



GRA

GHANA REVENUE AUTHORITY

PRACTICE NOTE ON ORDER OF PAYING TAX UNDER REVENUE ADMINISTRATION ACT, 2016 (ACT 915)

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1.0 PREAMBLE

This Practice Note is issued in respect of section 49 of the Revenue Administration Act, 2016 (Act 915), which provides for the regulation and order of payment of multiple tax liabilities under the tax laws.

2.0 INTERPRETATION

In this Practice Note the word “Act” means the Revenue Administration Act. Definitions and expressions used in this Practice Note have the same meaning as they have in the Act.

3.0 PURPOSE

The purpose of this Practice Note is to provide for uniformity in the application of order of payment by taxpayer by way of:

- Giving priority to payment of third party taxes (Withholding taxes and VAT)
- Addressing the phenomenon of aged liabilities ignored for current ones
- Resolving non collection of interests and penalties imposed
- Notifying taxpayers on the order of payment of multiple tax liabilities

4.0 APPLICATION OF THE LAW

A person with multiple tax liabilities is to note and comply with the order of payment as follows:

- (i) third party taxes*
- (ii) principal liability according to age of the debt (old debt must be settled before current debt)
- (iii) penalty
- (iv) Interest

*for third party liabilities, priority should be given to liability that does not relate to the person i.e. PAYE, VAT, CST, Withholding Tax (WHT) before others e.g. Company Income Tax (CIT)

Illustration 1 (based on income tax)

Agyengo Enterprise Limited is liable to pay taxes under the following tax types for 2019 Year of Assessment;

- PAYE..... GHc 10,000
- WHT.....GHc 20,000
- Company Income Tax.....GHc 50,000
- Penalty.....GHc 2,800
- Interest.....GHc 15,000
- TOTAL.....GHc 97,800

However, the taxpayer can make payment less than the total amount outstanding for all the above tax types. The Taxpayer has at his disposal only GHs 70,000. The order of payment would be as follows;

Solution

Order of Payment:

1. WHT.....GHc 20,000
2. PAYE.....GHc 10,000
3. CIT.....GHc 40,000

Outstanding Taxes to be Paid

1. CIT.....GHc 10,000
2. PenaltyGHc 2,800
3. Interest.....GHc 15,000

Illustration 2 (based on VAT, Excise,)

Zuana Solution Limited is liable to pay taxes under the following tax types

- VAT/NHIL..... GHc 100,000
- Penalty on VAT/NHIL.....GHc 40,000
- Interest on VAT/NHIL.....GHc 15,000
- CST.....GHc 30,000
- Penalty on CST.....GHc 20,000
- Interest on CST.....GHc 12,000
- EXCISE.....GHc 10,000
- Penalty on EXCISE.....GHs 5,000
- Interest on EXCISE.....GHs 4,000

➤ TOTAL.....GHc 241,000

However, the taxpayer can make payment less than the total amount outstanding for all the above tax types. Assuming taxpayer issued a cheque of GHc 220,000 to defray his/her liability for the various tax types. The order of payment would be as follows

Solution

Order of Payment:

1. VAT/NHIL..... GHc 100,000
2. EXCISE..... GHc 10,000
3. CST..... GHc 14,000
4. Penalty on VAT/NHIL..... GHc 40,000
5. Penalty on CST.....GHc 20,000
6. Penalty on EXCISE.....GHc 5,000
7. Interest on VAT/NHIL.....GHc 15,000
8. Interest on CST.....GHc 12,000
9. Interest on EXCISE.....GHc 4,000

NB: However, payment for the above tax handles should be made separately in view of separate bank accounts.

Illustration 3 (Acts 896, 891,870,754,878)

Emali Communication Limited is liable to pay taxes under the following tax types

- VAT/NHIL..... GHc 20,000
- CST..... GHc 18,000
- EXCISE..... GHc 15,000
- IMPORT DUTY/VAT..... GHc 50,000
- CIT..... GHc 40,000
- PAYE..... GHc 15,000
- WHT..... GHc 45,000
- TOTAL..... GHc 203,000

However, the taxpayer can make payment less than the total amount outstanding for all the above tax types. The Company issued a cheque of GHc138,000 to settle outstanding taxes. The order of payment would be as follows:

Solution

Order of Payment:

1. WHT..... GHc 45,000
2. PAYE..... GHc 15,000
3. VAT/NHIL..... GHc 20,000
4. EXCISE..... GHc 15,000
5. CST..... GHc 18,000
6. CIT..... GHc 40,000
7. IMPORT DUTY/VAT.....NIL

NB: However, payment for the above tax handles should be made separately in view of separate bank account.

In the illustration above IMPORT DUTY/VAT is considered last in the payment because goods or asset of the taxpayer will be in the custody of customs and can readily be auctioned to defray the tax liability

Also, the taxpayer would be compelled to make arrangement for payment to avoid rent and demurrage.

Illustration 4 (Managing ageing debts)

K. S Company owes the following taxes:

1. CIT 2017 (First and Second Quarters) GHc 200,000
2. CIT 2016..... GHc 60,000
3. PAYE (NOV-DECEMBER, 2016)..... GHc 50,000
4. PAYE (JAN –MAY , 2017) GHc 30,000
5. WHT SURCHARGE (2015)..... GHc 20,000
6. TOTAL..... GHc 360,000

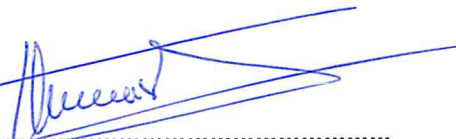

Assuming the company issued a cheque of 250,000 defray its liabilities. The order of payment shall be as follows

Solution

Payment should be in the following order:

1. WHT SURCHARGE (2015) GHc 20,000
2. PAYE (NOV-DECEMBER, 2016) GHc 50,000
3. PAYE (JAN-MAY, 2017) GHc 30,000
4. CIT 2016..... GHc 60,000
5. CIT 2017 (First and Second quarters) GHc 90,000

NB: However, payment for the above tax handles should be made separately in view of separate accounting systems.

Signed.....
Date

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