

Graphic Business

Cost of tax compliance too high for MSMEs — PEF

By Emmanuel Bruce

A NEW study by the Private Enterprises Federation (PEF) has indicated that the cost of tax compliance by the micro, small and medium enterprises (MSMEs) is too high.

This is because the tax laws are too complicated for them to understand, a development which compels most of them to engage the services of professional accountants and experts at a high fee in their quest to be tax compliant.

That imposes an extra cost on some of these small businesses which are still trying to find their feet.

Speaking in an interview with the Daily Graphic on the sidelines of a dialogue meeting on the current tax regime in the country with some members of the Finance Committee in Parliament, Dr Isaac Nyame, who led the study said looking at the nature of their businesses, there was the need for the authorities to simplify their tax regime for easy understanding and compliance.

"They have to engage experts to prepare financial statements and file their taxes because understanding the tax regime is even a big issue for them.

We noticed a complete lack of education about the various taxes that affect their businesses and they are at a loss as to who they should approach to get the necessary education," he stated.

He therefore urged the Ghana Revenue Authority to intensify its education on taxes at the MSME level.

"Some of them have had little or no interaction with the GRA so although they expressed the willingness to comply with the various taxes, they don't even know where to start from.

For them to comply, they need to be really schooled on the taxes so the GRA must continue to educate the tax paying population, many of whom are still outside the tax net," he added.

Tiered tax system

Dr Nyame also reiterated the need to implement a tiered tax system for the MSME sector.

He said the study highlighted that the 25 per cent corporate tax charged across board was too much for MSMEs.

"The tax rate that applies to them

appeared to be much higher than they should be. As small enterprises, the same tax rate should not apply across the spectrum.

"Bigger companies are paying the same rate as they are, a situation which is not fair. They need to have a tiered tax system which will take into account their specific situations," he stated.

He said the country should consider a turnover tiered tax

system where businesses would be taxed based on how much profit they made.

Empowering private sector

Earlier, the Chief Executive Officer of Private Enterprises Federation, Nana Osei Bonsu, in his welcome address, said

PEF undertook the two-year research in a bid to empower the private sector in the country.

"We want to empower the domestic private sector by creating the enablers for them to be able to grow, create jobs and compete globally.

"We are therefore engaging the members of Parliament due to the tremendous role they play with regard to the tax laws in the country," he stated.

He said the country needed a new tax system that would allow the private sector to grow and expand.

Improving tax system

The Chairman of the Finance Committee in Parliament, Kwaku Kwarteng, said tax compliance was a huge challenge for the country, and therefore, any research that aimed to address the challenges was a step in the right direction.

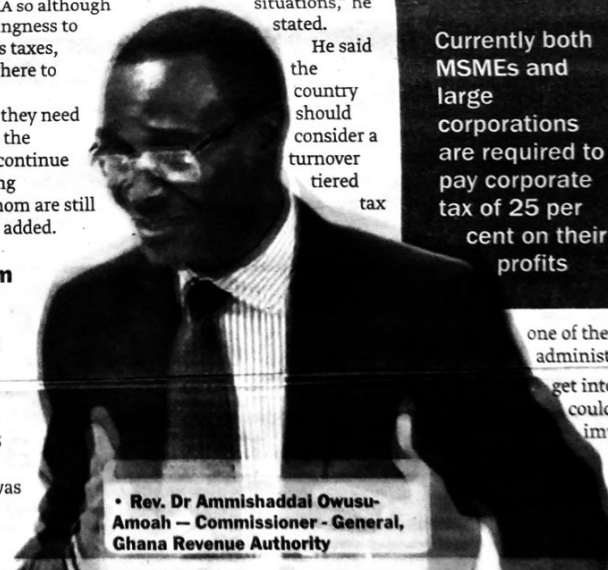
"Tax compliance is one of the challenges of revenue administration, therefore any effort to get into that to see how changes could be made to the regime to improve compliance is welcomed.

We will pay attention to the outcomes and hopefully come up with some suggestions that will improve the system," he stated.

NUMBER CRUNCH

25%

Currently both MSMEs and large corporations are required to pay corporate tax of 25 per cent on their profits



• Rev. Dr Ammishaddai Owusu-Amoah — Commissioner - General, Ghana Revenue Authority