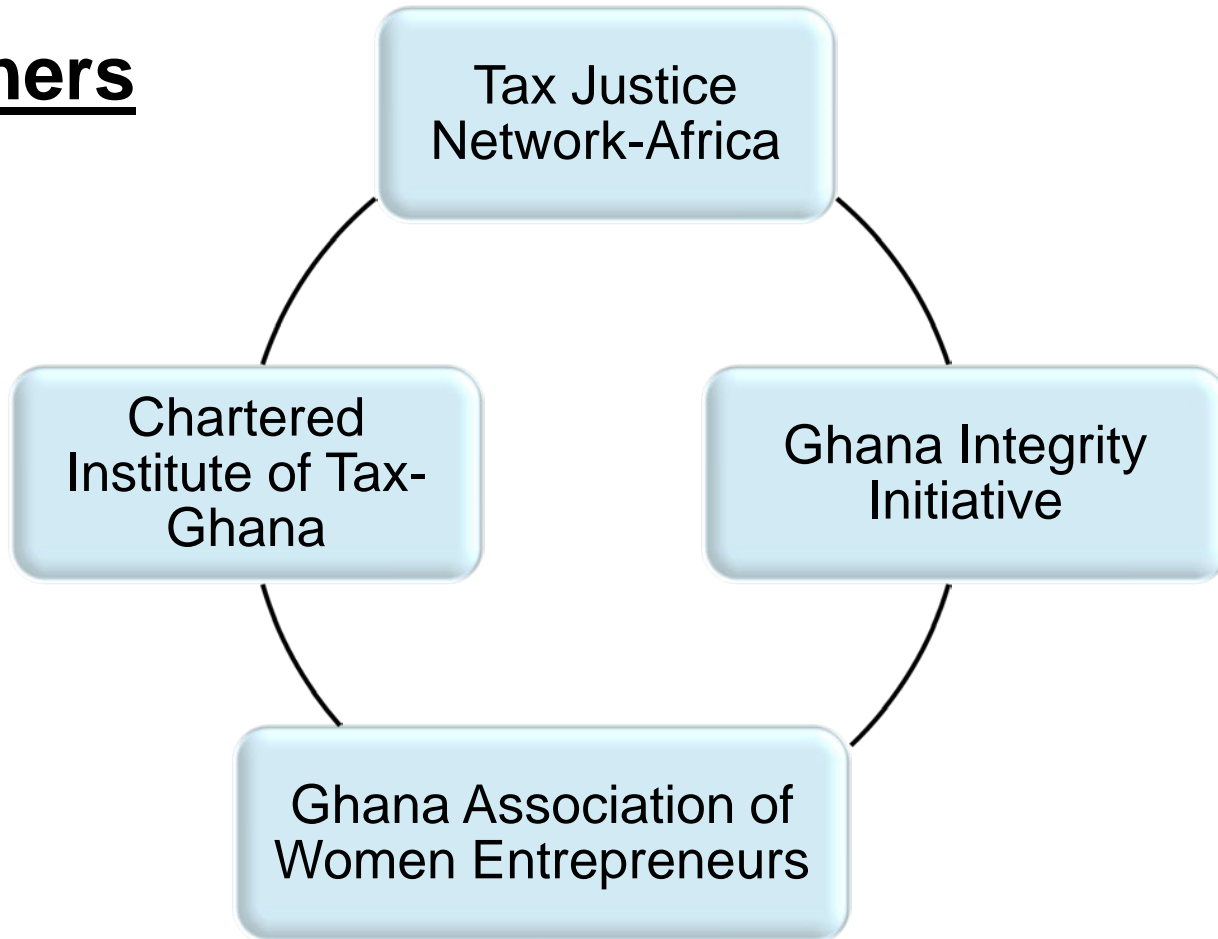
Improved tax incentive framework that obliges companies to adhere to tax payment

Increased effectiveness of mechanisms to monitor transfer pricing

Improved accountability and transparency on oil revenues

# Ghana tax program

## Partners



# Why Should We Focus on Gender and Taxation?

- The nature, causes and impacts of poverty are different for men and for women,
- Gender inequalities needed to be fully understood and considered, in order to maximise poverty reduction, economic growth and social enhancements.

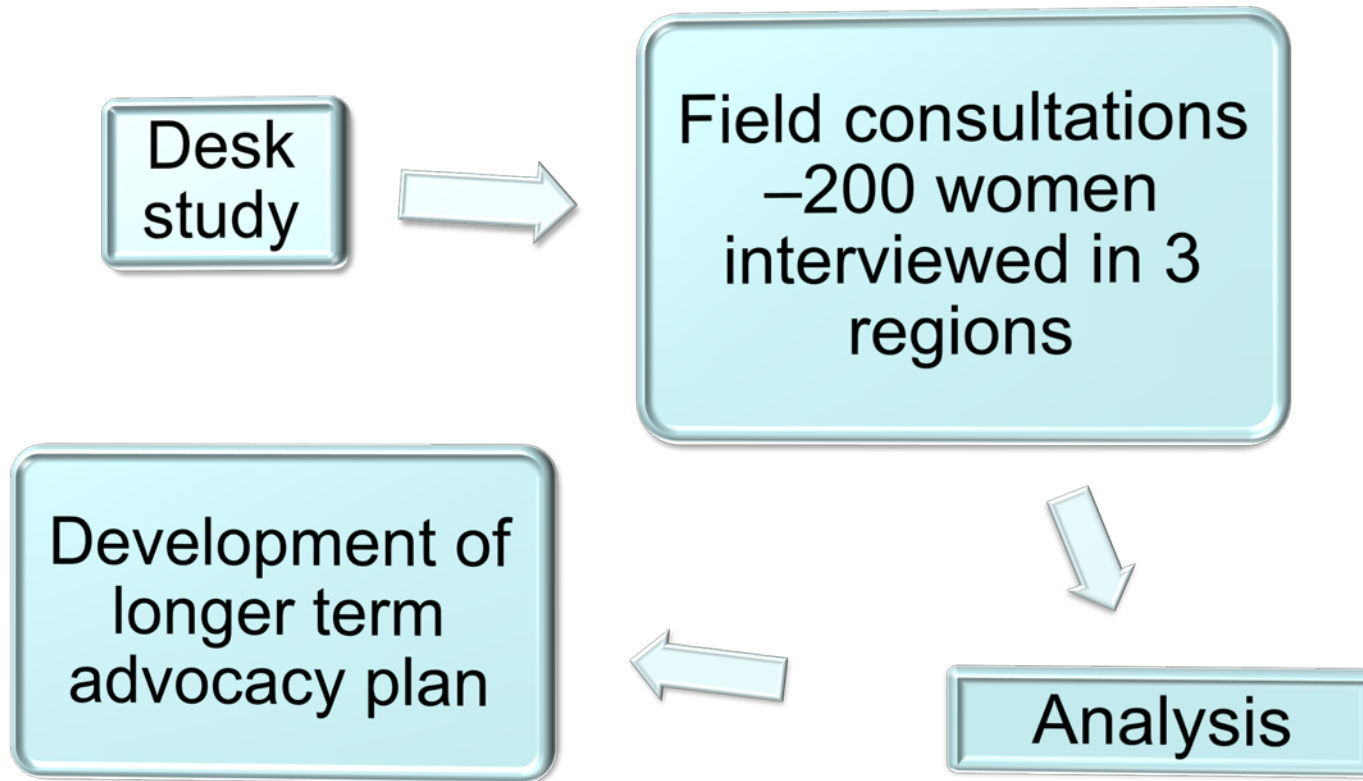
# Why Should We Focus on Gender and Taxation?

- Gender analysis of tax policy seeks to identify the diverse impacts of tax systems on women and men in order to ensure gender equity. The analysis of gender equity is especially important in developing countries, where a greater proportion of the poor are women
- The relationship between gender and taxation is particularly complex and has huge implications on the micro and macro level behaviour of households and economies

# The tax and gender programme

- How do men and women engage differently with the state on issues of taxation and how is that working?
- Who bears the burden of taxation and why?
- What are some of the barriers and challenges women face in taxation?
- Are there any gendered aspects of taxation?
- What has been the impact of different types of taxation on women's economic behaviour?

# The tax and gender programme -the process





# Outcomes -provisional

- The existence of bad blood between women in the informal sector and tax officials
- Women do not see the link between taxation and the provision of social
- Lack of continuity of public education programmes of tax have led to apathy
- Differentials in how much taxes are paid by women and men in the same industry.

## Challenge:

- High level of non response because women thought this would lead to increased taxes



# Conclusion

“An enabling domestic environment is vital for mobilizing domestic resources, increasing productivity, reducing capital flight, encouraging the private sector, and attracting and making effective use of international investment and assistance. Efforts to create such an environment should be supported by the international community”

*Monterrey Consensus*

**Thank you!**