

# *Growth accelerated*

## Doing Business and Investing in Ghana

March 2014





# Preface

Doing Business and Investing in Ghana – 2014 is published by PricewaterhouseCoopers (PwC) Ghana. This publication is intended to provide a quick overview of the business environment in Ghana.

We have endeavoured to take reasonable care in compiling this publication, which presents the position of Ghana in respect of the geographic facts, economic performance, economic sectors, investment climate, forms of business organisations, business and accounting practices, taxation regimes, etc., as at the dates stated in this publication.

Please note that information presented in this publication has been prepared for a quick reference, and not in lieu of seeking professional advice on the particular matters.

PwC is a global network firm of chartered accountants which provides industry-focused assurance, tax and advisory services to build public trust and enhance value for our clients and their stakeholders.

The Ghana firm, which is a full member of the network of firms of PwC, has unrestrained access to the global firm's vast resource base of proprietary knowledge, methodologies and experience.

Our team of multi-disciplinary professionals is able to assist you with every matter related to this publication and to advise investors as to the best way to do business in Ghana.

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# *Abbreviations*





<b>ABWA</b>	Accountancy Bodies Of West Africa
<b>CCC</b>	Cheque Codeline Clearing
<b>DTT</b>	Double Tax Treaty
<b>FCA</b>	Foreign Currency Account
<b>FEA</b>	Foreign Exchange Account
<b>FINSSP</b>	Financial Sector Strategic Plan
<b>GACH</b>	Ghana Automated Clearing House
<b>GAS</b>	Ghana Accounting Standards
<b>GCM</b>	Ghana Chamber of Mines
<b>GDP</b>	Gross Domestic Product
<b>GFZB</b>	Ghana Free Zones Board
<b>GhIPSS</b>	Ghana Interbank Payment and Settlement System
<b>GIS</b>	Ghana Immigration Service
<b>GNPC</b>	Ghana National Petroleum Corporation
<b>GRA</b>	Ghana Revenue Authority
<b>GSE</b>	Ghana Stock Exchange
<b>GSS</b>	Ghana Statistical Service
<b>IAS</b>	International Accounting Standards
<b>ICAG</b>	The Institute of Chartered Accountants (Ghana)
<b>ICT</b>	Information and Communication Technology
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>ISPs</b>	Internet Service Providers
<b>MC</b>	Minerals Commission
<b>MICR</b>	Magnetic Ink Character Recognition
<b>MOFA</b>	Ministry of Food and Agriculture
<b>NCA</b>	National Communications Authority
<b>NPA</b>	National Petroleum Authority
<b>OMCs</b>	Oil Marketing Companies
<b>PAs</b>	Petroleum Agreements
<b>PC</b>	Petroleum Commission
<b>RCBs</b>	Rural and Community Banks
<b>SEC</b>	Securities and Exchange Commission
<b>SLCs</b>	Savings and Loans Companies
<b>SMEs</b>	Small and Medium-Scale Enterprises
<b>SSNIT</b>	Social Security and National Insurance Trust
<b>TOR</b>	Tema Oil Refinery Limited
<b>VRA</b>	Volta River Authority





# *Ghana at a glance*



## Republic of Ghana

Capital city: Accra

Location: West Africa

Population: 25.1 million (July 2013 estimate)

Official language: English

Currency: Ghana Cedi (GH¢)

Time zone: Greenwich Meridian Time: (GMT)

Climate: Tropical

Average temperature: 26°C (about 79°F)

Independence: 6 March 1957

Government: Democracy

GDP: US\$44,154 million (September 2013 estimate)

GDP per capita: US\$1,668 (September 2013 estimate)

Average exchange rate: US\$ 1 = GH¢ 2.40

Inflation rate: 13.2% (September 2013)

Official business hours: 8:00am – 5:00pm

(Sources: Ghana Statistical Service/ Central Intelligence Agency – The World Factbook)

## Ghana

Ghana, formerly known as the Gold Coast, is located along the Atlantic Ocean and is found on the southern part of West Africa. Ghana shares borders with Côte d'Ivoire to the west, Burkina Faso up north, Togo to the east and the Gulf of Guinea down south. The Greenwich Meridian passes through a city in Ghana called Tema, making it one of the few cities at the centre of the earth. The name Ghana was derived from the ancient Ghana Empire and it means 'Warrior King'.

### Regions and their capital towns

There are 10 administrative regions in Ghana. Below is a list of the various regions and their capital towns:

Regions	Capital
Greater Accra	Accra
Eastern	Koforidua
Western	Takoradi
Central	Cape Coast
Volta	Ho
Ashanti	Kumasi
Brong-Ahafo	Sunyani
Northern	Tamale
Upper East	Bolgatanga
Upper West	Wa

### Climate, vegetation and geography

Ghana's climate is mainly tropical and there are two main seasons, namely rainy and dry seasons. The rainy season normally spans from March to October and dry season from mid-October to early March.

Ghana has a total land area of 238 533 km<sup>2</sup> with most of its land area characterised by low physical reliefs. The highest elevation in Ghana is the mountain Afadjato, which rises about 889 meters above sea level.



About 136 000 km<sup>2</sup> of land, covering approximately 57% of the country's total land area of 238 533 km<sup>2</sup>, is classified as 'agricultural land area', out of which 58 000 km<sup>2</sup> (24.4%) is under cultivation and 11 000 hectares under irrigation.

One of Ghana's most distinguishing geographic features is the Volta River, on which the Akosombo dam was built. Construction of the dam began in 1961 and commercial production of electricity started in 1965. The damming of the Volta created the enormous Lake Volta, which occupies a sizeable portion of Ghana's south eastern territory. Lake Volta is the largest artificially created lake (by surface area) in the world.

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(Source: 2010 Population and Housing Census Report/  
Central Intelligence Agency – The World Factbook)

### **Population and people**

Ghana's current population is estimated to be about 25.1 million (24.6 million in 2010) with females forming 51.2% of the total population. According to the 2010 population census results, the population density is 103 persons per square kilometre with the greatest concentration in the Greater Accra and Central Regions. The average population growth rate of Ghana is estimated at 2.19% per annum. At this rate it is estimated that it will take approximately 28 years for the population of Ghana to double.

Ghana's population can be said to be a youthful one, with about 61.7% of the population falling between the ages of 15 and 65 years, and 71% of this range being economically active. The age structure of the country's population is basically shaped by the effects of high fertility and decreasing mortality rates. The average life expectancy in Ghana is 65 years (62 years for males and 67 years for females).

There are several ethnic groups, each with its own unique culture and way of life. The official language and mode of communication is English, which is taught in all schools. The major ethnic groups in Ghana include the Akans (the Akyem, Ashanti, Kwahu, Akuapem, Fante, Bono and others), who form about 47.5% of the country's total population. Other ethnic groups are the Ga-Dagme (7.4%), Ewes (13.9%), Mole-Dagbani (16.6%), Guan (3.7%), Gurma (5.7%), Grusi (2.5%), Mande (1.1%) and others (1.4%).

The people of Ghana are known to be very hospitable people, and this unique trait spans across all the ethnic groups.

The freedom of Ghanaians to practise their religious worship of choice is reflected in the following distribution: Christianity forms 71.2% (Catholic – 13.1%, Protestant – 18.4%, Pentecostal/Charismatic – 28.3%, others – 11.4%), Islamic worship (17.6%), traditional worship (5.6%), other religions (0.8%) and no religion (5.3%).

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(Source: 2010 Population and Housing Census)

## Education

Education plays a very crucial role in the government's development agenda, hence the introduction of Free Compulsory Universal Basic Education (FCUBE) in 1995.

The main objective of FCUBE is to make basic education accessible to all Ghanaian children, irrespective of the economic background of their parents. For the past decade, about 40% of the government's budgetary allocation and expenditure for education has been towards basic education.

The number of educational institutions in Ghana by the end of 2012 was as follows:

Institution	Number
Kindergarten	4 535
Basic schools – public	21 804
Basic schools – private	7 543
Senior high school – public	511
Senior high school – private	209
Public universities	9
Polytechnics	10
Nursing training colleges	33
Colleges of education	39

(Source: Ministry of Education website, Ghana)

## Government and administration

Ghana practises a democratic system of governance. Parliamentary and presidential elections are held every four years in accordance with the provisions of the 1992 Constitution. The last elections were held in 2012, and the next elections are expected in 2016.

The Constitution provides a clearly defined separation of powers among the legislative, executive and judiciary arms of government.

There are 10 administrative regions in Ghana with 216 municipal and district assemblies (MDAs). Ghana practises a system of decentralisation where the various regions and MDAs are allowed some degree of autonomy with decision making.

Ghana also maintains various structures of traditional rulership, recognised under the Constitution. The role of traditional leaders is to mobilise people to pursue development goals at the local and community levels. Traditional chiefs in Ghana have been organised into regional and national houses of chiefs.

Ghana's legal system is based on the common or customary (traditional) law; statutes enacted by Parliament; rules, orders and regulations enacted through delegated legislation; and the supremacy of the national Constitution. The hierarchy of the court structure in Ghana consists of:

- the Supreme Court (i.e. the highest court);
- Court of Appeal; and
- the circuit courts and district courts, which form the lower courts.

There is an office of the Attorney General, who has powers to prosecute matters on behalf of the State and is required to be joined to all legal actions against the State.

## Economy

Ghana is a lower middle income economy with a nominal GDP per capita of US\$1,563 as at the end of 2012 (and US\$1,668 estimated for 2013).

The sectoral distribution of Ghana's GDP estimated for 2013 are as follows: services (50.6%), industry (28.1%) and agriculture (21.3%). However, in terms of workforce, the agricultural sector employs more than half of the workforce (56%), being mainly small landholders. The services sector employs 29% of the total labour force while industry absorbs 15%.

(Source: Ghana Statistical Service Report – September 2013 / The World Factbook)

Ghana is well endowed with a wide range of natural resources. Ghana is the second-largest producer of cocoa and among the leading producers of gold in the world.

Cocoa exports from Ghana enjoy a premium on the world market as a result of its high quality. Cocoa currently accounts for about 20% of Ghana's total merchandised exports. Ghana also exports crude oil, timber, bauxite, aluminium, manganese ore, diamonds, horticulture and electricity.

Ghana commenced drilling crude oil in commercial quantities in mid-December 2010, and currently produces close to 120 000 barrels per day. Oil production is expected to increase in light of the new government-approved TEN (Tweneboa-Enyenra-Ntomme) oil field, operated by Tullow Ghana, which has a production capacity of around 80 000 barrels per day. Gas export is also expected to commence during 2014 from the TEN field.

(Source: Ghana Oil Watch)

Ghana has two major ports, the Tema and Takoradi ports, which serve Ghana and other landlocked countries such as Burkina Faso, Mali and Niger. The Tema Harbour is the largest man-made harbour in Africa. It handles close to 80% of the nation's total exports and imports.

(Source: Central Intelligence Agency – The World Factbook)

The main source of power is hydro-generated power from the Akosombo Dam; it supplies power to Ghana as well as to other neighbouring countries.

The Bui Dam project is another hydropower scheme, which was designed to augment power supply in Ghana. The 400 megawatt (MW) hydropower project began in 2007 and is expected to be completed by December 2013. The first power-generating unit of this project was completed in April 2013. In addition to hydropower generation, the Bui project is also expected to contribute to the development of an irrigation scheme for agricultural development and enhanced ecotourism and fisheries.



### ***Tourism and places***

There are several places of attraction in Ghana. These include the beautiful beaches along the coastal areas and shores, historic castles, natural forests and game reserves.

In addition to the above, Ghana is on track to realising its socio-economic objectives and offers a politically stable environment with legislation which encourages a thriving business environment.



# *The economy of Ghana*



## **The economy of Ghana**

### **Overview of world economic growth**

The IMF's World Economic Outlook (WEO, October 2013) projects a sluggish global economic growth in 2013, estimated at 2.9% less than the 3.2% recorded in 2012.

The decline resulted from a weaker than expected performance from emerging markets and developing economies and a slow economic recovery in advanced economies.

The IMF projects global growth of 3.6% in 2014. The projected growth will be driven more by advanced economies particularly the United States, where activity will move into higher gear as fiscal consolidation eases.

In the Euro Zone growth is expected to remain sluggish in 2014 as a result of bottlenecks in credit. However, policy actions should reduce major risks and stabilise financial conditions. The region is expected to gradually pull out of recession, with growth reaching 1% in 2014.

Growth in emerging markets and developing economies is expected to remain strong at 5% in 2014, supported by solid domestic demand, recovering exports, and supportive fiscal, monetary and financial conditions.

Commodity prices will continue to boost growth in many low-income countries, including those in sub-Saharan Africa

Inflation is expected to remain generally stable in advanced countries, supported by a slowdown in commodity price movements.

In major emerging developing economies, however, inflation has been relatively higher, a problem that has been magnified by the exchange rate depreciation in 2013. The external financing conditions that have led to the weakening of currencies in emerging and

developing economies in recent months could also drive up inflation.

(Source: IMF World Economic Forum – October 2013)

### **Macro-economic performance in Ghana**

#### **Gross domestic product (GDP)**

GDP growth slowed from 15% in 2011 to 7.9% in 2012. Provisional data from the Ghana Statistical Service (GSS) indicated GDP growth of 7.4% for 2013 compared with an annual target of 8.0%. The peak economic growth in 2011 was due to the inclusion of oil production in the last quarter of 2010.

#### **Sectoral growths and contribution to GDP**

The services sector remains the largest contributor to GDP with a share of 50.6% of GDP, followed by industry (28.1%) and agriculture (21.3%) based on the provisional statistics for 2013.

GDP growth rate for 2013 is estimated to be 7.4%; led by the services sector, which is projected to grow by 9.2%. The industry sector is estimated to grow at 9.1% and the agriculture sector by 3%.

Although the GDP data showed an improvement in the growth of the agriculture sector compared with a growth of 1.3% in 2012, the sector's contribution to the economy continued to decline. The share of the agriculture sector to GDP declined from 22.7% of GDP in 2012 to 21.3% in 2013. Crops remained the largest subsector in agriculture with a share of 15.6% of GDP.

Industry, the second-largest sector with a share of 28.1%, increased in growth from 7.0% to 9.1% (albeit a decline from a high growth of 41.6% in 2011). The slowdown in the industry sector could be attributable to the decline in the growth rate of mining sector coupled with slow growth in crude oil production (after the start of production in 2011), manufacturing, production and distribution of water.



### Growth rates of GDP by sector

Sectors	2010 %	2011 %	2012 %	2013* %
Agriculture	5.3	0.8	1.3	3.4
Industry	6.9	41.6	7.0	9.1
Services	9.8	9.4	10.2	9.2
GDP	8.0	15.0	7.9	7.4

\* 2013 growth rates are based on projections from the third-quarter of the year

(Source: Ghana Statistical Service)

### Inflation

Headline inflation inched up from 8.8% in 2012 to 13.2% in November 2013.

Although the inflation rate for 2012 missed the target of 8.5%, it remained within the target band of  $8.5 \pm 2\%$  in spite of the exchange rate and fiscal challenges. In 2012, inflationary pressures remained largely subdued by low food price increases, explained by the prolonged harvest season.

The inflation rate stood at 11.8% in July 2013 from 11.6% in June 2013, 10.8% in March 2013 and 10.1% in January 2013. The upward movement in inflation is partly explained by the continued effect of the upward adjustment of petroleum prices in February, coupled with seasonal effects and key inflationary risks, including the underlying pressures on government expenditure.

### Interest rates

The Bank of Ghana policy rate increased to 16.0 per cent in May 2013 from 15.0 per cent in March 2013 and June 2012 in response to underlying inflationary pressures.

The interest rate on the 91-day Treasury Bill rate during the second quarter of 2013 was 23.06% (22.9% in December 2012 and 21.70% during the second quarter of 2012).

Similarly, as at the end of the second quarter of 2013, the rates on one-year and two-year fixed notes stood at 22% (22.9% at the end of December 2012) and 22.3% (23% at the end of December 2012) respectively.

The interbank weighted average interest rates dropped from 17.1% (in December 2012) to 16.96% in June 2013 (this was 15.13% in June 2012). Similarly, the average three-month deposit rate of banks also dropped from 12.5% in December 2012 to 12.3% in June 2013 (this was 10% as at June 2012).

The average bank lending rates, however, increased from 25.72% in December 2012 to 27.41% in June 2013 (24.6% in June 2012). This effectively increased the interest rate spread to 15.11 in June 2013, compared with 13.2% in December 2012 (and 14.65% in June 2012).

### Exchange rates

On the currency market, the Ghana cedi recorded mixed outturns against the world's major trading currencies. Depreciation of the Ghana cedi is usually caused by intense demand pressures for foreign exchange, fuelled by strong import demand and premature redemption of portfolio investments by non-residents. By the end of 2012, the Ghana cedi depreciated on the interbank market by 17.5% against the US dollar (compared to 4.97% in 2011).

During the second quarter of 2013, the Ghana cedi depreciated by cumulative 2.4%, 5.5% and 6.6% against the US dollar, pound sterling, and euro respectively.

This compared with a higher depreciation of 9.9%, 8.5% and 4.5% against the US dollar, pound sterling and the euro respectively during the second quarter of 2012.



### **Ghana Stock Exchange (GSE)**

Developments in the capital market indicated a moderation in momentum in the second quarter of 2013.

Consequently, the GSE composite index (GSE-CI) declined by 0.21% in the month of June 2013 to produce a second quarter growth of 8.5% compared with a growth rate of 44.5% registered in the first quarter of 2013. This compared with growth rates of 10.9% and -0.13% recorded in the second quarters of 2011 and 2012 respectively.

The diminished performance of the GSE-CI could be attributed to the competition for funds from the money market instruments with high interest rates, profit taking activity and uncertainty associated with the outcome of the December 2012 election petition hearing.

On a year-to-date basis, GSE-CI registered a growth rate of 56.7% to end the second quarter of 2013 at 1,880.3 points.

### **Trade balance and reserves**

The trade balance worsened from a deficit of US\$3 052.3 million in 2011 to US\$4 220.4 million in 2012. This was attributed to a significant increase in both oil and non-oil imports which outpaced growth in merchandise exports.

During second quarter of 2013, the provisional balance of payments position of Ghana, registered a deficit of US\$545.6 million, compared with a deficit of US\$708.1 million recorded in the corresponding quarter of 2012. The year on year improvement in the balance of payments was largely driven by a reduction in the current account deficit and growth in the financial account surplus.

At the end of June 2013, the country's gross international reserves went down by US\$436.4 million to US\$4,912.5 million from a stock position of US\$5,348.9 million at the end of December 2012. This level of reserves was sufficient to provide cover for 2.7 months of imports of goods and services, compared to 2.5 and 3.0 months of imports cover as at June 2012 and December 2012 respectively.

### **Government revenue**

Government's total receipts and grants in 2012 amounted to GH¢16 668.4 million (22.8% of GDP). Tax revenue amounted to GH¢12 517.2 million, representing 75% of total receipts. Non-tax revenue was GH¢2 990.4 million (18% of total receipts) and grants of GH¢1 160.3 million (7% of total receipts).

During the second quarter of 2013, government's revenue and grants realised amounted to GH¢4,811.5 million (5.4% of GDP) compared to the budgeted estimate of GH¢5,365.8 million (6.1% of GDP). Total receipts were made up of tax revenue of GH¢3,805.4 million (79.1%), social security contributions of GH¢55.2 million (1.1%), GH¢799.6 million from non-tax revenue (16.6%), and GH¢151.3 million (3.1%) from grants. The shortfall in total receipts was attributed to underperformance of indirect taxes, non-tax revenues and grants due to the low disbursement from Ghana's development partners.

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(Source: 2012 Bank of Ghana Annual Report and 2013 Q2 Report)







# ***Economic sectors***



## **Agriculture, agro-processing and fishery**

The key regulator of the agriculture, agro-processing and fisheries sector is the Ministry of Food and Agriculture.

Ghana's agricultural (agric) sector is a key driver of the Ghanaian economy, contributing approximately one-fourth (22.7% in 2012 and 21.3% estimated for 2013) of the country's GDP. The agric sector contributes over 50% to national employment while growing at an annual rate of 5.3% (end of 2012).

Agricultural land forms about 65.1% of the total land area, including inland waters.

The main agricultural produce in Ghana can be classified into the following three groups:

### **Industrial crops**

Examples: cocoa, palm oil, coconut, coffee, cotton, kola and rubber.

### **Starchy and cereal staples**

Examples: cassava, cocoyam, yam, maize, rice, millet, sorghum and plantain.

### **Fruits and vegetables**

Examples: pineapple, citrus, banana, cashew, pawpaw, mango, tomato, pepper, okro, eggplant, onion and Asian vegetables.

### **Agricultural development**

Currently, Ghana is a net food importer, importing over US\$450 million worth of rice alone annually, together with substantial amounts of chicken, meat and dairy products. There is therefore significant domestic opportunity for investment in crop and livestock production. Furthermore, rapid urbanisation and rising per capita income in Ghana are driving significant increases in domestic demand for, and consumption of, staple crops.

## **Growth opportunities in the main agricultural produce**

### **Cashew**

Rising local demand and a flourishing export market are driving growth in the local production of cashews, for which Ghana and generally the West African region has a competitive advantage.

Currently, there is little capacity for processing local production, and opportunities exist to expand processing capacity to serve local and export markets.

Additionally, cashews are an important source of buffer cash for smallholder producers, as most harvesting takes place during a lean season for other crops.

### **Investment incentives and opportunities in the sector**

- Companies engaged in the business of converting crops, fish or livestock produced in Ghana into edible canned or other packaged products, other than in their raw state, enjoy a tax holiday of three years from commencement of commercial production.
- Agro-processing businesses established in Ghana after 1 January 2004 enjoy a five-year tax holiday from the date of commencement of business.
- Companies producing cocoa by-products from cocoa waste also enjoy a five-year tax holiday from date of commercial production.
- Companies engaged in the processing of waste products enjoy a seven-year tax holiday from date of commercial production.
- Income from cocoa for cocoa farmers are exempt from income taxes.
- Ghana's tax laws also permit farming losses to be carried forward for a period of five years after the basis period (accounting year) which the losses relate to.

- There are location-based tax incentives for agro-processing enterprises.
- Exemptions from import duties on imported plant, machinery and equipment also exist.
- Opportunities are available in relation to the provision of agricultural inputs such as improved seeds and agrochemicals, including fertilizers, pesticides, fungicides, herbicides, veterinary drugs, vaccines and chemicals, animal feed and feed ingredients, etc.
- Additionally, there is the need for the processing of dairy products as well as the supply of machinery to establish hatcheries for day-old chicks.
- Floriculture offers a lot of opportunities as Ghana's climate and topography make the country suitable for the cultivation of a number of exotic flowers. Species such as heliconia, caribea, celosia, curcuma, gladioli, hibiscus, roses, ornamental palms and ferns perform well under natural conditions. There is potential in the national, regional and European Union markets.
- Investment opportunities exist in the agro-processing industry to add value, reduce post-harvest losses, promote price stability and expand demand for local agricultural produce. Examples are the processing of cocoa beans into cocoa products and fruits into fruit juices, among others.
- Developing irrigable land through irrigation is another key area. While Ghana has a potential irrigable area of 346 000 hectares, only 10 000 hectares have been developed.
- In the distribution field, companies are required to provide post-production services in transport, packaging and cold vans.
- There are further opportunities in standards training and certification; capacity building for management and market-oriented enterprises; market intelligence research; and the development of agricultural finance and insurance.
- Technology and services in the agricultural sector – which include irrigation, heavy equipment hiring (i.e. hiring of tractors, ploughs, harrows and combine harvesters, etc.) – provide investment opportunities.
- Investment opportunities also exist in the storage industry. Inadequate and inappropriate storage facilities are constraints to agricultural production, thereby contributing to high post-harvest losses and low returns for farmers and processors.

### **Financial services (banks and other financial institutions)**

Ghana has a fairly sizeable banking and financial services industry. The Bank of Ghana (the central bank) is responsible for the overall regulation and supervision of the banking and financial services industry.

#### **Sector overview**

The financial services industry encompasses a broad range of organisations that deal with the management of money. In Ghana, the financial services industry is categorised into three main sectors:

- Banking and finance (including non-bank financial services and forex bureaus);
- Insurance; and
- Financial market/capital markets.

During the third quarter of 2013, the financial services industry contributed 10% of the overall growth rate of the services sector of the economy.

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(Source: Ghana Statistical Service: Quarterly Gross Domestic Product – September 2013)



The Government of Ghana has shown strong commitment to financial sector development. This is evidenced by Cabinet's approval of the Financial Sector Strategic Plan (FINSSP) in 2003, which serves as the blueprint for Ghana's financial sector development.

The operating institutions include both foreign and local major banks, rural and community banks (RCBs), savings and loans companies (SLCs) and other finance and leasing companies.

The number of banks and non-financial institutions as at the end of 2012 was as follows:

Organisation	Number
Universal banks	26
Rural and community banks	136
Non-bank financial institutions	145
Forex bureaus	333*
Insurance companies (Life and non-life)	43**
Re-insurance companies	2
Insurance brokers	54

\* As at April 2012 (Source: Bank of Ghana Annual Report 2012)

\*\* As at January 2013 (Source: National Insurance Commission)

### Minimum capital requirements

The minimum paid-up capital requirements in the banking sector were as follows:

- commercial banks – GH¢60 million (GH¢120 million proposed);
- non-bank financial institutions – GH¢7 million (GH¢15 million proposed);
- microfinance (deposit taking) – GH¢500 000\*;
- microfinance (non-deposit taking) – GH¢300 000\*.

\*Additional capital contributions may be required depending on the number of branches established by the institution

### Banking and payment systems

Ghana's payment system has significantly improved since 1997 when the magnetic ink character recognition (MICR) cheques were introduced to facilitate the processing and clearance of cheques.

### Ghana Interbank Payment and Settlement System (GhIPSS)

The GhIPSS is a wholly owned subsidiary of the Bank of Ghana. It was incorporated in May 2007 with a mandate to implement and manage interoperable payment system infrastructures for banks and non-bank financial institutions in Ghana.

The GhIPSS currently manages the National Switch and Biometric Smart Card Payment System, e-zwich; and the cheque codeline clearing (CCC) and Ghana Automated Clearing House (GACH) systems. The systems operated by GhIPSS facilitate automated banking settlement and payment transactions, as well as electronic clearing of cheques and transfers between banks.

### Foreign currency dealings

The Foreign Exchange Act, 2006 (Act 723) requires all domestic sales and purchases of goods and services in Ghana to be conducted in the local currency (Ghana cedi – GH¢). The Bank of Ghana has therefore issued directives to the public in order to slow the depreciation of the Ghana cedi against the major trading currencies.

In addition, persons engaged in the business of foreign exchange are required to obtain licences from the Bank of Ghana. The business of dealing in foreign currency includes the purchase and sale of foreign currency; the receipt or payment of foreign currency; the importation and exportation of foreign currency; and the lending and borrowing of foreign currency.

### Investment opportunities

There is a high demand for various financial services in Ghana, as supported by the consistent high growth of companies in the banking sector. The relatively underdeveloped financial services sector in neighbouring countries is an opportunity for financial service firms in Ghana to supply needed services in those countries.

- **Credit reference bureaus**  
Investment opportunities also exist for financial institutions to acquire licenses for the operation of credit reference bureaus in the country. The Credit Reporting Act, 2007 (Act 726) provides a legal and regulatory framework for credit reporting in Ghana for banks.

The availability of credit information is generally accepted to be crucial for the development and maintenance of an effective financial sector. Borrowers tend to have a natural incentive not to reveal negative information about themselves. A credit reporting system in Ghana would provide timely, accurate, and up-to-date information on the debt profiles and repayment histories of borrowers.

- **Discovery of oil**  
Following Ghana's oil discovery in commercial quantities and on-going exploration activities, enormous opportunities exist for the banking and financial sector to finance and insure the numerous large-scale transactions taking place.

### Investment incentives

Incentives specific to the financial services industry may apply under the following provisions:

- Newly listed companies (on the Ghana Stock Exchange) enjoy 22% corporate tax for the first three years, while a tax rate of 25% applies afterwards;
- Reduced income tax rate (i.e. 20% instead of the standard 25%) on income derived from loans granted to farming enterprises; and

- Reduced income tax rate (i.e. 20% instead of the standard 25%) on income derived from loans granted to leasing companies for the acquisition of assets for the lease.

### Capital markets

The main stock market in Ghana is the GSE, which operates within a set of rules set out in the GSE Rule Book.

The GSE was established on July 1989 and has a total market capitalisation of GH¢56 billion (equivalent to US\$23 billion) as at August 2013. There are currently 36 companies listed on the market with more than 15 broker firms.

Companies listed on the GSE and companies which trade in securities are regulated by the Securities and Exchange Commission (SEC). The SEC's role is to ensure good corporate governance and regulatory compliance.

The SEC carries out regular inspection of licensed dealing members' operations and books. Brokers are also required to submit returns to GSE.

### Ghana's competitive advantage in the banking sector

The industry's competitive advantages include:

- Availability of skilled professionals in the financial sector;
- Improved academic and training institutions;
- Increasing deployment of ICT infrastructure to enhance competitiveness and efficiency of operations;
- A relatively developed legal and regulatory environment compared to neighbouring West African countries; and
- Improved regulation and supervision of financial institutions.

## **Real estate sector**

Following on-going investment and rapid growth of the economy, the real estate sector has seen significant growth in the past few years. This has been spurred by growth in demand for both residential and industrial property. There exists unmet demand leading to growth opportunities in the areas of construction and real estate development and management.

Ghana's property market is dominated by residential and commercial developments. The residential market is the most active, registering an estimated 85 000 transactions per annum over the past decade. Commercial property is the second-largest segment in the market and includes office accommodation and retail space. The industrial segment is significantly smaller in size than the commercial market, while recreational and civic/cultural property development is virtually non-existent.

The housing deficit in Ghana is estimated to be in excess of one million homes. To address this deficit, there is a need to deliver approximately 150 000 housing units per annum in the next 20 years. To make this possible, the government is embarking on a housing programme to build over 300 000 housing units over the next five years, with the strong participation of the private sector through public-private partnerships.

### **Investment incentives**

Real estate companies with approval from the Ministry of Works and Housing are eligible for a five-year corporate income tax holiday in relation to the construction of low-cost/affordable housing.

## **Energy**

### **Oil and gas – upstream**

#### **Brief history of the oil and gas industry in Ghana**

Ghana started with the exploration of oil and gas in 1896. Active research in the years leading up to early 2000 was led by the Ghana National Petroleum Corporation (GNPC). In 2001, the Government of Ghana decided to move away from this approach and open up exploration opportunities to international oil companies and private investors. This resulted in the discovery of oil offshore of the West Cape at three points in June 2007, which is said to have produced an 800 million barrels reserve in light crude oil with upside potential of about 3 billion barrels.

Ghana's emerging oil and gas industry is considered by many to be set to significantly influence the economy in the near future. Commercial production from the Jubilee Field started in December 2010 and is currently reported to be 120 000 barrels per day. In 2012, crude oil contributed about 6.8% (GH¢4 645 million) of the GDP.

.....  
(Source: Ghana Statistical Service)

About 12 petroleum agreements (PAs) were executed between the GNPC and different oil and gas operators from 2002 to 2008. The fast growth of the industry prompted the establishment of the Petroleum Commission (PC), which is responsible for the regulation of companies operating in the petroleum sector, including licensing.

## **Investment in the oil and gas sector in Ghana**

Any person who wishes to enter into a PA for a particular block must submit an application to the minister responsible for energy.

The PC is now responsible for administering the application process, which involves reviewing, evaluating and making recommendations for the award of petroleum agreements.

However, as a matter of practice, GNPC continues to be involved in the review and negotiation of the terms of draft PAs. Criteria considered in any application include the financial capability and technical track record of the applicant; and the proposed work programme, budget and fiscal terms proposed by the applicant. When the PC's recommendations are accepted and the terms of the PA are negotiated, the draft agreement is sent to Cabinet for approval. After Cabinet's approval, the agreement is executed by the parties and sent to Parliament for ratification. There is no mandated timetable for approvals.

### **Local content requirements**

#### **Equity participation of indigenous Ghanaian companies**

Parliament has recently approved the Petroleum (Local Content and Local Participation) Regulations, 2013 (L.I. 2204). These Regulations seek to encourage the participation of Ghanaian citizens in the petroleum industry. As such its provisions prescribe that a PA or license holder should make an allowance of at least 5% equity participation by an indigenous Ghanaian company in its ownership.

It is interesting to note, however, that the minister responsible for energy has the power to waive this requirement.

In a similar manner, non-indigenous service companies to the key players in the industry (i.e. operators, licensees, subcontractors, and the GNPC) are required to have joint venture

arrangements with indigenous Ghanaian companies that provide them with an equity participation of at least 10%.

#### **Downstream oil and gas**

The National Petroleum Authority (NPA) is the statutory agency regulating, overseeing and monitoring the petroleum downstream industry in Ghana to ensure efficiency, growth and stakeholder satisfaction.

The Tema Oil Refinery (TOR) Limited, Ghana's only refinery factory, was established in 1961 and began refining imported crude oil in 1963. Even though Ghana started producing crude oil in 2010, local crude oil is not refined in Ghana as the factory was designed to refine only imported light crude. The TOR helps Ghana's economy by reducing the amount of imported refined petroleum products in the country and has a capacity of 45 000 barrels per day.

A number of oil marketing companies (OMCs) operate in Ghana. These include Royal Dutch Shell, Total, Ghana Oil (formerly AGIP Ghana), Allied Oil, Gulf Oil and Star Oil.

#### **Electricity**

Electricity accounts for 69% of modern energy used in the economy.

The generation and supply of electricity provide employment for a significant number of Ghanaian professionals. It is also an important source of foreign exchange earnings in the country, as Ghana exports power to neighbouring countries such as Togo, Benin and Burkina Faso. Ghana's electricity supply industry is unbundled, with separate jurisdictions and entities responsible for the activities of electricity generation, transmission and distribution.

The total electricity generated in 2011 was 11 200 GWh, consisting of 7 561 GWh (67.5 %) hydropower and 3 134 GWh (32.5%) thermal power. Hydropower is generated in the Akosombo and Kpong power plants.

Electricity generation and distribution is largely state owned. However, the Government of Ghana has in recent times engaged in discussions with various investors regarding the construction of power plants.

## **Mining**

### **Brief background**

The mining industry in Ghana has seen continued steady growth in strength over the past four to five years. The industry contributes significantly to government revenues. Mining and quarrying contributed GH¢5 956 million, about 8.8% of GDP, in 2012.

.....  
(Source: 2012 Ghana Statistical Services Report)

Minerals make up 37% of total exports, with gold contributing over 90% of the total mineral exports. Ghana is Africa's second-largest gold producer after South Africa. It is the third-largest producer of manganese and aluminium in Africa and a significant producer of bauxite and diamonds. In addition, inventories of iron, limestone, kaolin, salt and other industrial mineral resources exist, but are not exploited on a large scale. The mining sector employs over 20 000 people in large-scale mining, while over 500 000 people are engaged in the small-scale sector.

The impressive performance of the mining industry has led to significant expansionary projects aimed at generating more revenue for the government. In 2007, the government approved the development of a nuclear power sector, with a 400 MW nuclear power plant to be built by 2018. This would serve as a good power source for mining operations.

### **Regulatory framework**

Mining is regulated by the Minerals Commission, which is under the Ministry of Lands and Natural Resources. The industry is governed by the Minerals and Mining Act, 2006 (Act 703).

### **Registration requirements**

Potential investors in the mining sector of Ghana are required to:

1. Incorporate a company in Ghana – the company may be wholly foreign owned except that, by law, a mandatory non-contributory equity shareholding of 10% is reserved for the Government of Ghana;
2. Apply for and obtain licensing or approval from the Ministry of Lands and Natural Resources (Ministry); and
3. Register with the Minerals Commission of Ghana.

There is no express minimum capital requirement. However, before a license is issued the Ministry usually reviews in detail the level of equity and debt financing that the applicant intends to inject into the mining operation, depending on the license type.

### **Mining tax regime**

The corporate income tax rate for businesses engaged in mining is 35%.

There is a ring-fencing restriction on mining taxation which assesses mining companies for tax on a mining area basis, but not at the whole entity level. The mining area of a mining company is that area that is designated by a mining company and approved by the Minerals Commission of Ghana.

There are also local content regulations which, among other things, restrict the local procurement of locally available mining supplies and limit the employment of expatriates to given quotas.



### Challenges in the mining sector

The mining industry continues to face key challenges, such as an increasing number of illegal operations ('galamsey' – artisan mining) on company concessions. The illegal operations pose health and environmental hazards for the operators.

Frequent power fluctuations also have a negative impact on the mining industry. However, with the development of a new hydro-power plant at Bui and a nuclear power plant underway, this problem should be curtailed.

Other issues faced by mining companies include the complex land tenure system in Ghana, which makes it challenging for mining companies to negotiate with the land owners for their concessions.

.....  
(Source: Ghana Chamber of Mines – Performance of the mining industry – 2012)

### Minerals Commission

The Mineral Commission is the main promotional and regulatory body for the minerals sector in Ghana and is responsible for “the regulation and management of the utilization of the mineral resources of Ghana and the coordination of the policies in relation to them”.

### Mineral rights

Mineral rights can be granted in the following areas:

- Reconnaissance licence
- Prospecting licence
- Mining lease
- Restricted reconnaissance licence
- Restricted prospecting licence
- Restricted prospecting licence
- Restricted mining lease.

### Ghana Chamber of Mines

The Ghana Chamber of Mines (The Chamber) is the main minerals industry association in Ghana. The Chamber is the umbrella body that represents the shared interests of companies involved in mineral exploration, production and processing in the country. It was founded in 1928 and its members account for over 90% of all of the country's mineral production.

The Chamber's main functions include the promotion and protection of the interests of the mining industry, the establishment and maintenance of effective membership governance, and the provision of thought leadership for the solution of national issues related to mining in Ghana.

## ***Tourism***

Ghana, while being famous for its gold and cocoa, is also recognised by travellers as one of the friendliest countries in Africa.

Ghana is endowed with interesting tourist attractions, ranging from the warm sandy beaches of the Atlantic coast to rich tropical forests and unique wildlife. There are also cultural attractions such as handicrafts, traditional clothes (e.g. Kente), local cuisines, and several colourful festivals organised throughout the year.

Ghana is also known for its historical European-built forts and castles (designated as World Heritage Sites by UNESCO) that played a major part in the transatlantic slave trade.

## **Travel to Ghana**

Ghana is easily accessible from various parts of the world. For more information about visiting Ghana and its famous tourist sites, please visit the website of the Ministry of Tourism, Culture and Creative Arts.

## **Information and communication technology (ICT)**

The ICT industry comprises internet service providers, telecommunication companies, software manufacturers, ICT education providers, etc.

The ICT industry is regulated by the Ministry of Communications as well as the National Communications Authority (NCA).

ICT infrastructural development in Ghana is progressing as compared to other low-income countries globally and above the 1.1% average for sub-Saharan Africa.

Over the years, several initiatives have been made by the Government of Ghana and other agencies to develop the ICT infrastructure so as to bridge the digital divide between Ghana and the developed world.

In 2012, information and communication contributed 1.8% of GDP. In order to facilitate ICT development, the government has implemented a number of initiatives, such as the development of a national fibre optic network (VOLTACOM) by the nation's electricity provider, the Volta River Authority (VRA). There have also been massive investments in ICT infrastructure from existing internet service providers (ISPs) and telecommunication companies.

The Kofi Annan Centre of Excellence in ICT, which is a joint Ghana/India project, was commissioned with the responsibility of producing the human capacity needed for the emerging ICT industry in Ghana and the African sub-region.

The internet services provided by mobile phone companies provide a leading point of access to ICT in Ghana. Ghana's cellular SIM subscriber numbers are inching close to the country's 25.1 million population. The latest data released by the NCA shows that the total mobile voice subscriber base stood at 27.2 million as at July 2013, while mobile data subscription stood at 10.2 million.

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(Source: National Communications Authority website, Ghana)

### **On-going ICT project in Ghana**

#### **e-Ghana**

Ghana is currently executing the e-Ghana project, which ideally seeks to assist the government to generate growth and employment by leveraging ICT and public-private partnerships.

#### **ICT park**

Construction is underway on a 20 hectare ICT park in Tema. The project is sponsored by the World Bank's International Development Association with the aim of building a technology village which will serve as the ICT hub of the country.

#### **Hope City project**

Ghana also launched the Hope City project in March 2013. The project will feature Africa's tallest building and is expected to employ more than 50 000 people. More than 25 000 inhabitants are expected to eventually occupy Hope City. It will include an IT university, a residential area, a hospital, as well as social and sporting amenities.

The ICT sector is government driven on the basis that it is the key prerequisite for luring new investors to Ghana. Ghana is committed to improving its ICT infrastructure; hence any proactive ICT initiative is likely to receive enormous government support.

## **Services**

The services sector is the largest contributor to Ghana's GDP. In 2012 it contributed about 50% of the GDP, which was close to GH¢33.963 million.

During the third quarter of 2013, the services sector recorded a contribution of 50.6% of GDP (i.e. GH¢39,714 million).

The services sector is estimated to provide about 30% of Ghana's employment (second to agriculture). Transportation and storage, public administration, trade, hotels, and financial and insurance are among the leading service subsectors that contribute enormously towards the GDP.

Ghana has a large and growing services sector that encompasses many parts of the public sector, and a wide range of private activities (construction, finance, trade). The services sector serves demand mainly arising from resource-based extractive industries (such as gold), remittances, and international partners' development assistance.





# *Investing in Ghana*



## **Setting up a business in Ghana**

In Ghana, business can be conducted under either a limited liability company (local company) incorporated under the laws of the Republic of Ghana or an external company (branch). The regulator responsible for this is the Registrar General's Department (RGD).

### **Types of companies**

#### **Local company**

This is a company limited by shares incorporated under the Ghana Companies Act, 1963 (Act 179). A local company can be either wholly or partly owned by a non-Ghanaian.

#### **Registration requirements of a local company**

The registration of a local company involves the filing of the regulations of the company with the RGD, in order to obtain certificates of incorporation and commencement of business.

The registration documentation will require the following information:

- Name of company;
- Nature of business of the company;
- First directors (at least two), one of whom should be present in Ghana at all times;
- Number of shares with which the company should be registered (shares of no par value);
- Name and address of auditor;
- Address of registered office and principal place of business;
- Authorised number of shares;
- Stated capital;
- Issued shares;
- Name and address of subscribers/ shareholders; and
- Company secretary.

#### **Stamp duty**

A 0.5% stamp duty is payable on the stated capital of the company.

#### **Tax identification numbers**

All the directors and the secretary of incorporated entities or the local managers of branches are required to register for a tax identification number (TIN) prior to the registration of the company.

#### **External company**

An external company (also known as a branch) is a body corporate formed outside the Republic of Ghana that has an established place of business in Ghana.

Information and documents required for registering an external company are as follows:

- Name of company (name of head office entity);
- Nature of business;
- Name and details of local manager;
- Authorised capital (for head office);
- Issued capital (for head office);
- Address of principal place of business in Ghana;
- Address of registered office in country of incorporation;
- Name and address of process agent;
- Memorandum and articles of association of head office, duly notarised by a notary public in the country of registration;
- A power of attorney executed in favour of the local manager, which must be notarised as well; and
- Certificate of incorporation of Head Office.

### **Statutory/regulatory registration**

Apart from incorporating or registering entities with the RGD, entities are required to be registered with other regulatory bodies (as discussed below) as well, depending on the industry that the companies will be operating in.

### **Ghana Investment Promotion Centre (GIPC)**

Under the GIPC Act, all companies in which there is foreign participation are required to register with the GIPC, except for companies operating in the mining and petroleum industry.

The following are the minimum capital requirements under the GIPC Act:

- a. A joint venture with Ghanaian participation requires US\$200,000 (in either cash or capital goods) to be contributed by the foreign partner. The partner who is a citizen shall not have less than ten percent (10%) equity participation in the joint enterprise.
- b. An entity wholly owned by a non-Ghanaian requires foreign equity capital of US\$500 000 in either cash or capital goods.
- c. A trading entity either wholly or partly owned by a non-Ghanaian requires US\$1 000 000 in either cash or capital goods.

Companies in other sectors require GH¢500 (approximately US\$208) for private companies and GH¢2 000 (approximately US\$833) for public companies; however, they are all made to pay the GIPC's capital requirement.

An external company does not require foreign equity capital.

### **Ghana Free Zones Board (GFZB)**

Companies operating in industries other than mining, petroleum and timber can obtain a license from GFZB to operate as a free zone entity. To qualify for this, the entity needs to export at least 70% of its goods or services. GFZB registration enables the company to enjoy a tax holiday for a 10-year period; thereafter, it will be required to pay corporate tax at a maximum rate of 8%.

### **Minerals Commission (MC)**

All mining and mine support service companies are required to register with the MC in order to operate in the mining sector. The registration entitles them to certain incentives, such as support for the grant of expatriate immigration quota and exemption from import duties.

### **Petroleum Commission (PC)**

All entities in the upstream oil and gas sector, whether contractors or subcontractors, are required to register with the PC and pay the requisite registration fees.

### **National Communication Authority (NCA)**

Registration with the NCA is required for businesses which would be importing telecommunication equipment, including servers, cellular phones, fax machines, cordless phones and radio equipments.

### **Social Security and National Insurance Trust (SSNIT)**

Every employer is required by law to register with SSNIT and make social security contributions in respect of its employees.

### Ghana Revenue Authority

All entities carrying on business in Ghana are required to register with the Ghana Revenue Authority for tax purposes.

### Other regulatory bodies

Companies operating in certain specific industries, such as banking, insurance, etc., need to obtain licenses from their relevant regulatory bodies. For example, banks need to obtain a license from the Bank of Ghana, and insurance companies need to obtain a license from the National Insurance Commission.

### Operating a foreign account in Ghana

#### Foreign exchange account

- Residents and non-residents are permitted to maintain a foreign exchange account.
- Generally, balances in this account cannot be freely transferred without the necessary supporting documentation.

#### Foreign currency account (FCA)

- Residents and non-residents may open FCAs with any authorised dealer bank in Ghana.
- FCAs are free from restrictions, and transfers to and from these accounts may be made freely by authorised dealer banks in convertible currencies.

### Repatriation of funds

There are no restrictions on the transfer of dividends or of net profit, the payment of foreign loans, fees and charges for technology transfers, and the remittance of proceeds from sales or liquidations. However, these transactions must be supported by the necessary documents (i.e. tax clearance certificate, audited financial statements, copies of agreements etc.)

### Work permit

Work permits can be obtained from either the GIPC in the form of an AIQ or the Ghana Immigration Service (GIS)/Ministry of Interior (MoI), depending on what type of industry the proposed applicant will be working in. Applicants engaged by companies in the mining and petroleum industries, as well as NGOs, have to apply to the GIS/MoI while applicants engaged by companies in other industries have to apply to the GIPC.

Currently, companies in industries other than mining and petroleum can also apply to GIS/MoI for work permits in addition to the AIQ granted by the GIPC and this is granted at the discretion of the GIS/MoI.

### Automatic Immigration Quota (AIQ)

The AIQ granted by the GIPC allows a foreigner to work in Ghana. This is statutorily based on the level of foreign equity paid-up capital invested in Ghana.

The bands of foreign equity capital investments as regards the grant of AIQ are:

Paid-up capital	Quota
US\$50,000 - US\$250,000	1
US\$250,000 - US\$500,000	2
US\$500,000 - US\$700,000	3
Above US\$700,000	4

\*The above contributions can be made in their GH¢ equivalent.

Within the last band, additional quota can be negotiated with the GIPC.

Once the foregoing requirements are complied with, an application is made to the GIPC for the grant of the AIQ in respect of a named applicant. The AIQ serves as an automatic work permit.



Expatriates making use of the AIQ may be replaced with another expatriate once they leave the employment of the applying company.

When AIQ is granted it covers the dependants of the applicant. However, it does not entitle them to work.

### **GIS**

Prior to making application to the GIS for work permits, letter(s) of recommendation should be obtained from the regulatory bodies overseeing the industries concerned in respect of named applicants:

- Mining – Minerals Commission
- Petroleum (upstream) – Petroleum Commission
- Petroleum (downstream) – Energy Commission
- NGOs – Department of Social Welfare

Application is thereafter made to the GIS, attaching thereto the following:

- A letter of recommendation for the granting of a work permit in respect of a named applicant;
- Curriculum vitae of the applicant;
- Contract of employment of the applicant;
- Medical report;
- Police report;
- Registration documents of the company employing the expatriate;
- Educational certificate of the applicant; and
- Tax clearance certificate of the Company.

### **Residence permit**

The GIS is also responsible for the granting of residence permits. The application requirements are as follows:

- Completed application form;
- Curriculum vitae of applicant;
- Contract of employment;
- Medical report;
- Police Clearance Certificate from country of residence;
- Two passport-size photographs;
- Certificate of marriage (in case of application for spouse);
- Birth certificate for children ( in case of application for them);
- Company registration documents;
- Tax clearance certificate of the company;
- Quota letter from the GIPC or work permit letter from the GIS; and
- Applicant's passport.

### **Other permits/visas**

#### **Visa/Entry permit**

Every visitor to Ghana requires a visa/entry permit, except for ECOWAS citizens and nationals from Zimbabwe, Singapore, Trinidad and Tobago. Visas/Entry permits may be obtained from Ghana missions abroad.

Visitors from countries which do not have Ghana missions may obtain visas on arrival upon prior application to the Director of Immigration. The visa is granted in a letter form, a copy of which must be forwarded to the visitor to enable them travel from their country. Upon arrival in Ghana this visa is then endorsed in the visitor's passport as is required.

### Visitor's permit

After satisfying the relevant entry requirements, all categories of foreign travellers may be granted visitor's permits to enter and remain in Ghana for a temporary period not exceeding:

- a. Two months or 60 days, and
- b. In the case of ECOWAS nationals, three months or 90 days.

A visitor's permit is granted subject to the condition that the person to whom it is granted will not undertake any occupation or profession for reward, except such as may be specified in the permit.

### Entry visas

These are obtained from Ghana missions abroad, and the application documents and timelines are based on the specific requirements of those missions.

### Emergency entry visas

This is required in a situation where a foreigner wants to travel to Ghana at short notice from a country where Ghana has no mission or consulate.

## Accounting and auditing requirements

### Background

The body of accountants whose members are permitted by law to engage in practice in Ghana is the Institute of Chartered Accountants (Ghana) (ICAG). It is a member of the Accountancy Bodies of West Africa (ABWA) and the International Federation of Accountants (IFAC).

The ICAG issued Ghana Accounting Standards (GAS) in the late 1990s based on International Accounting Standards (IAS).

In January 2007, after about a decade of applying GAS without any revisions or updates to the standards, the ICAG announced its adoption of International Financial Reporting Standards (IFRS) and the subsequent replacement of the GAS.

The migration started with a directive that all listed companies, banks and insurance firms in Ghana should apply IFRS in the preparation of their financial statements for the financial year-end 31st December 2007. However, due to technical challenges not all of these institutions could fully comply and many firms issued their maiden financial statements prepared in accordance with IFRS in 2008.

## Statutory requirements

### Books and records

The Companies Code, 1963 (Act 179) (Companies Code) requires that every company incorporated under the Companies Code must keep proper books of accounts.

The accounting records must show the company's financial position and changes therein with respect to the control of, and accounting for, all property acquired, whether for resale or for use in the company's business, and in particular must show:

- a. all sums of money received and expended by, and on behalf of, the company and the matters in respect of which the receipt and expenditure take place;
- b. all sales and purchases by the company of property, goods and services; and
- c. the assets and liabilities of the company and the interest of members therein.

The accounting records may be kept either by making entries in bound volumes or by using a manual or computerised system of recording.

These records must be kept at the registered office of the company or at such other place as the directors deem fit, and will at all times be open to inspection by the directors, secretary and auditors of the company.

The Internal Revenue Act, 2000 (Act 592) (IRA) and its regulations stipulate that entities should maintain proper records in Ghana to support the information contained in the tax returns and to enable income determination for tax purposes. These records should be kept for a minimum of six years after filing of the company's income tax return.

## Audited financial statements

The Companies Code requires statutory audits for every company and further states that the directors must ensure the following are prepared and a copy sent to each shareholder and debenture holder:

- financial statements;
- a report by the directors; and
- a report by the auditors.

This should be done at a date not later than 18 months after incorporation of the company and subsequently at least once every calendar year at intervals of not more than 15 months. Audited financial statements must cover the period since the preceding financial statements (or in the case of the first accounts, from the date of incorporation), and must be prepared up to a date not more than nine months earlier than the date on which it is to be sent to members and debenture holders.

The financial statements, which are to be presented before the general meeting, must give a true and fair view of the company's affairs and must be accompanied by the auditors' report.

*IFRS for SMEs is effective in Ghana for financial year ending 31 December 2013*

The IFRS for small- and medium-scale enterprises (SMEs) was published in July 2009. The standard modifies and simplifies the full IFRS with the aim of easing the financial reporting burden on non-public interest private companies through a cost-benefit approach.

The ICAG has indicated that the application of GAS will cease and be replaced with IFRS for SMEs with effect from the financial year ending 31 December 2013.

Privately owned companies in Ghana currently preparing financial statements under GAS will have a choice of adopting either full IFRS or IFRS for SMEs for the financial year ending 31 December 2013.

Differences between IFRS and IFRS for SMEs

- Less frequent amendments – Amendments to IFRS for SMEs are expected every three years.
- Relatively short – IFRS for SMEs is 230 pages long (plus illustrative financial statements, presentation and disclosure checklist, and basis for conclusions). The standard IFRS is over 500 pages long.
- Simplicity – It has simpler recognition and measurement requirements. It also has fewer disclosure requirements.
- Certain options in IFRS are deleted in IFRS for SMEs – For example, there is no option to apply the revaluation model to property, plant and equipment.
- Certain topics covered by IFRS are deleted completely – For example, financial instruments cannot be classified as held to maturity or available for sale under IFRS for SMEs. Financial instruments under IFRS for SMEs are classified either at amortised cost, or at fair value through profit or loss.
- There are options available in IFRS for SMEs that are not available in IFRS – For example, all borrowing costs are expensed irrespective of whether or not they relate to qualifying assets.

What should drive your choice of either IFRS or IFRS for SMEs?

- Consider the needs of the users of your company's financial statements.
- Consider your medium- to long-term objectives – e.g. if you are anticipating an IPO, it might be better to migrate directly to IFRS.
- Consider the terms of any contracts already signed and the impact that either framework will have on the covenants.

### Converting to IFRS for SMEs

The challenges of conversion to IFRS for SMEs are similar to those of conversion to the full IFRS. Its impact requires a great deal of decisiveness and commitment.

In summary, the conversion to IFRS for SMEs will have the following impact on your financial statements:

- There will be significant changes to the format of the financial statements and the disclosures required, but most importantly, for many businesses there will be changes to the numbers as well.
- IFRS for SMEs will change the recognition criteria for various assets and liabilities, the basis on which many items are measured and the treatment of certain gains and losses.

The starting point for applying the IFRS for SMEs will be to restate the opening balance sheet at the start of the comparative period. This is known as the date of transition. If a company prepares its first accounts under IFRS for SMEs for the year ending 31 December 2013, its date of transition will be 1 January 2012.

### Deferred tax regime under IFRS and IFRS for SMEs

Under GAS, companies accounted for deferred tax using the timing differences (profit and loss – P&L) approach. Under both IFRS and IFRS for SMEs, however, deferred tax is measured using the temporary differences (balance sheet) approach.

The essential difference between the timing- and temporary-differences approaches is that under a timing-differences approach, there is no recognised deferred tax as a result of a difference between the tax base and carrying amount of an asset or liability that does not impact the profit and loss account. Thus, for example, a revaluation of an item of property, plant and equipment that is recognised directly in equity will not have a deferred tax impact.

The table below summarises the key differences in accounting for deferred tax under IFRS and IFRS for SMEs:

IFRS for SMEs	IFRS
Deferred tax is provided for all temporary differences and the carry-forward of unused tax losses. There are a few exceptions, such as the initial recognition of goodwill and the outside basis differences (that is, temporary differences arising from investments in subsidiaries, branches, joint ventures and associates) from foreign investments that are essentially permanent in duration.	There are additional exceptions for initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit at the time of the transaction. In addition, IAS 12 provides an exemption to outside basis difference, regardless of whether it is a domestic or foreign investee.
A valuation allowance is recognised so that the net carrying amount of the deferred tax asset equals the highest amount that is more likely than not to be recovered.	The concept of 'valuation allowance' is not applicable. Instead, a deferred tax asset is only recognised to the extent that it is probable that there will be sufficient future taxable profit to enable recovery of the deferred tax asset. The net carrying amount of a deferred tax asset is likely to be the same.



## Implications of IFRS conversion on tax

Compliance with IFRS has the implication of adjustments in the prior period if the financial statements were prepared with other accounting standards such as the GAS.

Item	IFRS requirements	Tax consideration
Impairment	Required for assets (tangible and intangible), including financial instruments.	Should impairment be treated as provisions (general and specific) or losses (realised and unrealised)?
Fair value	This is required in certain cases (as is the case for some financial instruments) or allowed (in the case of non-current assets).	The tax impact of fair value should be substantially limited to deferred taxation.  However, where fair value gains or losses are charged to P&L, the overall impact will be levelled (an increase in current tax, offset by a decrease in deferred tax and vice versa).
Provisions	Incurred loss model	Generally, not tax-deductible.  However, the IRA allows general insurance companies a deduction for provision for unexpired risks (unearned premiums).
Development cost	IFRS requires development costs to be capitalised after technical and commercial feasibility of the asset for sale or use has been established. This means that the entity must intend and be able to complete the intangible asset and either use or sell it and be able to demonstrate how the asset will generate future economic benefits.	The IRA provides that research and development expenditure be expensed and a deduction be granted, unless the expenditure relates to the acquisition of an asset in respect of which a capital allowance will be granted.

With the recent amendment in the mining legislation and the proposed amendment in the oil and gas legislation with respect to ring-fencing, it is important that entities in the above-mentioned sectors take into consideration ring-fencing requirements in the preparation of their financial statements.



# *The Ghanaian Tax Regime*



### **Statute law**

The principal law that regulates the income tax system of Ghana is the Internal Revenue Act, 2000 (Act 592) (IRA) as amended in its regulations.

All tax legislation and exemption agreements must be approved by Parliament.

### **Case law**

There is very limited local case law used in the interpretation of tax legislation in Ghana. However, in the absence of local precedence, the Ghanaian courts use case law in the interpretation of tax cases or suits where necessary.

Where the taxpayer disagrees with the decision of the tax authorities, the tax law provides for a right of appeal to a court of competent jurisdiction, up to the Supreme Court of Ghana, which is the highest judicial court.

### **Tax clearance certificates**

A tax clearance certificate is required before the following can take place:

- Clearance of goods in commercial quantities from any customs port or factory in Ghana;
- Registration of any document conferring any title to land;
- Departure (at exit point) of any alien who had resided and earned income in Ghana; and
- Bidding for projects or contracts to be awarded by public institutions, agencies, corporations and boards in Ghana.

The GRA issues to a taxpayer a tax clearance certificate for a specific or general purpose where necessary.

### **General concepts**

Ghana operates on a unitary tax system, in which income from all sources (except for income such as dividends, rent, capital gains, and some fees subject to final withholding taxes or lower tax rates) is aggregated and subject to income tax.

### **Basis period**

The year of assessment and basis period for both individuals and partnerships is the calendar year.

### **Classes of taxpayers**

In Ghana, persons required to pay income, capital gains and gift taxes include:

- Companies;
- Self-employed individuals;
- Employed individuals; and
- Any other body of persons classified as either small taxpayers, medium taxpayers or large taxpayers.

Partnerships are assessed for tax at the individuals' tax rates based on the individual partners' share of profits in the partnership.



### ***Taxation of legal persons***

Companies are subject to corporate tax on chargeable income. Chargeable income is the assessable income less tax-deductible expenses or reliefs such as capital allowances. Subsequent distributions to shareholders are taxed separately.

Non-resident companies are typically subject to withholding tax as a final tax on their gross receipts from income that is sourced in, or derived from Ghana.

#### **Corporate residence**

A company is resident for tax purposes if that company:

- is incorporated under the laws of Ghana; or
- has its management and control exercised in Ghana at any time during the year.

A body of persons is a resident body of persons if that body of persons:

- is established in Ghana;
- has a resident person as a manager at any time during the year of assessment; or
- is controlled directly or indirectly by a resident person or persons at any time during the year.

A partnership is resident for tax purposes if at any time during the year, any partner in the partnership is resident in Ghana.

Persons not meeting the above are considered to be non-resident persons.

#### **Basis period**

The basis period of a company or body of persons is the accounting year of the company or body of persons.

A company is permitted to choose its accounting year. Once a particular accounting year is chosen, it cannot be changed unless prior approval in writing is obtained from the Commissioner-General of the GRA.

#### **Accounting methods**

Companies are required to account for taxes on the accrual basis.

#### **Chargeable income**

This is the total of a person's income from each business and investment less the total allowable deductions under the tax law.

The general corporate income tax rate is 25%. For companies operating in the upstream oil and gas industry, the general corporate income tax rate is 35%.

### Corporate income tax rates

Income tax rates applicable to companies include:

Entity	2014
	%
Companies listed on GSE on or after 1 January 2004 for the first three years only	22
Companies (not listed or listed on GSE before 1 January 2004)	25
Rural banks – first 10 years	0
Rural banks after first 10 years	25
Free-zone enterprise /developers – first 10 years in operation	0
Free-zone enterprise/developers – after first 10 years in operation	Up to 8 or 25
Venture capital financing company for the first 10 years only	0
<b>Manufacturing companies located:</b>	
i. In Accra/Tema	25
ii. In all other regional capitals	18.75
iii. Elsewhere	12.50
Hotels (a company principally engaged in the hotel industry)	20
Financial institutions – income derived from loans granted to farming enterprises or leasing companies	20
Companies engaged in mining	35
Companies engaged in petroleum operations	35
Companies engaged in non-traditional exports	8
Companies engaged in waste processing, including recycling of plastic and polyethylene for first seven years only	0
<b>Real estate companies</b>	
Income derived from construction for sale or letting of low-cost affordable residential premises (but subject to approval from the Ministry of Works and Housing):	
i. First five years	0
ii. After first five years	25
<b>Agriculture</b>	
i. Farming tree crops for only first 10 years	0
ii. Livestock (other than cattle), fish farming or cash crop farming for first 10 years only	0
iii. Cattle farming for first five years only	0
iv. Cocoa farming	0
<b>Agro-processing companies</b>	
i. First five years (for new businesses from 1 January 2004)	0
ii. After first five years and located in Accra/Tema	20
iii. After five years and located in other regional capitals, excluding Tamale, Wa and Bolgatanga	10
iv. After five years and located outside regional capitals	0
v. Located in Northern, Upper East and Upper West	0

### Free-zone enterprises

Companies registered to operate as free-zone developers/enterprises do not pay corporate tax for the first 10 years of operation. After the 10-year corporate tax holiday has expired, the corporate tax rate should not exceed 8% for income earned from exports to foreign markets and 25% for income earned from the domestic market.

### Mineral royalties

The total revenue earned from minerals obtained is subject to a mineral royalty at a rate of 5%.

### Branch income

Repatriated branch profit attracts final tax at 10%. This is payable by the non-resident entity that earns the repatriated branch profit and payment of tax due, which is required to be made to the Commissioner-General of the GRA within 30 days after the accounting year of the non-resident entity.

The branch in Ghana would, however, still be liable for its corporate income tax obligations for the year under consideration.

### Deductions allowed

Expenses wholly, exclusively and necessarily incurred in the production of income are generally allowed for tax purposes.

Examples of allowable expenses are as follows:

- Capital allowance;
- Tax losses brought forward from previous years (limited to five years) for businesses operating in one of the industries listed under the carry-forward-of-losses section of this document;
- Permissible tax losses incurred by a qualifying venture capital financing company from the disposal of shares in any venture investment;

- Realised foreign currency exchange losses other than those of a capital nature;
- Research and development expenditure incurred in the production of income, except costs determined to be capital in nature; and
- Sum invested in a venture capital financing company.

### Deductions not allowed

Expenditures of a capital nature or those not wholly, exclusively and necessarily incurred in the production of income are not allowed. Examples of expenses that are not allowed as deductions include:

- Personal or domestic expenditure;
- Interest expenses and associated foreign exchange losses of a thinly capitalised company;
- Depreciation;
- Any income tax (as well as penalties), profit tax or similar tax;
- Cost recoverable under an insurance contract; and
- Expenses exclusively incurred in a mining area from revenue derived from another mining area belonging to the same entity – this is under ring-fencing rules for mining entities.

### Capital allowances

Capital allowances are granted on depreciable assets owned and used by taxpayers in the generation of business income within the tax year.

We have included as Appendix 1 to this document the various classes of depreciable assets and the applicable rates of capital allowance.

### **Carry-over of tax losses**

Tax losses incurred by a qualifying venture capital financing company from the disposal of shares in any venture investment will be carried forward for a period of five years after the date of disposal.

Tax losses can be carried forward for five years after which, if not utilised, they are lost.

However, the permission to carry losses forward currently applies only to farming, mining, agro-processing, tourism, information and communication technology (ICT) or manufacturing businesses\*.

\*Manufacturing business for this purpose is defined as manufacturing mainly for export (in practice, exporting more than 50% of outputs).

Contractors in the upstream oil and gas industry are allowed to carry forward tax losses indefinitely.

### **National fiscal stabilisation levy (NFSL)**

Government has re-introduced the NFSL, previously introduced in 2009 and repealed in 2011. The levy will be imposed on the profit before tax (accounting profits) of some specified companies and institutions. The rate of this levy is 5% and it will apply for the 2013 and 2014 years of assessment.

The affected companies and institutions are as follows:

1. Banks (excluding community and rural banks);
2. Non-bank financial institutions;
3. Insurance companies;
4. Telecommunications companies (liable to collect and pay communications service tax (CST) under the CST Act);
5. Breweries;
6. Inspection and valuation companies;
7. Companies providing mining support services; and
8. Shipping lines, and maritime and airport terminal operators.

The NFSL is administered by the GRA, and the businesses liable to pay the levy are required to pay on quarterly basis commencing from the end of September 2013.

The NFSL was expected to be phased out by December 2014. However, in the 2014 Budget Statement, Government has proposed to terminate the NFSL by June 2014.

## **Withholding tax obligations**

The general withholding tax rate applicable for payments made to a resident person for the supply of goods and services is 5%.

On the other hand, payments to non-resident persons for services attract a general withholding tax at a rate of 20%.

Ghana has DTTs with France, Germany, the United Kingdom, South Africa, Italy, Belgium, the Netherlands and Switzerland.

The Government of Ghana is also pursuing double tax treaties with various countries including Sweden, Syria, the United Arab Emirates, the USA and the Czech Republic.

We have included as Appendices 2 and 3 to this document the various withholding tax rates applicable on payments made to resident and non-resident persons according to the Ghanaian tax laws and double tax treaties.

## **Taxation of individuals**

### **Residence**

An individual is resident for tax purposes if that individual is:

- a citizen of Ghana, other than a citizen who has a permanent home outside Ghana for the whole of the year;
- present in Ghana for a period or periods equal in total to 183 days or more in any twelve-month period that commences or ends during the year;
- an employee or official of the Government of Ghana posted abroad during the year; or
- a Ghanaian who is temporarily absent from Ghana for a period not exceeding 365 continuous days where that Ghanaian has a permanent home in Ghana.

Resident individuals are subject to taxes on income that is derived from, accrued in, brought into, or received in Ghana.

On the other hand, non-resident individuals are subject to tax on income derived from, or accrued in Ghana.

### **Chargeable income**

Chargeable income is the total of a person's income from each business, employment and investment less the total allowable deductions under the tax law.

### **Income tax rates**

Resident individuals are subject to tax using the graduated scale, depending on the level of income. The highest (marginal) income tax rate is 25%.

The current income tax bands and rates are as follows:

	Annual income	Rate
	GH¢	%
First	1 584.00	Nil
Next	792.00	5
Next	1 104.00	10
Next	28 200.00	17.50
Exceeding	31 680.00	25

The tax rates and bands are subject to periodic reviews by government.

The income of non-resident individuals is taxed at a flat rate of 20%.

### **Taxation of overtime payments**

Subject to certain conditions, overtime payments made to qualifying junior employees\* in a month are subject to tax at concessionary rates.

For all other employees, overtime payments are included in employment income and taxed under the graduated rates (for residents) or at a flat rate of 20% (for non-residents).

\*A qualifying junior employee is an employee whose qualifying employment income for a month does not exceed GH¢800.



### **Taxation of bonus payments**

Bonus payments made by employers to their employees in a year of assessment are assessed for tax at a rate of 5%, if the payment does not exceed 15% of the annual basic salary of the employee.

Where the payment exceeds 15% of the annual basic salary of the employee, the excess is added to the employment income of the employee and taxed at the employee's marginal income tax rate.

### **Non-cash benefits**

Non-cash benefits received from employment, except where specifically exempt, are taxable.

Generally, the value of any non-cash benefit is the market value to a reasonable person in the position of the employee and determined on the date the benefit is taken into account for tax purposes.

Accommodation facilities and vehicle-related benefits (any combination of vehicle, fuel and driver) are valued using prescribed percentages. We have included this in Appendix 4 of this document.

### **Personal reliefs**

The assessable income of an individual for any year of assessment may be reduced accordingly by some personal reliefs such as disability, old age and dependency reliefs.

We have included a schedule indicating the various personal reliefs in Appendix 5 of this document.

### **Individual income tax return**

Generally, every individual is required to file a tax return on income earned by the individual in a year of assessment. There is no joint filing for husband and wife.

The tax return is due for filing by 30 April.

### **Social security contributions**

Contributions under the National Pensions Act, 2008 (Act 766) are categorised into a three-tier pension scheme comprising:

- First tier – A mandatory basic social security scheme;
- Second tier – A mandatory fully funded and privately managed occupational scheme; and
- Third tier – A voluntary fully funded and privately managed provident fund and personal pension scheme.

### **Rates of contribution**

The general mandatory monthly social security contribution rates for employers and employees are 13% and 5.5% respectively of the employee's salary.

### **Remittance of contribution**

The employer is responsible for remitting the total mandatory contributions within 14 days after the end of the month in which the deduction is made or expected to have been made to the employee.

First-tier contributions are remitted to the SSNIT, whereas second-tier contributions are remitted to an approved trustee.

## **Tax administration**

### **Administration of the tax system**

The GRA is the umbrella tax regulatory authority, with the following divisions:

- Domestic Tax Revenue Division;
- Customs Division; and
- Support Services Division.

### **Categories of taxpayers for GRA administration purposes**

- Small tax payers are entities with an annual turnover of below GH¢90 000 (approximately US\$30,700);
- Medium tax payers are entities with an annual turnover from GH¢90 000 but below GH¢5 million (approximately US\$2.08 million); and
- Large tax payers are entities with an annual turnover of GH¢5 million and over.

### **Deadlines for filing of corporate income tax returns**

A return of income should be filed with the GRA within four months after the end of a person's basis period. Payment of any outstanding corporate income tax liability is required to be made by this date.

An employer should by March 31st every year submit a return on all employees who were in his employment in the previous year.

### **Provisional assessment**

The Commissioner-General may raise a provisional assessment on a taxpayer after the commencement of each year.

### **Self-assessment**

The Commissioner-General may require specified persons to submit self-assessed provisional tax liabilities for the year.

### **Payment of tax**

Tax instalment payments are due by the last day of every quarter (i.e. three-month period) following the accounting year-end of the company.

Withholding tax is due within 15 days after the month in which the deduction was made or deemed to have been made.

Tax payment dates fixed by the Commissioner-General should be paid on the date established.

In any other case, tax due should be paid within 30 days of the service of the notice of assessment.

### **Keeping of records**

Generally, taxpayers (excluding employees) are required to maintain records of all receipts and payments, revenue and expenditure, and assets and liabilities of the business for a period of not less than six years.

### **Anti-avoidance provisions**

The tax laws contain anti-avoidance provisions such as the following:

- Thin capitalisation rules: ensuring adherence to the 2:1 exempt debt to exempt equity ratio/threshold;
- Income-splitting rules (deliberate transfer of income or property among associates with the aim of reducing overall tax liability of the group); and
- Transfer pricing: ensuring that transactions between 'related parties' are at arm's length.

### **Offences and penalties**

There are penalties, and in some cases criminal liabilities, applicable for various offences under the tax law. We have included a schedule of offences and the potential penalties in Appendix 6 of this document.

## **Value-added tax (VAT) and national health insurance levy (NHIL)**

VAT is charged at each stage of production/distribution as goods or services change hands. It is charged by the person making the supply and borne by the final consumer.

Other than exempt goods and services, VAT is required to be charged on the following supplies:

- Every supply of goods and services made in Ghana;
- Every importation of goods; and
- The supply of any imported service.

The liability for the tax is, in the case of:

- a. taxable supplies – by the taxable person making the supplies;
- b. imported goods – by the importer; and
- c. imported services – by the recipient of the service.

Except for supplies considered to be zero-rated, the standard rate is a total of 17.5% which comprises VAT of 15% and NHIL of 2.5%.

VAT is calculated on the value of the taxable supply of the goods, services or imports. For imports of goods, the value of the taxable supply is defined to be inclusive of cost, insurance, freight (CIF) and import duty used for customs purposes.

VAT on imported goods is typically paid at the port/harbour together with the associated import duties.

### **VAT thresholds**

All persons engaged in taxable activities, with annual taxable supplies exceeding (or expected to exceed) GH¢120,000 are required to register for VAT.

A taxable person is a person registered by the Commissioner-General and issued with a certificate of registration. The certificate is required to be exhibited

at the principal place of business of the taxable person. The effective date of registration as a taxable person will be such date as will be specified in the certificate of registration issued by the Commissioner-General.

### **VAT invoice**

A person registered for VAT is required to issue VAT invoices (pre-designed by the GRA) to cover its taxable supplies, and to obtain VAT invoices in support of its input VAT claims.

In certain circumstances, the Commissioner-General of the GRA may grant permission for a taxable person to issue their own computer-generated VAT invoices.

### **Group registration**

With the approval of the Commissioner-General, group registration is possible. In this case, there will be no VAT charge on 'intra-group' transactions, and input VAT can be claimed for all members of the group (as permitted under the VAT law).

### **De-registration**

Upon application, the Commissioner-General may cancel the registration of a taxable person where he is satisfied that the registered person no longer exists or has ceased to carry on taxable activities.

### **VAT on imported services**

A person who receives imported services is required to charge and account for VAT on these services (if they are not exempted) and to the extent that those services are not used to make taxable supplies. The reverse VAT should be paid within 21 days after the month in which it was imported.

The VAT paid may not be claimed as input VAT.

### **Zero-rated and exempt supplies**

Some taxable supplies are classified as zero-rated (e.g. export of goods) while others are totally exempt from VAT (e.g. supply of agricultural inputs and medical supplies).

### **VAT-relief purchase orders (VRPOs)**

A taxable person who is relieved from the payment of VAT or covered under special dispensation may request the Commissioner-General of the GRA to issue VRPOs in lieu of paying the VAT on invoices raised on them. Duplicate copies of the VRPOs are required to be kept as evidence during a VAT audit by the GRA.

### **VAT return**

VAT returns are due for submission, and the associated amount must be paid, by the last working day of the month following the month in which the VAT became due.

### **Penalty and interests**

We have included, as Appendix 7 to this publication, a schedule indicating offenses and applicable penalties under the Ghanaian VAT regime.

### **Communications service tax**

CST is payable by users of electronic communication services (ECS) provided by a person permitted or authorised under the Electronic Communications Act, 2008 (Act 775) and its regulations.

Users of ECS include individuals and corporate entities (as well as the ECS providers themselves).

The rate of CST is 6% and this is chargeable on ECS and recharges made by ECS providers. Charges for ECS include those made for monetary and non-monetary considerations (e.g. promotions and bonuses). CST is also applicable on interconnect services.

The ECS providers in Ghana are ordinarily required to collect the tax and account to the GRA on a monthly basis.

The due date for filing this monthly return is the last working day of the month following the month to which the tax return and payment relate, unless the Commissioner-General directs otherwise.

Where a CST return is not filed by the due date without justification, penalties and interests may apply.

### **Customs and excise duties**

Ghana has adopted the Harmonised System and Customs Tariff Schedule, 2012 (HS Code), which sets out the various duties and administrative charges applicable for imports, exports and local manufacturing (i.e. excise duties).

### **Import duty**

Generally, import duties range between 0% and 20%, depending on the nature (description) of the item imported, as specified in the HS Code. Import duty is generally levied on the cost, insurance and freight (CIF) of the item imported. VAT and NHIL of 17.5% are also applied on the sum of CIF value (used for customs purposes) and import duty.

### **Special import levy**

In July 2013, the government introduced the special import levy, which will apply on the importation of specific goods for the years 2013-2014. The levy is applicable on importation of the following:

- machinery and equipment listed under chapters 84 and 85 of the HS Code; and
- all other goods (except petroleum products) listed under headings 27.09 and 27.10 of chapter 27 of the HS Code, and fertilisers listed under chapter 31 of the HS Code.

The special import levy will also apply in addition to the import duties and mandatory statutory/administrative charges.

### **Import duty exemptions**

There are special import duty exemptions for some privileged persons, organisations and institutions (for example diplomatic missions) as well as for persons belonging to specific industries (such as mining, oil and gas, and free-zone entities).

### **Administrative charges**

There are statutory administrative charges ranging between 2.5%-3.45% of the value of goods imported. These charges apply regardless of any import duty exemptions. Examples of the administrative charges are as follows:

- Processing fee – 1% of CIF;
- Inspection fee – 1% of CIF;
- Network charge (GcNet) – 0.45% of FOB\*;
- ECOWAS Levy – 0.5% of CIF; and
- EDIF Levy – 0.5% of CIF.

\*FOB – Freight on board.

### **Export duty**

Exports do not usually attract duty.

### **Excise duty**

Excise duty generally ranges between 10%-170% (of ex-factory price) and is applied on products such as beer, spirits and tobacco products.

### **Environmental tax**

Environmental excise tax of 10% applies on plastic and plastic products listed under chapters 39 and 63 of the HS Code.

### **Airport tax**

Airport tax is levied on local and foreign travels. The tax ranges from GH¢5 (approximately US\$2) on local travels and US\$60-US\$200 for foreign travels.

### **Administration**

The GRA and the RGD have implemented a new system called Ghana e-Government Initiative (GeGov). This is aimed at the computerisation and integration of business processes across the Revenue Collection Agencies. Both new and existing taxpayers were required to re-register with the GRA and RGD by January 2013.

With the implementation of the GeGov, it is expected that there will be improved efficiency through online business registration, online filing of tax returns, online payments and other online shared services. It is also expected that there will be integrated systems and information sharing between the RGD and GRA, and other government agencies.





## *Firm information*





## **PwC Ghana profile**

PwC firms help organisations and individuals create the value they are looking for. We are a network of firms in 157 countries, with close to 184 000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.com](http://www.pwc.com).

### **Our core values**

As professional advisors, we help our clients solve complex business problems, and aim to enhance their ability to build value, manage risk and improve performance. We take pride in the fact that our services add value by helping to improve the transparency, trust and consistency of business processes. In order to succeed, we must grow and develop, both as individuals and as a business.

Our core values of **excellence**, **teamwork** and **leadership** help us to achieve this growth. We strive to deliver what we promise, work together as a team and lead by example.

### **PwC in Africa**

With 57 permanent offices employing more than 7,700 professional staff in 31 countries, PwC is able to offer the highest level of quality services in almost every country in Africa. Member firms can be found in: Angola, Algeria, Botswana, Cameroon, Chad, Congo, Cote D'Ivoire, Democratic Republic of Congo (DRC), Egypt, Equatorial Guinea, Gabon, Ghana, Guinea Conakry, Kenya, Liberia, Libya, Madagascar, Malawi, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.

## **PwC Ghana**

PwC Ghana is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. PwC's global network provides us with a broad resource base of in-depth knowledge, methodologies and experience that we use to provide value for our clients.

PwC Ghana is located in Accra and Takoradi, with over 250 employees and eight resident partners/directors. We offer professional services to both the private and public sectors in Ghana in the following industries:

### **Consumer and industrial products and services (CIPS)**

Fast-moving consumer goods, telecoms, manufacturing, construction, transport, media and service-oriented companies

### **Energy and mining**

Mining, exploration and renewable energy companies as well as oil and gas companies

### **Financial services**

Banking, insurance, pensions and non-bank financial institutions

### **Public sector**

Government, and multi and bilateral agencies (donor agencies and NGOs)

## **Audit and Assurance**

Our audit approach, at the leading edge of best practice, is tailored to suit the size and nature of your organisation and draws upon our extensive industry knowledge. Additionally, we are the leaders in the development of non-financial performance reporting, helping our clients respond to the need for greater transparency, improved corporate governance and business models based on the principles of sustainability.

Every engagement is considered unique and executed to ensure value creation:

- **For shareholders and other stakeholders**  
Provide independent opinion and reports that add credibility to financial information.
- **For audit committees**  
Assist in discharging their corporate governance and compliance responsibility.
- **For group reporting**  
Provide clearance to group auditors in order to meet group reporting requirements.
- **For management**  
Observation on financial reporting and business issues from professionals who have in-depth knowledge and understanding of your business and industry.

We serve our clients around the following priority areas:

- Statutory audit for private sector entities including SMEs;
- Internal audit;
- Audit of public sector entities, including government ministries, departments and agencies as well as non-governmental organisations;
- Fund/Grant management in respect of donor-funded projects;
- Systems process assurance, including risk management, IT systems and IT operations management;
- Advisory and attest services with respect to Sarbanes-Oxley Act, 2002 section 404 (SOX 404) and Public Committee Accounting Oversight Board Auditing Standards No.5 (AS5); and
- Transition and training on International Financial Reporting Standards (IFRS).

## **Accounting/bookkeeping**

- Preparation of monthly cash book;
- Recording of monthly bank transactions, including update of accounts receivable and payable ledger;
- Keeping other subsidiary ledgers, including fixed assets and inventory;
- Submission of trial balance, income statement and balance sheet in an agreed format on a monthly basis;
- Preparation of VAT and withholding tax (WHT) returns to enable client's tax consultants file VAT and WHT returns on a monthly basis; and
- Preparation of statutory financial statements at the end of each accounting period to be audited by an independent auditor.



## ***Tax Advisory***

PwC is the leading provider of tax services worldwide. We understand your business and economic environment and we combine this with specialist tax knowledge to help you navigate complexity.

Our tax compliance services include:

- Assisting clients with the preparation and filing of tax returns for companies and employees (individuals), including expatriates;
- Payroll management;
- Withholding tax management;
- Indirect tax services (VAT and Customs);
- Assisting clients to comply with the relevant tax laws in order to meet tax obligations;
- Representing and negotiating on behalf of clients with the Commissioner-General of the Ghana Revenue Authority;
- Assisting clients to object to excessive assessments raised; and
- Representing our clients at meetings with the tax authorities upon request.

Our tax advisory services cover

- Tax planning opportunities to minimise taxes/risks to both local and international entities;
- Tax reliefs and incentives available under the various tax laws;
- Tax health checks/audits and due diligence;
- Tax effects of business acquisitions, disposals and restructuring; and
- Other tailor-made products as required by our clients.

## ***Corporate Advisory Services***

Through our affiliate entity, Abacus Services Ghana Limited, we provide a wide range of company secretarial services, including:

- Convening and attending board meetings and general meetings;
- Drafting of resolutions of directors and shareholdings;
- Corporate statutory filings;
- Maintenance of statutory books;
- Corporate compliance reviews;
- Corporate governance advisory;
- Inward investor/pathfinder services; and
- Formation of corporate entities.

Immigration Services

- Work and residence permits;
- Extension of visitors' permits;
- Emergency entry visas;
- Re-entry visas; and
- Filing of returns.

### **Advisory services**

We help organisations to work smarter and grow faster. We consult with our clients to build effective organisations, innovate and grow, reduce costs, manage risk and regulation, and leverage talent. Our aim is to support you in designing, managing and executing lasting beneficial change.

### **Transactions**

Our transactions division provides comprehensive commercial, financial, economic and strategic advice to companies facing significant business growth opportunities. We build relationships with our clients and provide excellent advice and independence. Our services include:

- Due diligence valuations;
- Transaction advisory;
- Privatisation;
- Public private partnership and project finance;
- Debt advisory;
- Bid support and defence; and
- Business modelling.

### **Business recovery**

Troubled or underperforming companies and their shareholders, lenders, creditors and other stakeholders need support to help make informed decisions. We work with colleagues across the entire breadth and depth of the firm, from tax and assurance to advisory, to provide the specialist situational knowledge that you need to make the right decisions.

Our services include:

- Restructuring, turnaround and reorganisation planning;
- Operating and financial efficiency during a crisis;
- Bankruptcy and insolvency advisory;
- Distressed sell/buy-side advisory;
- Independent business reviews; and
- Distressed M&A and financing.

### **People and change**

Getting the best from people at every level when there is constant change is the key to sustainable competitive advantage. Solid strategies, processes and technology alone do not deliver results. It takes people to accept, adopt, drive and sustain the change to realise tangible impact. Success in business hinges on strategic agility and the ability to execute:

- Talent management;
- Organisational design;
- Leadership development;
- Succession management;
- Learning;
- Employee engagement;
- Change management; and
- Human resource effectiveness and metrics.

### **Forensic and investigative**

Our team of accountants, lawyers, former regulators, computer forensic specialists, engineers and other experts can help to investigate, analyse and resolve potential crises. Better still, we can provide forensic advisory services upfront to prevent issues from arising in the first place. Our services include:

- Investigations and forensic accounting;
- Forensic technology, data discovery and e-Discovery;
- Economic damage analysis;
- Complex commercial litigation support services;
- Information risk and records management;
- Anti-fraud and anti-corruption services; and
- Licensing and contract disputes.

### **Finance & accounting**

Today's CFOs are faced with a complex, constantly changing business environment. Their companies' strategies for managing challenges need to be supported by a flexible finance organisation that delivers transparent, efficient and forward-looking insight, while at the same time managing risk and compliance, effectively leveraging capital and maximising liquidity. Our team is equipped to help upgrade your finance function to its maximum potential through:

- Business process reviews and enforcement;
- Finance transformation and organisation design;
- Corporate performance management;
- Control optimisation;
- Cost reduction and revenue maximisation; and
- Finance capabilities assessment.

### Strategy and operations services

We help companies achieve strategic and operational excellence through sustainable improvements and more efficient processes that lower costs, increase cash flows and enhance customer satisfaction.

We can develop or appraise strategic business plans through a rigorous analysis of our clients' market environment, competitive landscape and internal capabilities. We can help you to determine the right strategic priorities for profitable growth, and we offer support and practical solutions for achieving these growth objectives.

Our strategy services include:

- Strategic planning;
- Organisational strategy;
- Growth strategy;
- Financial and acquisition strategy;
- Customer strategy;
- Business and technology design;
- Supply chain management strategy;
- Sales, business development and pricing strategy; and
- Climate change and sustainability.

### Operations

The demand for a customer-centric focus, end-to-end integrated operations and optimal cost management has never been greater. We bring capabilities in management and process improvement to help companies optimise their operating processes and supply chains. Our operations services include:

- Operations and process excellence consulting;
- Shared services centre (SSC) design and operations;
- Customer experience optimisation consulting; and
- Supply chain management consulting.

## ***Our partners and directors***



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# *Appendix*



# Appendix 1

## Capital Allowance Schedule

Class	Comments	Rate
1	Assets pooled (allowance calculated on a reducing-balance basis). Mainly computers and data-handling equipment.	40%
2	Assets pooled (allowance calculated on a reducing-balance basis). Mainly automobiles, buses, minibuses, construction and earth-moving equipment, trailers and trailer-mounted containers, plant and machinery used in manufacturing.	30%
3	Assets not pooled (allowance calculated on a straight-line basis). Mainly mining and petroleum rights assets such as exploration and development costs, buildings, structures, and works of a permanent nature related to plants and machinery.	20%
4	Assets pooled (allowance calculated on a reducing-balance basis). Mainly railroad cars, locomotives and equipment, vessels and similar water transportation equipment, aircraft, public utility plants, equipment, office equipment and fixtures, and any other depreciable asset not elsewhere classified.	20%
5	Assets not pooled (allowance calculated on a straight-line basis). Mainly other building structures and works of a permanent nature.	10%
6	Assets not pooled (allowance calculated over the useful life of the asset). For other intangible assets.	Useful life

Note that a realised exchange loss arising out of the acquisition of a depreciable asset may be capitalised separately and granted a capital allowance at a 10% reducing balance distinct from the asset that gave rise to the loss.



# Appendix 2

## Withholding Tax Rates Applicable Under Local Tax Act

Income	Rate %	Remarks
<b>Resident persons</b>		
Interest (excluding individuals and resident financial institutions)	8	Final tax
Dividend	8	Not Final tax
Rent (for individuals and as investment income)	8	Final tax
Fees to lecturers, invigilators, examiners, part-time teachers and endorsement fees	10	Final tax
Commissions to insurance agents, sales persons, and fees to directors, board members etc.	10	Not final tax
Supply of goods and services exceeding GH¢500	5	Not final tax
<b>Non-resident persons</b>		
Dividend	8	Final tax
Royalties, natural resources payments and rents	15	Final tax
Management, consulting, technical service and endorsement fees	20	Final tax
Repatriated branch after tax profits	10	Final tax
Interest income	8	Final tax
Short-term insurance premium	5	Final tax
Income from transportation, shipping and air transport	15	Final tax

# Appendix 3

## Maximum Withholding Tax Rates Under Double Tax Treaties

	Dividends (Where recipient holds at least 10% shares)	Dividends (In any other case)	Royalties	Technical/ management service fees	Interest
	%	%	%	%	%
France	7.5	15	10	10	10
United Kingdom	7.5	15	12.5	10	12.5
Germany	5	15	8	8	10
South Africa	5	15	10	10	10 (5% for non- resident banks)
Belgium	5	15	10	10	10
Italy	5	15	10	10	10
The Netherlands	5	10	8	8	8
Switzerland	5	15	8	8	10

# Appendix 4

## Benefits-in-Kind Schedule

Benefits in kind	Value (% of TCE*)
<b>Provision of accommodation</b>	
Accommodation with furnishing	10%
Accommodation only	7.5%
Furnishings only	2.5%
Shared accommodation	2.5%
<b>Provision of means of transport</b>	
Fuelled vehicle with driver	12.5% up to GH¢350 per month
Vehicle with fuel	10% up to GH¢300 per month
Vehicle only	5% up to GH¢150 per month
Fuel only	5% up to GH¢150 per month

\*Total cash emoluments (TCE) is the total of all income derived by the person during the year from any and all employment.

# Appendix 5

## Personal Tax Relief

	Condition	Annual Relief (GH¢)
(i)	An individual with a dependent spouse or at least two dependent children	200
(ii)	Disabled person(s)	25% of Y*
(iii)	Aged 60 or more	Y* up to 200
(iv)	Dependent child or ward education	100 per dependent** limited to three dependents
(v)	Aged dependents (over 60 years)	100 per dependent** up to two dependents
(vi)	Professional, technical or vocational training cost	Up to 400

\* Y is assessable income from any business or employment

\*\*Where more than one person qualifies in respect of the same dependent, only one person can claim the relief.

# Appendix 6

## Direct Taxes – Offences and Penalties

Offences	Penalties and fines
Failure to keep books of account	5% of the amount of tax payable
Failure to furnish a return	Self-employed persons pay GH¢2 and companies pay GH¢4 for each day of default
Failure to pay tax on due date	Where default is not more than three months, 10% of the tax payable and where default exceeds three months, 20%. If it is withholding tax, the penalty for delay not more than three months and more than three months is 20% and 30%, respectively.
Understating estimated tax payable by instalment, where the estimated chargeable income (self-assessment) is less than 90% of the actual chargeable income	30% of the difference between the tax calculated on the estimated chargeable income and 90% of the actual chargeable income
Making false or misleading statements	Double or three times the amount of the underpayment of the tax which may result if not detected
Aiding and abetting	Three times the amount of the underpayment of the tax which may result if the offence went unnoticed
Failure to comply with the Act	Where resulting underpayment is more than GH¢500, penalty is between 50 and 300 penalty units* and in any other case between 10 and 100 penalty units
Failure to withhold tax	Personal liability to pay to the Commissioner-General the tax due but not withheld
Late payment of mandatory social security contribution	3% per month of the contribution payable

\*A penalty unit is equal to GH¢12.

Penalties have been prescribed for offences committed by authorised and unauthorised persons and entities. The Commissioner-General may at any time prior to the commencement of court proceedings compound the offence.



# Appendix 7

## VAT – Offences and Penalties

Offences	Pecuniary Penalties and Interests
Failure to register	Up to two times the amount of tax payable until application is filed
Failure to issue tax invoices or sales receipt and falsification of tax invoice	Up to GH¢1,200; plus Greater of 3 times the amount of tax involved or 500 currency points
Evasion of tax payment	Up to three times amount of tax evaded
Failure to provide required credit/debit note or wrongly providing credit/debit notes	Greater of 3 times the tax amount and 250 currency points (in addition to Up to GH¢1,200)
Making a false claim for refund	Two times the original amount of refund plus interest
False or misleading statement	Up to GH¢1,000
Falsification and alteration of documents	GH¢200 – GH¢ 1,000
General penalty for unspecified offences	Up to three times amount of tax involved
Failure to maintain proper records	Up to GH¢1,000
Obstruction of officer of the Service	Minimum of GH¢ 1,200 up to the greater of GH ¢9,600 or three times amount of tax involved
Unauthorised collection of tax	Up to ten times amount of tax involved
Offering bribes to officers	Up to three times amount of tax involved
Late filing of VAT returns	GH¢500 flat and GH¢10 for each day of default
Late payment of VAT liability on due date	Interest at the prevailing Bank of Ghana discount rate plus one of that rate per month