

# COVID -19: Tax Risk Management

- Webinar\_UKGCC\_EY
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The better the question. The better the answer.  
The better the world works.



# Agenda

- 1 Covid19 protocols
- 2 Tax Risk Management
- 3 Questions



The better the question. The better the answer.  
The better the world works.



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A hand in a dark blue suit jacket and white shirt cuff is carefully balancing a single wooden block on top of a tall, slightly wobbly tower of many other wooden blocks. The background is dark and out of focus. A yellow frame highlights the text on the left side of the image.

Covid19 protocols

Proposals

Roll-outs

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# Proposal to Parliament - MoFEP

## 1. Corporate Income Tax

- Annual return
- ✓ Automatic extension of the due date for filing an annual CIT return for an additional 2 months
- Donation for worthwhile causes
- ✓ Automatic tax deduction would be granted for donation towards Covid19 activities

## 2. VAT

- VAT Waiver
- ✓ VAT Relief would be granted on donation of goods and equipment used in fighting Covid19



## 3. Personal Income Tax

- Selected Tier 3 Pension Withdrawals
- ✓ Waver of taxes for qualifying payments

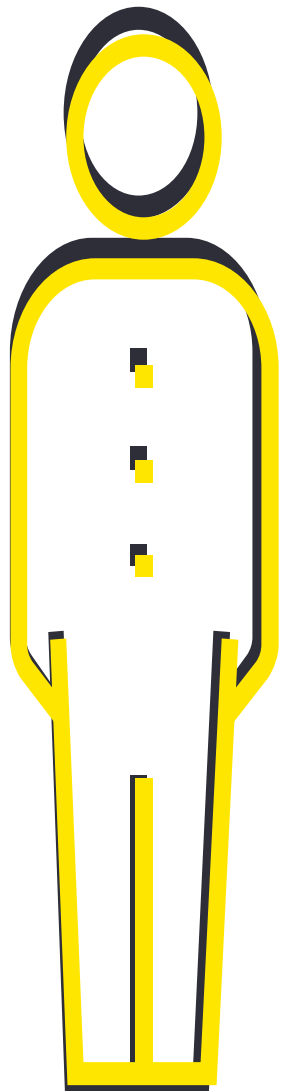
## 4. Penalty Amnesty

### Penalty Remission

- ✓ Subject to fulfilling tax obligations up to 30 June 2020
  - Loophole in GoG proposal: Interest v Penalty - on tax debt???



# Rolled-out of Interim Measures - GRA



## Payment of Taxes

- Taxpayers are to pay taxes by
  - Bank transfer; or
  - Wire transfer
- Account details of tax offices have been provided by the GRA



## Online filing of tax return

- Tax offices exposed to the lockdown have provided email addresses for submission of returns



## Remote Working by GRA Staff

- Tax Officers are working from home - lockdown







# Tax Risk Management



# VAT Refund

## Output VAT Risk Mitigation



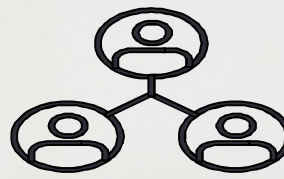
- ▶ Discriminatory discounts
  - ▶ Eaton Towers Ghana Ltd v CG of GRA
- ▶ Free samples and donation - Charge of VAT
- ▶ Zero-rated supplies
  - ▶ No documentation
- ▶ Non-availability or non-documentation of VRPO for VAT Relief supplies
- ▶ Charge of VAT - Disposal of assets - scrap, low value and high values

## Input VAT Risk Mitigation



- ▶ Claim input VAT within 6 months of accrual
- ▶ Document ALL original hard copies of GRA's pre-printed invoices
- ▶ Avoid claiming input VAT on entertainment except where in entertainment business
- ▶ Regular Completion of VAT Refund Claim Form and Submission





## Internal Tax Risk Controls



- ▶ Own computer-generated invoices
  - Avoids physical delivery - Covid19
    - Application to CG
    - Robust System
    - Competent Personnel
- ▶ Tax Health Check
  - Periodic review of health status
    - Involvement of experts
- ▶ Monthly Filings
  - Preparer
  - First review
  - Final Approver
  - Competency of staff
- ▶ Documentation
  - At least 6years

## Input VAT > Output VAT

- ▶ Application for VAT refund
  - Within 3 years of accrual
- ▶ Tax Audit - Confirmation of Credit
  - Set-off - Utilisation
    - Current liability
    - Future liability
- ▶ Cash Refund

## VAT Cashflow Management





# Income Tax



## Withholding Tax & Corporate Income Tax (CIT)



### 1 Withholding Tax

- ▶ Tax Efficiency
  - ▶ Withholding Tax Exemption
    - Cashflow Advantage
    - Application to CG
      - Good tax standing - Company
      - Directors returns
  - ▶ Matching Suppliers Credit Agreement to Company's Cash Payment Period
    - ▶ Mitigate late WHT payment to GRA
- ▶ Risks
  - ▶ Withholding Tax on Reimbursement
    - ▶ Beiersdorf Ghana Ltd v CG of GRA
      - ▶ Routing third party cost through distributor
  - ▶ Discount
    - ▶ Fan Milk Ltd v CG of GRA
    - ▶ Transaction recharacterized as commission

### 2 Corporate Income Tax (CIT)

- ▶ Carry forward of tax losses
  - ▶ Special industries - 5 years
    - ▶ Mining
    - ▶ Petroleum
    - ▶ Energy and power
    - ▶ Manufacturing
    - ▶ Farming
    - ▶ Agro-processing
    - ▶ Tourism
    - ▶ Software Development business
  - ▶ Other industries - 3 years
- ▶ Filing in foreign currency
  - ▶ Application to CG



# Transfer pricing Risk Areas and Mitigation

- Intercompany services: Management, Technical and others
  - Evidence of approvals for receipt
  - Evidence of actual rendering of services
  - Evidence of value conferred

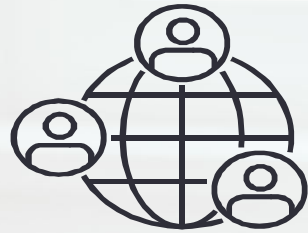
- Intercompany financing:
  - Arm's length interest rates
  - Sufficient documentation: benchmarking

- Mitigation
  - a. Ensuring pricing follows actual substance of transactions
  - b. Complete, accurate, detailed, contemporaneous documentation



# Personal Income Tax and Pension

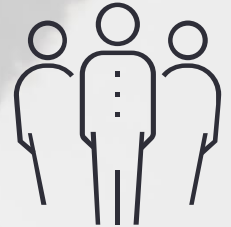
## Expats



### ▶ Pension Exemption

- ▶ resides and is employed in Ghana for a period not exceeding 36 months; and
- ▶ shows proof of membership of a scheme of another country
- ▶ Exemption certificate must be obtained from SSNIT (Tier 1) and NPRA (Tier 2) following written application

## Resident Individuals



### ▶ Mortgage interest

- ▶ Kwasi Nyantakyi Owiredu v. CG of GRA
  - ▶ Monthly deduction
  - ▶ Cashflow advantage for employees

### ▶ Bonus

- ▶ 5% [ 15% of Annual Basis Salary]
- ▶ Excess - Normal Taxation



# Questions







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