



# Ghana's tax system from a gender lens

BY ELSIE APPAU

**G**HANA'S tax system has been criticised for perpetuating gender inequality, particularly affecting women in the informal sector.

A report by ActionAid Ghana highlights that the country's reliance on indirect taxes, such as Value Added Tax (VAT), disproportionately burdens women, especially those with lower incomes and fewer assets.

The tax system in Ghana is also criticised for being gender-neutral, failing to account for the different economic realities of men and women. Women dominate the informal sector, which is often not covered by tax exemptions, unlike the formal sector where men are more represented.

Key issues of the tax administration system that affect women include:

**- Indirect taxes:** VAT and other indirect taxes consume a larger portion of women's income, as they spend more on household consumption.

**- Lack of gender-disaggregated data:** Limited data makes it challenging to assess the impact of tax policies on men and women differently.

**- Unfair tax burden:** Women in the informal sector face arbitrary and inconsistent levies, without tangible benefits like healthcare or infrastructure.

To address these issues, the Ghana Revenue Authority in line with Ghana's quest for economic RESET, has introduced key measures that seek to reduce the burden on women and young entrepreneurs in ensuring sustainable tax payment to deepen economic growth and prosperity.

Notable among these reforms and programmes include: the Modified Taxation Scheme, the VAT Framework and the Sustained Tax Education programme.

## The Modified Taxation Scheme

The Modified Taxation Scheme (MTS) is designed to support the informal sector which is predominantly women-entrepreneurial-based.

The Modified Taxation scheme also provides the informal sector with great opportunities to join the Train in building 'The Ghana We Want' as a great voluntary tax compliant mechanism.

Below is a vivid explanation on how the Modified Taxation Scheme (MTS) can benefit women

in the informal sector:

**- Simplified tax process:** The MTS offers a flat 3 per cent tax rate for businesses with annual incomes up to GHe500,000, making it easier for women entrepreneurs to comply with tax regulations. This category is referred to as the Presumptive Tax Based on Turnover (PTT). However, the Modified Cash Basis (MCB) category of the MTS, also offers same flat rate, to women entrepreneurs.

**- Increased accessibility:** The scheme is accessible via mobile app or USSD code (\*880#) allowing women entrepreneurs in the informal sector to register and pay taxes conveniently.

**- Reduced bureaucracy:** The MTS reduces administrative hurdles, minimising opportunities for non-compliance and fostering trust between taxpayers and the Ghana Revenue Authority (GRA).

**- Financial inclusion:** The MTS is linked to financial services, enabling women entrepreneurs to access credit and build verifiable tax records.

**- Tax education:** The GRA's Sustained Tax Education Programme will educate women entrepreneurs on tax compliance and benefits.

For example, a woman entrepreneur with an annual income of GHe200,000 would pay GHe6,000 in taxes under the MTS.

Ghana's new VAT system aims to promote gender equity in the informal sector through several measures.

The VAT registration threshold has been increased from GHe200,000 to GHe750,000 for suppliers of taxable goods, which could benefit women-led micro and small enterprises. Additionally, the VAT Flat Rate Scheme has been abolished, potentially reducing the tax burden on informal traders, many of whom are

women.

Under the Income Tax Act, 2015 (Act 896) of Ghana, resident individuals are entitled to claim Personal Income Tax Reliefs to reduce their taxable income and overall tax burden.

If you are a resident individual, you may be paying more tax than necessary and benefiting from same.

## Here are the available personal tax reliefs in Ghana:

**- Marriage/responsibility relief:** GHe1,200 per year for individuals with a dependent spouse or at least two dependent children.

**- Disability relief:** 25 per cent of assessable income from business or employment for individuals with disabilities

**- Old age relief:** GHe1,500 per year for individuals 60 years or older.

**- Child education relief:** GHe600 per child per year, up to a maximum of three children.

**- Aged dependent relief:** GHe1,000 per dependent per year, up to a maximum of two dependents.

**- Professional, technical or vocational training relief:** up to GHe2,000 per year for training costs.

To claim these reliefs, you will need to submit a tax relief form, which can be obtained from the Ghana Revenue Authority (GRA) offices.

The eligibility criteria is available and can be provided by tax officials at all GRA Tax Service centres across the country.

To further support women entrepreneurs, the GRA could consider additional measures, such as tax incentives or targeted support programmes such as:

**- Gender-responsive tax policies:** Implement tax policies that

account for gender disparities and promote fairness.

**- Increased transparency:** Ensure open discussions on the gendered impacts of tax reforms.

**- Support for women in informal sector:** Introduce tax relief measures for low-income earners, particularly women in the informal sector.

## The Sustained Tax Education Programme (STEP)

The GRA's Sustained Tax Education Programme (STEP) is aimed to encourage voluntary compliance and provide every citizen and resident Ghanaian the opportunity to increase the current tax net by bringing all existing and potential tax payers through the promotion of gender equity.

## From the perspective of gender equity rights protection, STEP is designed to:

**- Target women in the informal sector:** Provide tax education and awareness programmes specifically designed for women in markets and small businesses.

**- Using accessible language and channels:** Use simple language including local languages and platforms like appealing and compelling content through social media, radio, TV, and community centres to reach women with limited formal education.

**- Addressing gender-specific challenges:** Include topics like tax incentives for women entrepreneurs, managing business finances, and accessing tax reliefs.

**- Partnering with women's groups:** Collaborate with organisations, Association of Queen Mothers, Ghana Association of Women Entrepreneurs to amplify reach and impact.

**- Promoting women tax pro-**



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**essionals:** Increase representation of women in tax education teams and as role models.

## Potential and projected outcomes of the STEP are:

- Increased tax compliance among women-led businesses.

- Improved financial literacy and business growth for women entrepreneurs.

- More women accessing tax incentives and reliefs.

Key government interventions for women-led businesses and entrepreneurs

Indeed, under government's economic RESET Agenda, key initiatives to support women in the informal sector has been introduced with a chunk of such interventions targeting women-led businesses. Some of these include:

- Women in trade, agribusiness and industry programme: This programme helps formalise informal chains where women dominate 80 per cent of petty trade.

- Women's Development Bank (WDB): Capitalised with GHe401 million, the WDB will provide concessional loans and financial literacy training to women-led MSMEs. The initiative aims to bridge the financing gap, with the new capital designed to support women-led businesses, which represent over 44 per cent of MSMEs in Ghana

- National Sanitary Pad Policy: Aims to promote school equity and reduce absenteeism among girls.

#Know your taxes, pay your taxes and let us build Ghana Together!

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“ **-National Sanitary Pad Policy: Aims to promote school equity and reduce absenteeism among girls.** ”

