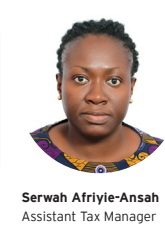


# Personal Income Tax Compliance in Ghana



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## A Focus on High-Net-Worth Individuals.

### Personal income tax (PIT) compliance

is a multifaceted issue influenced by socio-economic, cultural, and political factors. According to the 2025 Budget Statement and Economic Policy Outlook of Ghana, less than 30% of the population pays personal income tax, which is relatively low compared to developed economies where about 52.6% of the population pays PIT (Tax Administrations, OECD 2024).

Most PIT is collected from individuals in formal employment, such as government employees and employees of large private sector companies. However, many wealthy individuals, including high-earning professionals, owners of commercial properties, politicians, and business people, often go untaxed or pay minimal PIT.

Developing economies like Ghana can increase its tax base by taxing "high-net-worth individuals" (HNWIs), a small but growing segment of society that can contribute significantly to revenue collection but is largely undertaxed. Although there is no universal definition of HNWIs, the OECD (2009) defines HNWIs as those with a net worth of at least US\$1 million, excluding their primary residence.

HNWIs often earn income from multiple sources that are challenging to track and sometimes engage in sophisticated tax planning schemes. These individuals typically include politicians, celebrities, artists, and sports stars, who may seek ways to avoid taxes either by transferring money to offshore tax havens or disguising it as charitable donations. They sometimes utilize tax exemptions granted to philanthropic foundations and charities they establish as a means to legally avoid taxes. The crucial question to address is whether the current legal framework in Ghana is robust enough to tax HNWIs effectively.

Under the Income Tax Act, 2016, Act 896 (as amended), individuals can be taxed on incomes from employment, business, and investment if they are resident in Ghana or have income sources in Ghana. This includes rental income, interest, royalties, dividends, and directors' fees. Qualifying individuals with chargeable income for a calendar year must file an income return by April 30th of the following year.

While the legal framework appears sufficient to tax these individuals, the enforcement of these tax compliance obligations seems insufficient due to factors including administrative challenges. The governing board for the tax authority and key officers responsible for enforcing tax laws are appointed by the executive President in consultation with constitutional and statutory bodies.

The political nature of their appointment and the limited contract period may impair the enforcement powers of the tax authority in tax administration, particularly roping into the tax net the high-net-worth political class. Therefore, the issue may not necessarily be about the law itself, but the enforcement of same.

To this end, having an independent selection panel constituted for the purpose of vetting applicants for the position of the Commissioner-General, and also elevating the Ghana Revenue Authority to the status of a Constitutional body with a removal process akin to justices of superior courts, other than the chief justice, in accordance with Article 146 of the Constitution 1992 may go a long way to improve tax enforcement irrespective of the social or political standing of individuals.

To improve the taxation of HNWIs, access to data is essential for effective tax administration. Thus, access to data is crucial for identifying wealthy individuals and assessing their tax liabilities. In March 2024, Ghana's revenue authority launched a Special Voluntary Disclosure Programme to encourage individuals and entities to disclose previously undisclosed financial accounts or income held abroad in exchange for penalty waivers. Ghana also established a High-Net-Worth Office to manage the tax affairs of wealthy individuals. These measures aim to enhance the visibility of HNWIs and provide the revenue authority with a platform to ensure these individuals contribute their fair share of taxes.

The promulgation of The Standard for Automatic Exchange of Financial Account Information Act, 2018, Act 967 (as amended) has facilitated the automatic exchange of agreed-upon information between jurisdictions, and compliance with Foreign Account Tax Compliance Act (FATCA), promoting international tax transparency and reducing tax evasion among taxpayers with income from other jurisdictions.

Notwithstanding the strides made so far, to fully benefit from the laws on exchange of information, and the best practice in revenue administration, the tax authority must continuously monitor compliance with Act 967, FATCA and related laws by financial institutions so that the necessary accurate data required for compliance can be obtained on a timely basis.

Additionally, improving individual tax compliance for HNWIs will require more taxpayer engagement and education. Introducing incentives and recognition for compliant taxpayers can also encourage adherence. For HNWIs, protecting their data, ensuring fairness in tax audit selection processes, and continuous taxpayer education are crucial. Furthermore, simplifying tax audits and dispute resolution mechanisms for HNWIs can enhance compliance.

In conclusion, the effective management of HNWI tax compliance requires, among other strategies:

- ▶ **Building robust IT systems to analyze taxpayer data;**
- ▶ **Enforcement of tax laws regardless of an individual's social or political standing;**
- ▶ **Continuous monitoring and evaluation of adopted measures for enforcement;**
- ▶ **Creation of an independent (but collaborative) tax authority;**
- ▶ **Offering interest and/or penalty waivers to encourage voluntary disclosure and compliance; and**
- ▶ **Leveraging the power of social recognition to encourage voluntary compliance.**

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