

**REMARKS BY H.E. DR. MAHAMUDU BAWUMIA VICE PRESIDENT OF THE
REPUBLIC OF GHANA THURSDAY, 25th AUGUST, 2021**

Salutations

HON. MINISTER FOR INTERIOR;

HON. MINISTERS PRESENT;

THE DEPUTY GOVERNOR;

COMMISSIONER GENERAL, GRA

DEVELOPMENT PARTNERS;

DISTINGUISHED INVITED GUESTS;

DEAR FRIENDS;

LADIES AND GENTLEMEN

1. It is a pleasure to be here this afternoon to launch the Revenue Assurance and Compliance Enforcement (RACE) Initiative. This Initiative allows us to reset the resource mobilization framework and to challenge ourselves to new heights in public finances, even as our economy strongly rebounds from the devastation of the COVID-19 Pandemic.
2. With the slowdown in economic activities and the near collapse of many small and medium enterprises, I must say it would be extremely difficult for anyone to downplay the impact of the COVID-19 pandemic on our public finances.
3. The crisis has reminded us in practical terms that putting our 'Fiscal House' in order is a pressing necessity. The experience has reinforced the vision to seek Fiscal sovereignty for a Ghana Beyond Aid!
4. We need to remind ourselves that Government's ability to extend much-needed support to Ghanaians during this pandemic owes a lot to the prudent management of the economy in the three years leading to the pandemic. And government's ability to continue with some of the social interventions and much needed support to the private sector depends on our ability to accelerate our domestic revenue mobilization.

5. The unfortunate reality is that our progress in domestic revenue mobilization could be better than what we have now. The reasons: the commitment to paying taxes is low. Some tax laws are complex and do not encourage compliance. There is also a school of thought that those who must enforce compliance are not without blame. Our challenges are in enforcement and compliance.

Who is Paying Taxes?

6. An old survey carried out in 1998/99 by the Ghana Statistical Service gives some indication about who is paying taxes in Ghana. Here are some findings:

7. By industry group, the survey found that the percentage of employees who had taxes deducted from their pay at source ranged from a high of 92 percent of those in the mining sector to 77 percent in the financial sector industry, 45 percent in manufacturing to a low of 25 percent of those in the construction industry.

8. By occupational classification, the highest compliance rate was among those who worked in administrative and managerial positions, professional and technical skills jobs, and those in clerical jobs. The least tax compliant were those who worked in occupations that involved service delivery, sales, transport and construction tradesmen.

9. For the private sector, a large segment of those engaged in service delivery and construction, and in distributive trade, were least likely groups to have taxes deducted from their earnings at source. Personal income tax compliance is unevenly enforced across different sectors of the economy and by occupations.

10. Nearly two decades on, it appears that overall tax compliance from personal income to corporate profit taxes remains low. Ladies and Gentlemen, non-compliance means the public purse is denied significant amounts of revenue. Moreover, tax avoidance and tax evasion schemes undermine public trust in the integrity and fairness of the tax system. Together, they create huge revenue gaps between what is due the public purse and what is actually collected.

11. Indeed, a recent study by the World Bank (November 2020) provides some startling estimates:

- Total corporate tax gap is equivalent to between 9.4 percent or 12.6 percent of GDP (approximately between Gh¢35.7billion - Gh¢47.88billion);
- VAT compliance gap is 39.3 percent of total VAT revenue;
- Import duty tax gap of 32.5 percent of tax revenue; and
- Potential tax revenues from sole proprietors, who usually operate in the informal sector, amounted to 12.6 percent of GDP.

RACE: Revenue Assurance and Compliance Enforcement

12. This is the scale of the challenge we have to confront and the scope of the potential we have to harness. The implementation of the RACE initiative is one of our responses to this challenge and opportunity.

13. Revenue Assurance and Compliance Enforcement (RACE) is by its nature a multi-agency initiative. As the last line of defense in revenue mobilization, RACE is expected to identify and eliminate revenue leakages while reinforcing the culture of compliance, especially in the areas such as petroleum bunkering, gold and minerals export, port operations, transit goods, warehousing, and free zones operations.

14. My understanding is that the key strategies that are being rolled out will target those major potential tax payers who are now non-tax compliant.

15. The effectiveness of the RACE Initiative depends on the ability to leverage on technology and to integrate the rich databases from the Ghana Card, the TIN, Digital Address system, Passport and DVLA databases amongst others. The timing of the implementation of the RACE Initiative rides on the back of the integration of the diverse databases now available for planning purposes.

16. We expect that RACE will power the efforts of Government to stay the course in terms of its economic targets and to return the economy to a path of fiscal sustainability by 2024. I must commend the commitment of the Minister for Finance and his Team for seeking to address this intractable issue.

Tax Compliance and Enforcement at the Market Level

17. Even as we strive to create a conducive environment to simplify the tax assessment and reduce the cost of compliance to tax payers, there is also a greater burden on the tax authorities in how to simplify enforcement and compliance at the last mile at the retail and micro enterprises. This group includes most of our market women, and the artisans in the informal sector. This group of potential tax payers are outside the scope of RACE.

18. For these group of citizens, the issue is not with their tax evasion or tax avoidance. And their non-compliance may have more to do with their tax education and how assessment and collection are enforced. Let us find simpler ways to encourage tax compliance at this basic level.

19. We also realise that the education as well as the nature of the businesses of operators in the informal sector results in poor record keeping. Asking such businesses to provide records for the last three or four years for an audit is an exercise in futility and will be perceived as harassment.

20. We therefore need to simplify their income or profit tax assessment. One option is the use of a flat tax regime under a modified taxation system to cover micro and small enterprises which should cover many in the informal sector.

21. For medium-sized enterprises there could be the option to submit to conventional tax assessment at the corporate tax rate or opt for a flat tax based on turnover under a modified taxation system.

22. For the micro and small enterprises, we must leverage on technology to simplify the collection and payment of the 3 percent flat tax. We believe that a simplified flat tax will allow more people at the retail level to better assess their tax obligations and make payments without too much human interface and a rigorous auditing system.

23. We have addressed the issue of the narrow tax base by making the Ghanacard number the TIN. This has increased the percentage of the adult population with a TIN from 4% in 2016 to 86% today. The question that we have is how to convert this 86% into actual tax payers.

24. Thankfully, the Ministry of Finance and the Commissioner General of GRA, working with the EMT have initiated work on a mobile application for the filing of taxes. I am happy to announce that the mobile application for the simplified filing of taxes should be ready by end of October this year. The idea is to have a mobile app where all an individual or enterprise will have to input just a few pieces of information and tax due will be automatically calculated for you and you can pay on your phone and receive a receipt immediately.

25. A simplified flat tax payment system will provide the basis of data building at the ground level as the first step to formalizing the large segment of the informal economy. It will surely increase compliance and reduce the perception of heavy handedness in enforcement.

26. Finally, Ladies and Gentlemen, there is a moral and operational imperative to implementing Revenue Assurance and Compliance Enforcement (RACE). RACE has real and consequential effect on our socio-economic advancement as a country. Being fully assured, I declare the RACE Initiative duly launched and invite you to be a partner and a stakeholder.

27. Thank you all very much.

28. Thank you for your attention and May God Bless
our homeland Ghana