

# Informal Sector Income Tax Identification and Registration

## 1. Executive Summary

As part of the GovTech Innovation Challenge, the Ghana Revenue Authority (GRA) is seeking innovative companies to develop solutions that address the challenge of identifying, registering, and collecting income tax from Ghana's vast informal sector. This call for proposals aims to identify and support innovative technologies that can transform how the GRA engages with informal businesses and sole proprietorship, bringing them into the formal tax system.

### Challenge elements

- Innovative identification methods of informal sector businesses and sole proprietorship as eligible taxpayers
- Automated taxpayer bookkeeping and self-education
- Mobile-first solutions for low-tech environments of under-served remote communities
- Simplified digital registration and tax filing processes

## 2. Context and Problem Statement

Ghana's tax-to-GDP at 13.6% in 2024 is significantly lower than government targets, and its regional and income-level peers. Ghana's tax-to-GDP is lower than the average of the 30 African countries, and much lower than some other comparable lower middle-income countries in the region. Average tax revenue increase in Ghana has not matched the increase in public expenditures in recent years.

GRA faces difficulty in identifying eligible taxpayers in the informal sector. The informal sector businesses (e.g. hairdressers, plumbers, artisans, small-scale farmers etc.) constitute approximately 70% of the economy in Ghana. This means 70-80% of taxpayers in Ghana are micro and small businesses operating through cash transactions and word-of-mouth networks. 40% of those do not have physical business addresses.

Traditional tax administration approaches are fundamentally unsuited to the informal sector's characteristics. Informal businesses operate with minimal documentation, irregular income patterns, and limited digital engagement. Current registration processes are cumbersome and discourage informal sector business from formalizing their operations and compliance. Additionally, 40% of informal operators lack physical business addresses, making systematic identification extremely challenging.

As a result, the GRA faces significant challenges in identifying eligible taxpayers, particularly those without business address or fixed place of operation. Consequently, the GRA has very limited data on the informal sector's economic activities and the scale of their turnover, making effective policy planning difficult.

Key characteristics of informal businesses in Ghana that are constraining taxpayers' compliance include:

- low digital literacy of taxpayers
- lack of understanding of the tax system
- limited administrative capacity to comply with complex filing requirements
- inadequate record-keeping capabilities, no documented records of transactions

In this context the GRA's overarching strategic goal is streamlining the registration process, offering taxpayers simplified methods for filing taxes and making payments as well as potentially educating taxpayers on different aspects of the compliance process. Additionally, GRA is looking into innovative ways to effectively identify and classify informal sector taxpayers, including those with and without fixed business locations.

Specific outcomes and KPIs that will define success and indicate resolution of the challenge are to:

- Increase registration of new informal businesses by 30% within the first year.
- Improve filing compliance rates among informal sector taxpayers by 35%.
- Increase revenue from the informal sector by 25%.

### 3. Prior Experience & Lessons Learned

GRA has implemented several initiatives to engage the informal sector.

Currently, the GRA relies primarily on manual outreach, with tax officers physically visiting markets and other locations to interview individuals and collect registration information. This approach has proven difficult to scale due to both technical and financial constraints.

Additionally, the GRA sources information from registered companies that conduct business with the informal sector. Recently, efforts have been made to engage trade associations (e.g., Ghana Union of Traders Association (GUTA)) to understand the type and quality of member data they maintain and to assess how this information can be leveraged by the GRA for taxpayer identification purposes.

In July 2025, the Ghana Revenue Authority (GRA) launched the implementation of a modified taxation scheme (MTS), aimed at simplifying tax compliance and revenue collection from the informal sector. Under the new framework, informal sector workers not currently registered with the GRA, but making annual sales below GHS 20,000 will pay a fixed amount of —GHS 25, GHS 35, or GHS 45. per quarter. For those with turnover between GHS 20,000 and GHS 500,000, for a period of 12 months a 3% tax rate will be applied on their turnover.

Over the past few years, the Ghana Revenue Authority (GRA) has established a *data warehouse initiative* to consolidate data from various state agencies. The GRA is using the National ID as a Taxpayer Identification Number (TIN) and has access to over 16 million static data entries from the National Identification Authority (NIA). However, the occupational information in this database is outdated. The goal is to cross-reference information on self-employed taxpayers from multiple third-party sources to create a comprehensive 360-degree view of each taxpayer. Additional key data sources include:

- Office of the Registrar of Companies (ORC)
- Driver and Vehicle Licensing Authority (DVLA)
- Social Security and National Insurance Trust (SSNIT)
- Lands Commission

However, the initiative has not been scaled to its full potential due to several challenges, including limited technical and financial capacity, as well as outdated legacy systems that hinder integration with GRA systems.

The GRA also maintains APIs that provide access to resources within its Core Domestic Tax Administration database. These APIs allow third parties to retrieve and update data, subject to adherence to established protocols and data security measures. Access to the APIs require formal approval from the Commissioner General.

## 4. Desired Outcomes and Requirements

GRA seeks Proof of Concepts that focus on one or all challenge key focus areas, including:

1. Taxpayer identification capabilities utilizing GRA datasets, third-party data aggregators, and/or innovative techniques. The solution:
  - a. Needs to effectively identify and classify informal sector taxpayers, including those with and without fixed business locations.
  - b. Should utilize GRA datasets and databases (leveraging data warehouse initiative) to retrieve relevant taxpayer information.
  - c. Must enable integration with possible third-party data aggregators, or leverage innovative techniques such as automated OSINT/analysis of data from various sources (e.g. social media, geospatial data etc).
  - d. Must help to build and maintain a secure, centralized database of informal sector businesses by capturing key data points such as:
    - i. Unique Identity of a Person
    - ii. Type of Business Activity
    - iii. Location(s) of Operation/Person's Client Base
    - iv. Transaction amounts
    - v. Distinction between one off activity and continuous operations
  - e. Flag potentially unregistered citizens engaged in Ghana's informal sector, location(s) of operation or the person's clients, identifying the probability of its transactions being one-off activity or continuous operations.
  - f. Simple workflows that allow authorized users (tax officers) to review and manage entities that were identified by the system.
2. Bookkeeping and self-education capabilities tailored for users with low digital literacy, cutting-edge user acquisition techniques ensuring subsequent high conversion rate into registering as actual taxpayers.
  - a. The solution should be a unified digital platform (a one-stop solution) with intuitive interface design and seamless workflows.

- i. Focus on AI-enhanced tools to help newly on-boarded users track their income, expenses, and transactions, as well as get educational tips, best practices, relevant legislation references, ultimately automating compliant financial management.
  - ii. Provide a seamless, automated way for platform users to register as taxpayers and to file returns. The process should be easy to understand, have minimum steps to complete, and aligned with actual tax regulations. Where possible, it should leverage pre-filled fields using data from available databases to streamline the on-boarding process.
  - iii. Enable tax payments through commonly used methods in Ghana (e.g., mobile money, bank deposits etc.).
- b. Provide real-time notifications, and dashboards with insights for tax officers (e.g. economic turnover segmented by type of business activity or location(s) of operation).

**NB!** This detailed description of key focus areas reflect GRA's perspective on the solution and is provided for reference. Innovative approaches and potentially more effective ways to achieve the target results are encouraged.

The following solution requirements will be essential at a later stage, should the Proof of Concept be approved for actual implementation:

- *End-to-End Integration with GRA Infrastructure:* Full compatibility with GRA's legal framework and data governance standards. Seamless integration with the existing GRA Core Domestic Tax Administration system to enable a unified, end-to-end registration process upon identification.
- *Security & Scalability:* Adhere to best-in-class security/privacy standards for all taxpayer and transaction data. Allow flexibility for future enhancements and regulatory updates.

## 5. Potential Impacts & Benefits

The proposed solution is expected to:

- **For Ghana:**  
Increase registration of informal businesses. Improve filing compliance rates among informal sector taxpayers. Increase revenue mobilization from the informal sector NB:
- **For the Ghana Revenue Authority (GRA):**  
Establish a comprehensive database of informal sector businesses with key data points including turnover or sales information, business activity type, operation locations, and transaction patterns. Improve operational efficiency by decreasing time and resources spent on physical outreach and registration efforts of informal taxpayers. Also improve information security measures to enhance the protection of taxpayer data

- **For Taxpayers:**

Facilitate a digital, self-service taxpayer registration process, and self-education. Minimize cost of compliance on taxpayer side (e.g. transportation to tax offices, physical filing) potentially encouraging informal taxpayer compliance.

## 6. Potential risks

### Behavioral Risks:

- Informal taxpayers may fear increased scrutiny, higher costs, or loss of flexibility
- Limited digital literacy may impede adoption of technology-based solutions
- Self-reported income and business information may be unreliable as informal taxpayers may be unwilling to accurately report income levels

### Operational Risks:

- Business continuity due to the solution's complexity in handling high data volumes, compounded by a heavy reliance on third-party integration
- Ensuring ongoing compliance without driving taxpayers back underground

### Economic Risks:

- Formalisation may increase operational costs for small operators
- Rapid formalisation could disrupt existing informal sector ecosystems
- New systems may create administrative overhead for both taxpayers and GRA

## Appendix

- [Income Tax Act, 2015 \(Act 896\)](#)
- [Income Tax \(Amendment\) Act, 2013](#)
- [Income tax in Ghana FAQ](#)
- [GRA website](#)
- Completed Challenge Canva [to be provided]
- API Documentation (if applicable) [to be provided]
- Application instructions [to be provided]