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**Research, Planning and Monitoring Department
(RPM)**

QUESTIONS AROUND TAX POLICY AND DESIGN

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Outline of the presentation



1. Introduction
2. Questions around tax policy and design
3. Policy processes of tax design
4. Where evidence and research could help

INTRODUCTION

- The fundamental purpose of any tax system is to raise revenue for government. Therefore, it's important to view tax proposals first through the lens of what makes a good tax system.
- Generally, Politicians dictate the type of tax structure they wish to implement, hopefully keeping in mind how their policies and laws will affect the individuals and businesses.
- However, many tax pundits encourage policymakers to focus on designing a tax system based on good tax principles, and before assessing how that system can best raise revenue.

In tax policy design just like any other policy design, answers to the following six most important fundamental questions must be fully covered.

Why is it necessary to design the tax policy?

- Purpose of raising more revenue.
- Aiming at ensuring fairness and equity in the tax administration
- Purpose of keeping the tax system simple, easy to comply with, easy to collect, and to make it cost effective.
- Make the tax system transparent and visible so that taxpayers will better get to know the taxes, that exist, why the taxes are levied, who is responsible for the taxes, and how they are calculated and paid.

Who is it to be affected?

- Companies or Businesses
- Self Employed Person (those in the formal and informal sectors)
- Employees
- Importers and Exporters
- The professionals
- Others

When, where, and how will these persons be affected?

- Effective date of implementation of the tax policy
- Date for filing and payment of tax liabilities
- Where to file and make payment.
- Modes of filing and payment.

What exactly is required of them?

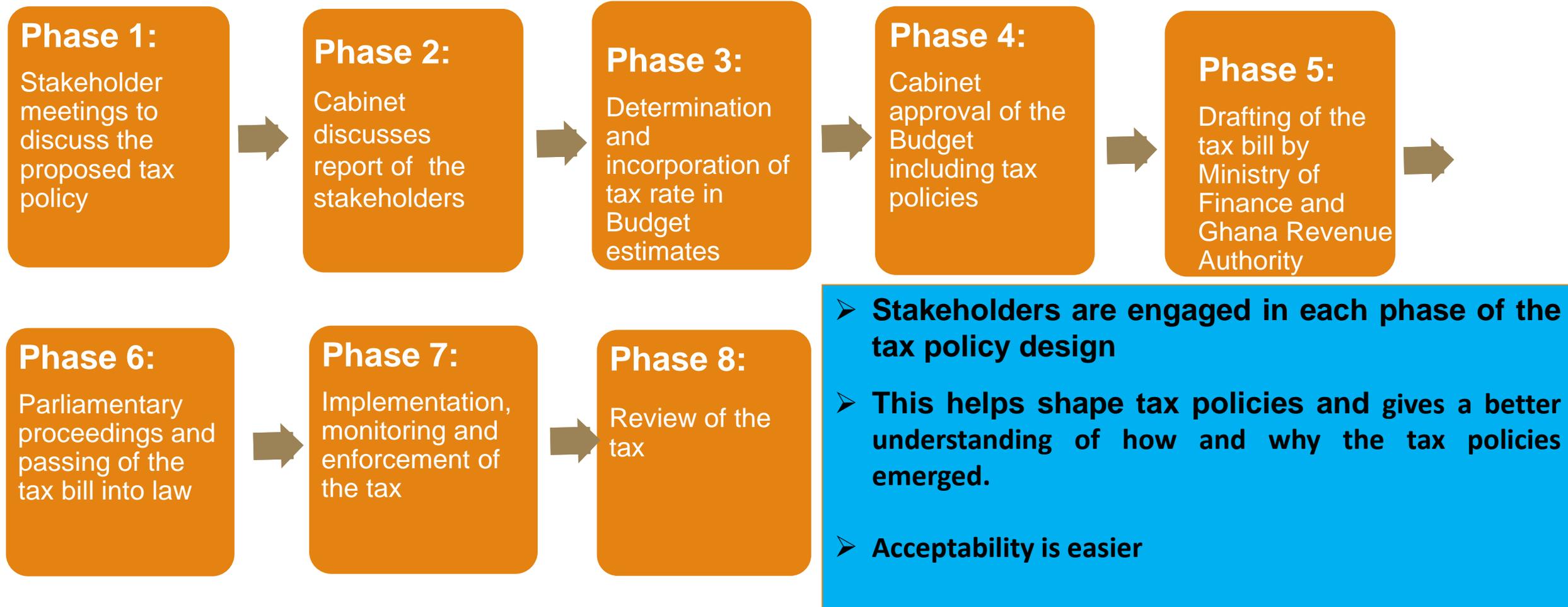
- Tax payers must know all responsibilities required of them e.g. How to compute the tax liability, etc.
- Consequences of failing to comply must be clearly stated and known.

If these questions will help to understand the full extent of matters that the policy and design need to cover to avoid implementation challenges and for the policy to achieve its purpose.

TAX POLICY DESIGN PROCESSES IN GHANA



Typical Phases of a tax policy design in Ghana involves:





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WHERE EVIDENCE AND RESEARCH COULD HELP

- Research into interests and motives of actors/stakeholders in policy design and implementation
- Research into the phases of tax policies
- Research into institutions (i.e. norms and traditions) that tax policy affect.
- Research into acceptability of tax policies (e.g. tax rates, fairness, burden/incidence, compliance cost etc.)
- Carry out intensive tax education.

Thank You!

Questions?

Comments?

Suggestions?