



**INSTITUTE FOR LIBERTY AND
POLICY INNOVATION**

LOSS OF REVENUE BY THE GOVERNMENT THROUGH GIFT TAX

ABSTRACT

Every gift must come with some form of tax; that is a percentage of the actual value (price) of gift received must be paid as tax though there are exceptions. But when was the last time one paid **gift tax**? This means the government of Ghana is losing fortunes from the **gift tax** policy since most of the citizens do not honor the **gift tax** policy. In view of the above, this paper reveals how much the government is losing due to lack of obligation to the **gift tax** policy.



INTRODUCTION

- A tax is a compulsory contribution from households, firms or individuals to the government. Every nation depends on taxes for its development. Though, it is a sort of contribution made by stakeholders of the economy, that contribution is backed by law
- Gift taxes are taxes on gifts. Gift taxes are to be compulsory paid but voluntarily honored so the degree of such tax policy to generate revenue is very questionable.



According to the Internal Revenue Act 2000 (ACT 592) Section 106, Ch gift tax rate is imposed on the taxable gifts of taxable persons. The gift gifts from loved ones exceeding a monetary value of GH¢50

- The items that fall under the taxable gifts according to this Act include
 - a) Buildings of permanent or temporary nature;
 - b) Land;
 - c) Shares, bonds and other securities;
 - d) Money including foreign currency;
 - e) Business and Business Assets
 - f) Any means of transportation (land , sea or air)
 - g) Goods or Chattels not included in (f);
 - h) Part of ' or any right or interest in , to, or over any of the assets re paragraphs (a),(b),(c),

PROBLEM STATEMENT

- In Ghana tax system, in order to ensure the redistribution of income function of taxes, the revenue authorities has introduced gift tax which states that any gift more than fifty Ghana cedi that is not from a close relative and not given to a minor must attract a 15% tax. but several studies and articles show that people do not honor gift tax in Ghana
- The main objective of this study is to deduce the amount in monetary terms the government is losing as gift tax. The study will also suggest means of tracking all the gift tax revenue.



RELEVANT LITRATURE

Several articles reveal that gift tax compliance in Ghana is low

- Gift tax non-compliance in Ghana is mainly due to the existence of asymmetric information Gatsi (2010)
- Bruce-Twum (2014) in his journal article concluded that about 73% of tax payers are not aware of gift tax policy. His study also revealed that though the tax administrators perceive the awareness level to be high, the result of the study indicates otherwise.
- Gbadago et al (2015) concluded that about 60% of tax payers are not willing to honor their gift tax obligation



SAMPLE DATA

We sampled 6200 people nationwide and asked them simple questions as to whether they have received gifts from loved ones who are not directly related to them.

DATA COLLECTION

By interacting with our participants, we collected data for this study through face-to-face interviews and open ended questionnaires which were given to all participants and collected after they have answered them.

Several questions were asked but the two relevant for this study were



1. Are you aware of gift tax?

- Yes
- No

2. Have you ever paid gift tax on the gifts you receive?

- Yes
- No



Stratified sampling

The study stratified the respondents into

- **RELIGIOUS LEADERS**

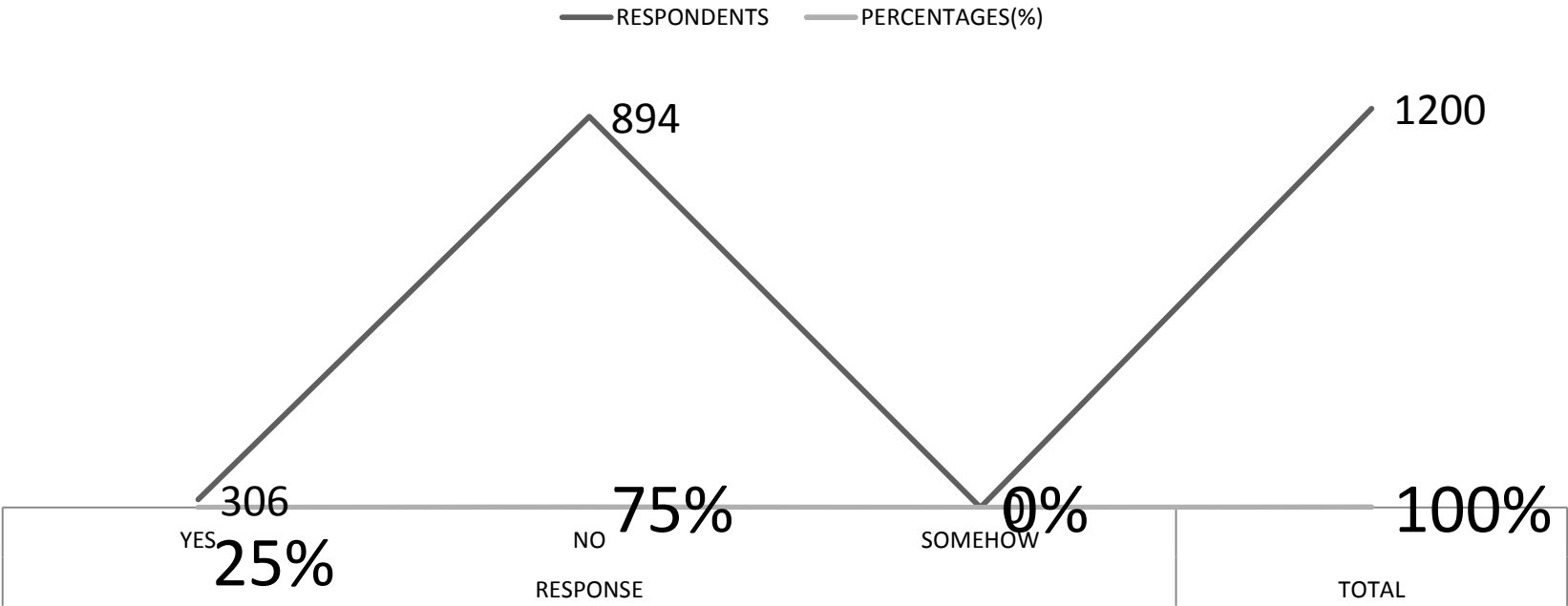
According to this study, religious leaders comprise of all the Christian leaders in various churches, Imams, sheiks and Malams of various Islamic communities, chiefs and queen mothers of our communities and priests and priestesses of various shrines. 1200 people responded to our questionnaires

- Some of the items they received as gift include cars such as Audi Q7, land rover discover 4, mobile phones, television sets, cash etc

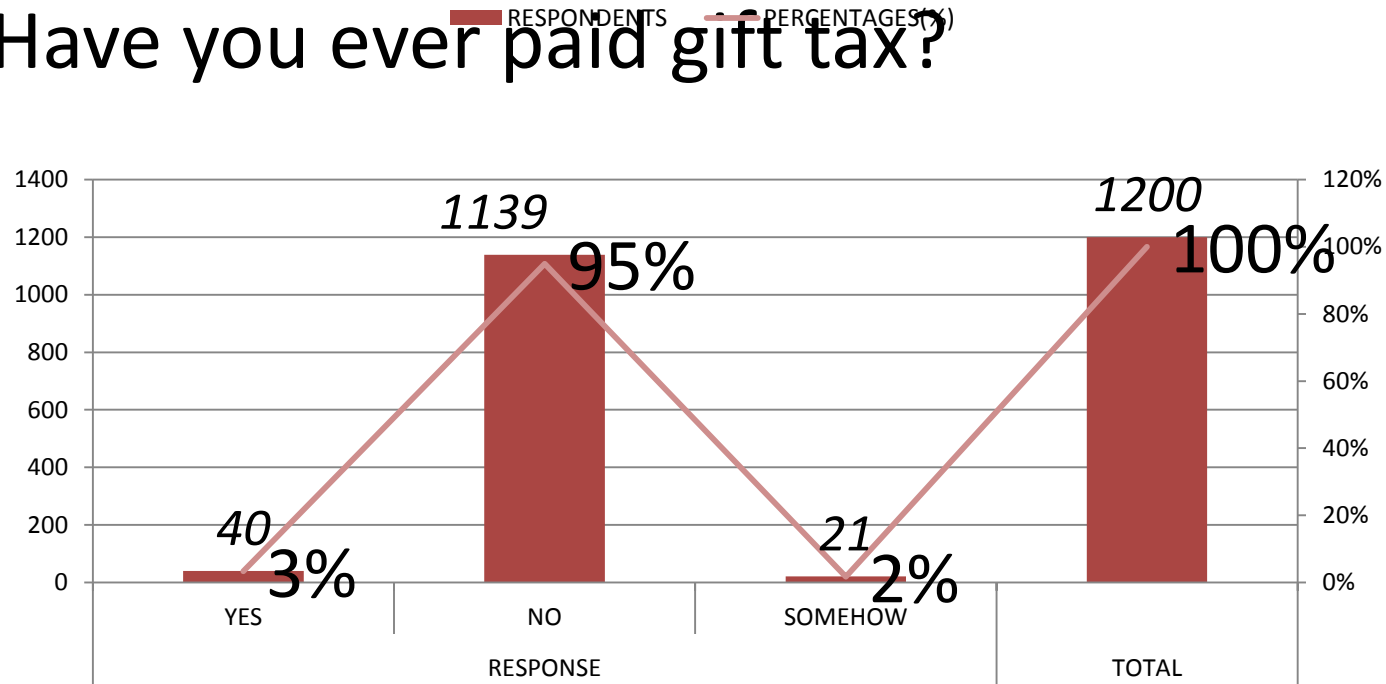


Out of the 1200 people who responded to our questionnaires,

ARE YOU AWARE OF GIFT TAX?



- Have you ever paid gift tax?



- The religious leaders recorded a taxable gifts amounting to GH¢157,893,705.00 and evaded gift tax of **GH¢23,684,055.75.**



Special people

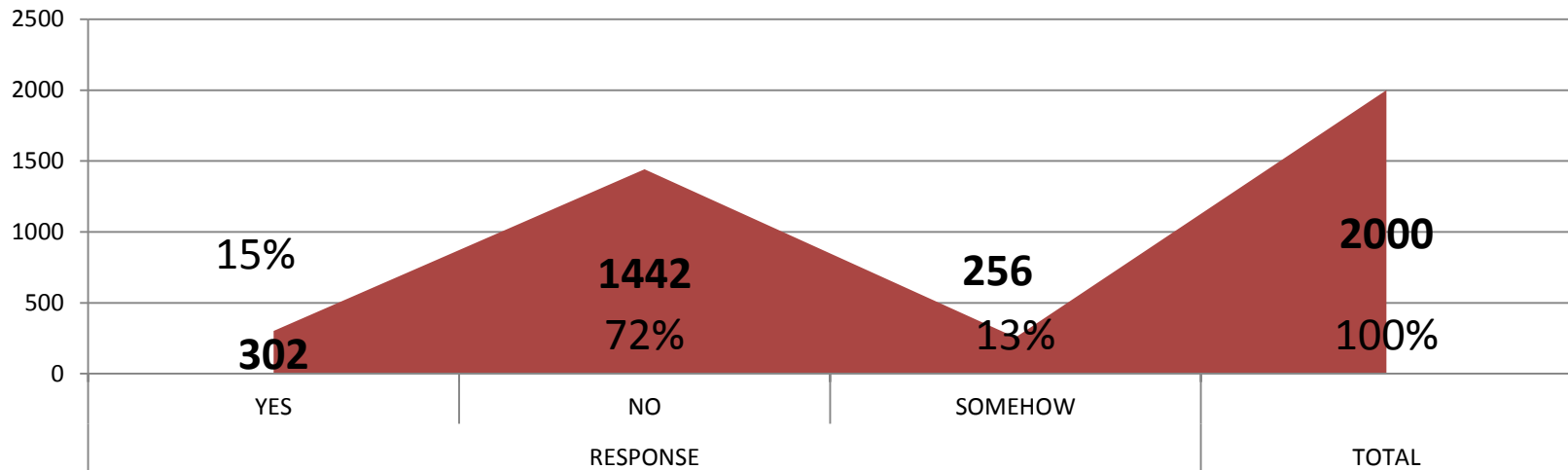
- Some people in our society are treated with a higher degree of respect due to their positions and influence. This study classifies those people as special people because of their positions and degree of respect they command in our societies. These groups of people include politicians, chief executive officers of companies, board of directors of companies, musicians, teachers, headmasters, doctors and nurses, lecturers and administrators of schools, actors and actresses and radio and T v personalities. Some of the taxable gifts they received include cars, estate buildings, jewelry etc.



Are you aware of gift tax?

2000 Special Responded to our questionnaires. Out of which

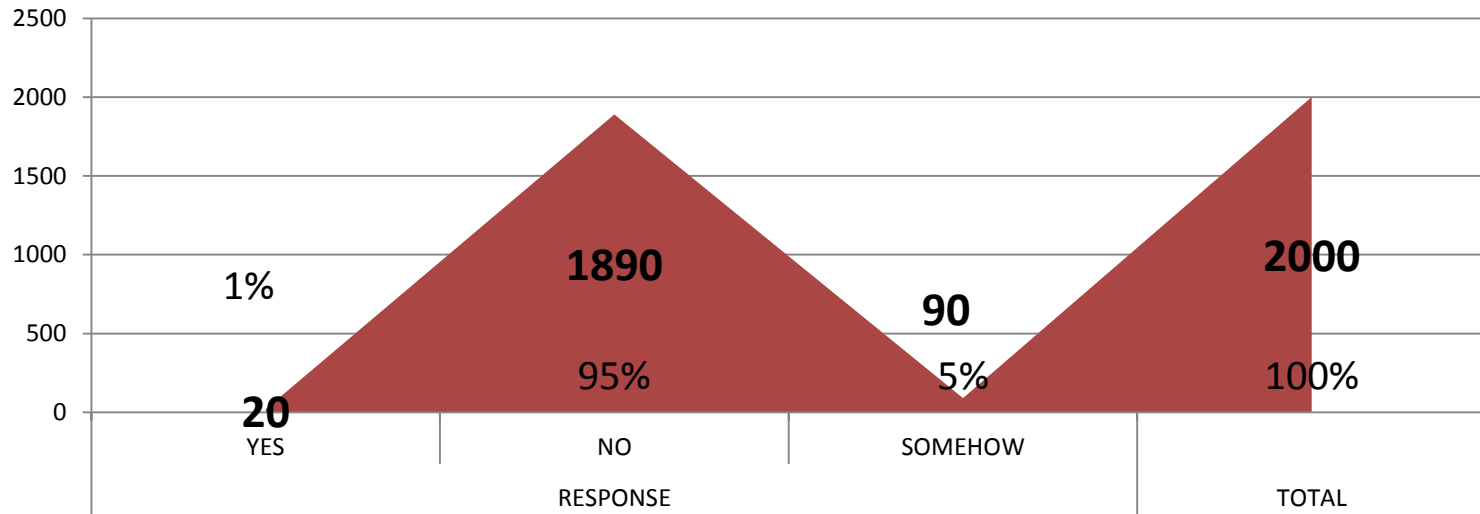
■ RESPONDENTS ■ PERCENTAGES(%)



Have you ever paid tax?

- With the 2000 special people

■ RESPONDENTS ■ PERCENTAGES(%)



- The special people recorded taxable gifts of GH¢146,691,600 and evaded tax of **GH¢22,003,740**



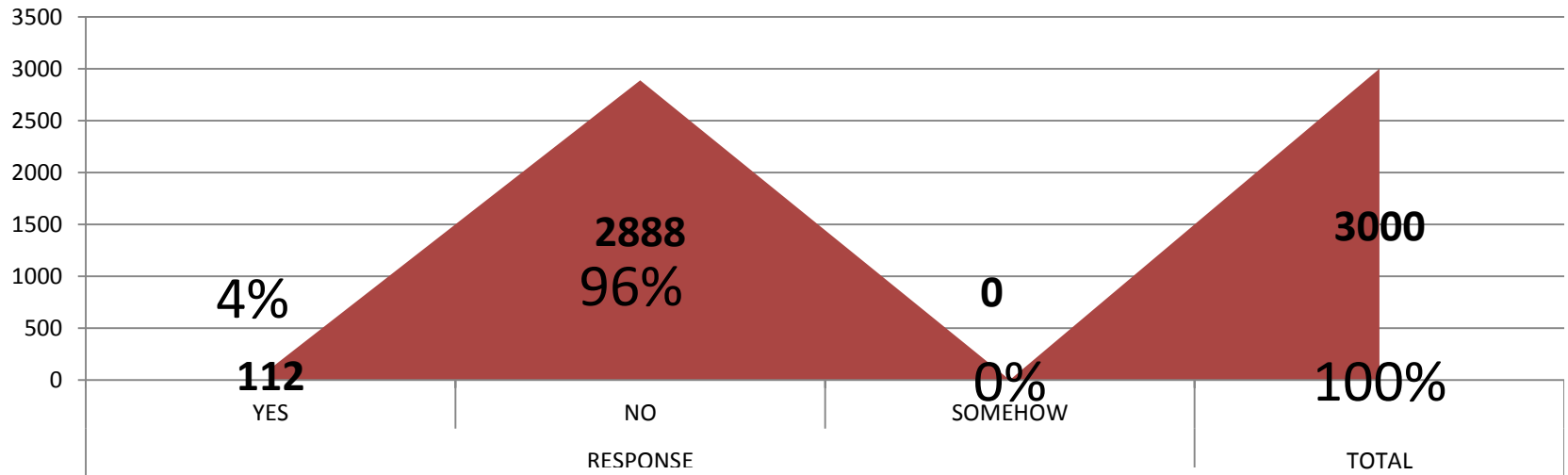
The Ordinary People

- Apart from the persons who fall under the first two categories or group of persons, all the others are classified by this study as ordinary people. Regardless to their occupation, social or economic status, they are described by this study as ordinary people. Be it police, truck pusher, organizer of an association or party, president of a group, accountant what so ever, they are called by this study as ordinary people
- The study interviewed 3000 Ordinary People.



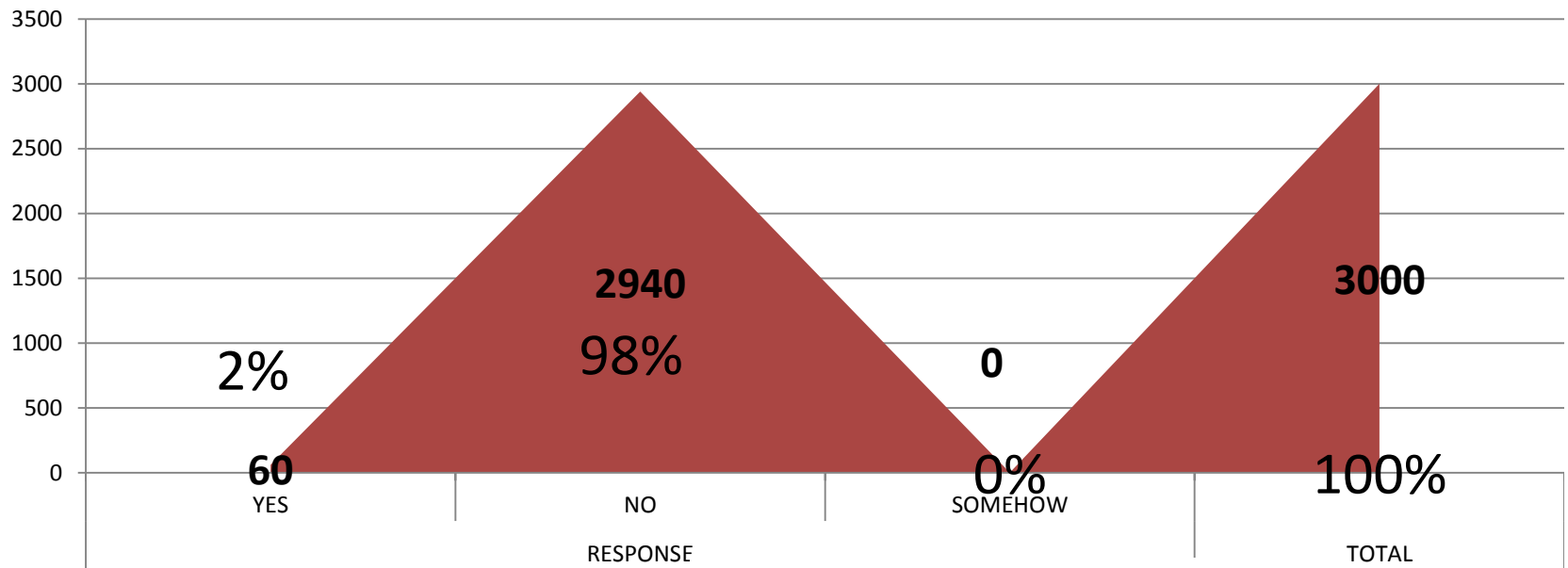
Are you aware of gift tax?

■ RESPONDENTS ■ PERCENTAGES(%)



Have you ever paid gift tax?

■ RESPONDENTS ■ PERCENTAGES(%)





- The ordinary people received tax amounting to **GH¢61,785,656.00** for which they did not honor the gift tax and evaded gift tax of **GH¢9,267,848.40**
- So, In 2017, Ghanaians exchanged taxable gifts amounting to **GH¢366,370,961**. As part of the gift amount, 15% were supposed to be paid as gift tax but the amount went off the government coffers unnoticed. So in 2017, government lost **GH¢54,955,644.15** as gift tax revenue on 6200 Respondents of OUR survey

Gender structure

	GENDER		TOTAL
	MALE	FEMALE	
No. OF RESPONDENTS	2352	3848	6200
GIFTED AMOUNT	GH¢138,652,700	GH¢227,718,261	GH¢366,370,961.



CONCLUSION

- . For just a year with only 6200 people not paying gift tax ,produced an amount of **GH¢54,955,644.15**
- Ghana is a population of approximately 29 million. Out of which, **39.11% according to index mundi.com** are people whose ages ranges from 25-64years. The total number of people in this category is approximately 11,341,900,people.
- Let us assume that these are the people who are covered by the gift tax policy
- The reason had been that, from age zero to seventeen those people are considered as minors who are dependent ratio of the population. We further assume that those between 18-24 years are mostly students and unemployed per our part of the world so they may not actively exchange gifts and from 65 years and above are considered as the aged population per this study for the sake of analysis



- We again assume that the same type of gifts recorded would be exchanging hands across the **one million people**.

If 6200 people produced GH¢54,955,644.15, then **1,000,000** people will produce

GH¢ 8,863,813,572.58 (GH¢8.863 Billion) using simple proportion. So with this

analysis, ILAPI Ghana can say with authority that Ghana loses **GH¢ 8,863,813,572.58** annually. Ghana's government budgeted GH¢ 1.6 billion for free SHS for a year so if we divide

GH¢ 8,863,813,572.58 by

GH¢ 1.6 billion a year gives 5.5 years. So ILAPI want to tell Ghanaians that if we should all honor our gift tax obligation, the revenue from gift tax alone a year could finance

free SHS for approximately 6 years without OIL MONEY. If the government is losing

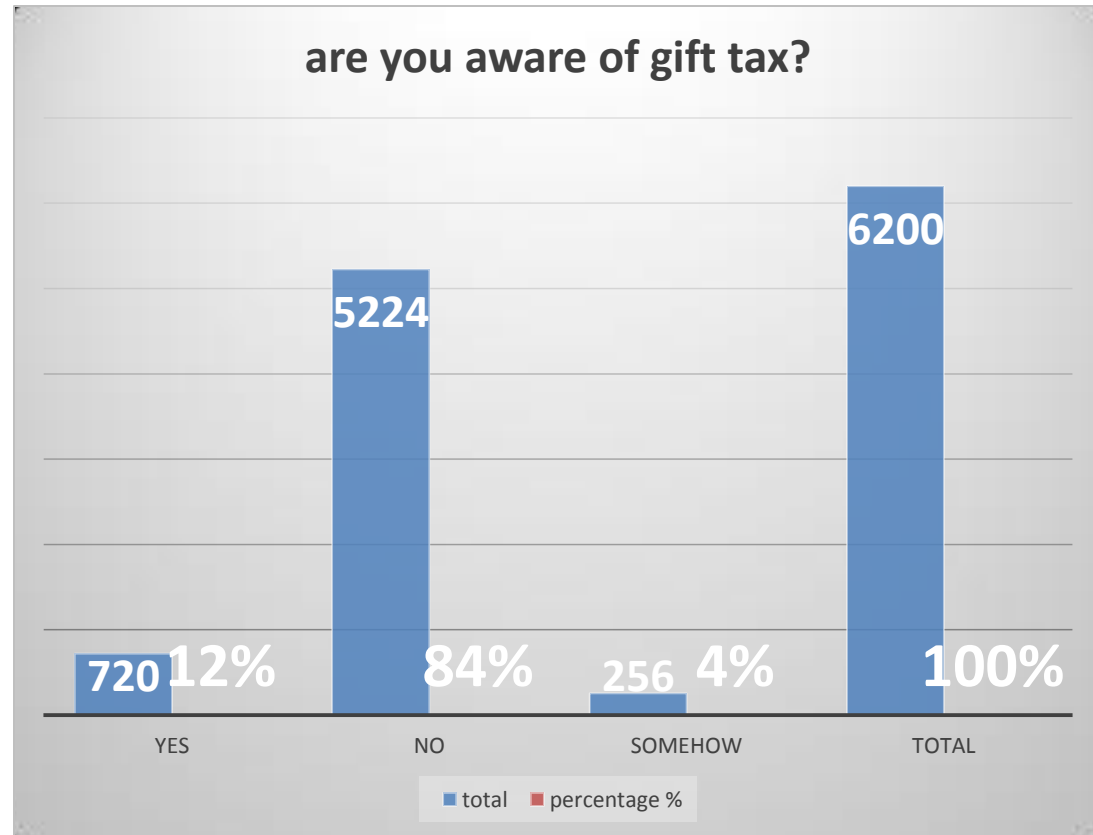
GH¢ 8,863,813,572.58 from gift tax revenue annually, then simple mathematics tells

us that for **every second, the government loses**

GH¢ 281.07

- **RECOMMENDATION**
- effective education

response	total	percentage %
yes	720	12%
no	5224	84%
somehow	256	4%
total	6200	100%





- Change of channel of payment
- Building of trust by the government
- Accessibility of gift tax return form
- Proximity of tax offices
- Avoidance of poor reception by tax officials.

THANK YOU

