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Automatic Exchange of Financial Account Information in Tax Matters –Ghana Experience



Overview

- Introduction
- Overview of the Standard
- Steps to implement the Standard
- Benefits of the Implementation of the Standard
- Conclusion

Introduction

- Ghana in its quest to tackle tax evasion
 - joined the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) in May, 2011
 - committed to improving its tax transparency structures to be at par with international standards

Introduction

- As part of Ghana's aim of improving its tax transparency structures and tackling tax evasion
 - Ghana became as a member of the Peer Review Group of the Global Forum, successfully underwent the Phases 1 and 2 reviews which assessed Ghana's compliance with the international standard of EOIR
 - Ghana signed the CRS MCAA to automatically exchange information under the Common Reporting Standard on the 14th of May, 2015.



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Steps to Implement the Standard

- Selecting a legal basis for the automatic exchange of information
- Translating the reporting and due diligence rules into domestic law and including rules to ensure their effective implementation
- Putting in place IT and administrative infrastructure and resources
- Protecting confidentiality and safeguarding data

Confidentiality and Data Safeguards

- To ensure the success of the Automatic Exchange of Information between jurisdictions, each jurisdiction must be satisfied that the other will handle data in a confidential manner.
- The new standard on automatic exchange of information contained in the Common Reporting Standard (CRS) outlines specific confidentiality requirements which should be met by all exchange partners to ensure that exchanged data will be treated appropriately.

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The Review

- To determine the level of a jurisdiction's confidentiality and data safeguards an Expert Panel will assess a jurisdiction and produce a report which could be used by other jurisdictions in making a decision to exchange information automatically with the assessed jurisdiction
- The review consists of
 - A questionnaire to be completed by the assessed jurisdiction
 - Onsite review by Expert Panel
- Ghana underwent its Confidentiality and Data Safeguards review in 2016

The Questionnaire

- The Questionnaire covers three major areas
 - Legal Framework
 - Information Security Management
 - Monitoring and Enforcement

Legal Framework

- An adequate legal framework should ensure confidentiality of exchanged tax information and limit its use to appropriate purposes. The two basic components of a jurisdiction's legal framework are the terms of the applicable tax agreements for the exchange of information and its domestic legislation

Legal Framework - Ghana

- Ghana's tax agreements contained provisions which required Ghana to keep all exchanged information confidential and limit the disclosure and use of EOI information to the extent required under the International Standard for exchange of information
- Ghana's domestic law complements the treaty provisions by requiring all officials (past and present), contractors and other service providers to keep all information in their possession or knowledge in connection with the performance of official functions as secret and limiting the disclosure of such information.

Information Security Management

This section of the questionnaire assesses a variety of areas to determine the level of a jurisdiction's Information Security Management such as

- The overall information security management of the jurisdiction's competent authority
- Security Controls(i.e. Human Resource Security, Access Control(Physical and Logical), System Security and Data Security
- Operations Security

Information Security Management - Ghana

- Ghana's Information Security Management was evaluated thoroughly on all levels
- The Expert Panel determined the potential gaps or pitfalls in the current systems such as the lack of a strategic level information security policy
- It was recommended that Ghana draw up an Action Plan that covers the implementation of information security for the whole Competent Authority both at the strategic and operational levels
- The review provided Ghana with the opportunity to assess its existing framework and develop a more comprehensive strategy both for the purposes of its AEOI unit and organisation wide

Monitoring and Enforcement

- The review was to assess whether
- adequate administrative resources and procedures were in place to monitor and report confidentiality breaches
- penalties and sanctions were imposed for unauthorised disclosures
- Procedures were modified after unauthorised disclosures to mitigate risk and prevent future breaches

Monitoring and Enforcement - Ghana



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- It was determined that Ghana had strict penalties and/or administrative sanctions for unauthorised disclosures or unauthorised access to confidential information. In addition, there is an effective monitoring and enforcement mechanism in place providing for clear procedures to detect, investigate and, if appropriate, penalise any unauthorised disclosure or use of confidential information. GRA has adequate administrative resources to monitor and report confidentiality breaches
- There were no reported cases of prior confidentiality breaches

Benefits of Review Process

- Ghana underwent the rigorous review process and derived several benefits.
- It provided an opportunity to assess and improve the tax administration's Confidentiality and Data Safeguards to meet international standards.
- Gaps in Ghana's Confidentiality and Data Safeguards were identified and a detailed Action Plan with proposed measures and timelines to address all the recommendations is being developed and implemented.
- The detailed nature of the review process assures all committed jurisdictions that exchanged information will be secured with little or no confidentiality breaches.

Benefits of the Implementation of the Standard



- Reduces the possibility for tax evasion and hiding of offshore wealth by
 - providing for the exchange of non-resident financial account information with the tax authorities in the account holders' country of residence
 - alerting the tax administration to tax evasion that was previously unknown and undetectable, raising substantial revenue. It can help detect cases of non-compliance even where tax administrations have had no previous indications of non-compliance
- Minimises costs to Government and Financial Institutions and maximises efficiency

Benefits of the Implementation of the Standard



Other benefits include its deterrent effects

- increases voluntary and timely compliance and encourages taxpayers to report all relevant information, where taxpayers are aware that financial institutions will report directly to the tax administration
- Provides an opportunity to assess and improve the tax administration's Confidentiality and Data Safeguards to meet international standards
- Capacity building efforts in the modernisation of the tax administration will be helpful in assisting it in designing the requisite systems to enable the use of information received both from domestic and international sources in tax compliance efforts

Conclusion

Ghana committed to automatically exchange information in 2018 and must therefore ensure that the Standard is implemented prior to the first exchange to fully reap all the benefits thereunder.