DTAs EXPERIENCES IN RELATION TO DOMESTIC REVENUE MOBILIZATION

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- DTAs and their intended purpose.
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Introduction

- The need for domestic revenue mobilization is more crucial for Ghana specifically due to our budget deficits. The current rate is 4.5% of GDP.

DTAs and their intended purpose.

- Elimination of double taxation.
- Prevention of tax avoidance and evasion.
- Provide certainty on how multinational enterprises will be taxed.

Qtn: Are we really achieving these reasons?

The various models of DTAs and the models adopted by Ghana.

- There are several models that countries use to negotiate and conclude tax treaties. Notable among them are:

- OECD model: Resident focused and gives taxing right to the state of residence.
- UN model: Source of income focused and gives taxing right to the country of source of the income.

The various models of DTAs and the models adopted by Ghana.

- A careful study of Ghana’s tax treaties shows that it incorporates the provisions of both the UN and the OECD models.

The status of DTAs under Ghana’s Laws

The 1992 constitution of Ghana: Article 75 provides;

“(1) The President may execute or cause to be executed treaties, agreements or conventions in the name of Ghana.

(2) A treaty, agreement or convention executed by or under the authority of the President shall be subject to ratification by

(a) an Act of parliament, or

(b) a resolution of parliament supported by the votes of more than one-half of all the members of Parliament”

The current countries that Ghana has signed DTAs with.

- Ghana has at the moment signed DTAs with 11 countries. These countries include:

- UK, Germany, Italy, Belgium, The Netherlands, France, Denmark, Switzerland, Czech Republic, South Africa and Mauritius.

- The first nine countries are from Europe and are very strong OECD members. This simply means that they will certainly ensure most of the provisions in their respect agreements are premised on the OECD model since that favours them.

How the signed DTAs are impacting DRM in Ghana. (A case of UK & SA DTAs)

Tax Types	Income Tax Act 2015 (Act 896) Rates	DTA with UK Rates	Variance/ Implication
Management & Technical Fees	20%	10%	-10%
Royalties	5%	12.5%	+7.5%
Interest	8%	12.5%	+2.5%
Dividends	8%	7.5%/15%	-0.5%/+7%

Deductions from the analysis schedule:

- Lets assume that under the Ghana/UK agreement, Ghana has the right to tax all incomes accruing in Ghana; Ghana will still as a result of the agreement loose 10% and 0.5% on every unit ($1 or GHS1) of management fees and dividends respectively. (Min Loss)

- But the reality also is that the agreement also makes room for these incomes to be taxed in the other contracting state. Therefore Ghana can loose the entire income(Max Loss)

Deductions from the analysis schedule:

- Lets assume that under the Ghana/UK agreement, Ghana has the right to tax all incomes accruing in Ghana; Ghana will as a result of the agreement gain 7.5% and 2.5% on every unit ($1 or GHS1) of royalties and interest respectively.

- But the reality is that the agreement also makes room for these incomes to be taxed in the other contracting state. Hence Ghana can loose the entire amount.

How the signed DTAs are impacting DRM in Ghana. (A case of UK & SA DTAs) .

Tax Types	Income Tax Act 2015 (Act 896)	DTA with South Africa	Variance/ Implications
Management Fees	20%	10%	-10%
Royalties	5%	10%	+5%
Interest	8%	5%/10%	-3%/+2%
Dividends	8%	5%/15%	-3%/+7%

Deductions from the analysis schedule:

- Lets assume that under the Ghana/SA agreement, Ghana has the right to tax all incomes accruing in Ghana; Ghana will still as a result of the agreement loose 10%, 3% and 3% on every unit ($1 or GHS1) of management fees, Interest and dividends respectively. (Min Loss)

- But the reality also is that the agreement also makes room for these incomes to be taxed in the other contracting state. Therefore Ghana can loose the entire income(Max Loss)

Deductions from the analysis schedule:

- Lets assume that under the Ghana/SA agreement, Ghana has the right to tax all incomes accruing in Ghana; Ghana will as a result of the agreement gain 5% on every unit ($1 or GHS1) of royalties.

- But the reality is that the agreement also makes room for these incomes to be taxed in the other contracting state. Hence Ghana can loose the entire amount.

The way forward:

- Clear cut policy recommendations for the renegotiation of some of the articles in the agreements.
- Build the capacity of parliament to ensure proper scrutiny of future agreements.
- Obtain data for actual loss valuation.

THANK YOU