

Charting tax trends in Ghana

*A quick guide
to taxation in
Ghana*

*2013 Tax Facts
and Figures*



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Introduction



The tax regime in Ghana has seen a number of changes in recent times.

The following highlight some further expected changes according to the 2013 Budget Statement and Economic Policy:

- Increasing the Value Added Tax (“VAT”) threshold from GH¢90,000 to GH¢120,000 and introducing 3% and 6% presumptive taxes on persons who are not required to register for VAT; and
- Finalising and passing into law the Windfall Tax Bill which imposes a windfall tax on mining companies.

In this publication all tables and other currency references are in Ghana Cedi (GH¢) which was approximately US\$ 0.48 as at 31 July 2013.

Although we have taken all reasonable care in compiling this publication, we do not accept responsibility for any errors or inaccuracies that it may contain. This guide has been prepared for a quick reference, and action should not be taken on the strength of the information contained herein without obtaining professional advice.

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A brief profile of PwC



Global Overview

The firms of the PwC global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for our clients and their stakeholders.

Our success in meeting today's business challenges rests on the way we approach our work. With more than 180,000 people in 158 countries, we use our network, experience, industry knowledge and business understanding to build trust and create value for our clients. Our promise to our clients is found in our brand promise – 'My relationship with PwC helps create the value I'm looking for.' And it forms the basis of all our interactions with our clients as well as our people.

Our Core Values

Our core values of excellence, teamwork and leadership define how our people work. We strive to deliver what we promise; value in all that we do.

Our values are driven by a legacy of focusing on serving our clients and developing great people. They define and guide our behaviours and are the framework for our decisions. Our service ethic is characterised by quality and integrity.

PwC in Africa

With 58 permanent offices employing more than 7,700 professional staff in 33 countries, PwC is able to offer the highest level of quality services in almost every country in Africa. Member firms can be found in:

Algeria	Morocco
Angola	Mozambique
Botswana	Namibia
Cameroon	Nigeria
Chad	Republic of Congo
Cote D'Ivoire	Republic of Guinea
Democratic Republic of Congo (DRC)	Rwanda
Egypt	Senegal
Equatorial Guinea	Sierra Leone
Gabon	South Africa
Ghana	Swaziland
Kenya	Tanzania
Liberia	Tunisia
Libya	Uganda
Madagascar	Zambia
Malawi	Zimbabwe
Mauritius	

PwC Ghana



In Ghana, PwC has 8 Partners/
Directors and over 250 employees.

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 clients include private sector
businesses (both multinational
and national), many government
institutions (at national and local
levels) and financial institutions.

From Ghana, the firm services clients
located in or with business and
development interests in Sierra Leone,
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General provisions under the law



Income liable to tax

Income tax is levied in each year of assessment on the total income of both resident and non-resident persons in Ghana.

With respect to resident persons, the income must be derived from, accrued in, brought into, or received in Ghana.

For non-resident persons, the income must be derived from or accrued in Ghana.

Resident persons

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.

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
- 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.

Income sources

The chargeable income of a person for any year of assessment is the total of that person's income for the year from each business, employment, and investment less the total amount of deductions allowed to that person.

Taxation of individuals



Monthly tax rates

A new personal income tax threshold for tax resident individuals was implemented effective 23 May 2013 to replace the personal income tax thresholds previously introduced in March 2012. In this publication, we have shown the existing personal income tax table applicable to chargeable income of resident individuals.

The table below indicates the applicable monthly income tax bands and rates:

Year 2013	Chargeable Income GH¢	Rate %	Tax Payable GH¢	Cumulative Income GH¢	Cumulative Tax GH¢
First	132	0.0	0.00	132	0.00
Next	66	5.0	3.30	198	3.30
Next	92	10.0	9.20	290	12.50
Next	2,350	17.5	411.25	2,640	423.75
Exceeding	2,640	25.0			

Chargeable income of non-resident individuals is taxed at a flat rate of 15%.

Income from employment

A person's income from an employment is the person's gains or profits from that employment including any allowances or benefits paid in cash or given in kind to, or on behalf of that person from that employment; except where exempt.

Personal reliefs

The assessable income of an individual for any year of assessment may accordingly be reduced by the following:

	Conditions	2013 GH¢
(i)	An individual with a dependant spouse or at least two dependant children	200
(ii)	Disabled person(s)	25% of Y*
(iii)	Aged 60 or more	Y* up to 200
(iv)	Dependant child or ward education	200 per dependant** limited to 3 dependants
(v)	Aged dependants (over 60 years)	100 per dependant** up to 2 dependants
(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 dependant, only one person can claim the relief.

Contributions to retirement benefit schemes

National Pensions Act

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 employees' salaries.

Remittance of contribution

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

First tier contributions (13.5%) are remitted to the Social Security and National Insurance Trust (SSNIT) whilst the second tier contributions (5%) are remitted to approved Trustees.

Tax exemption

Tax exemptions are available for mandatory and voluntary contributions within specified limits and conditions.

Life Insurance Premiums

The assessable income of an individual may be reduced by a life insurance premium paid by or on behalf of that individual in Ghanaian currency to a Ghanaian insurance company within the year which does not exceed the lower of 10% of the sum assured or 10% of the assessable income.

Retirement Savings

The assessable income of a business may be reduced by a contribution made to a retirement fund by or on behalf of an employee, only if the contribution is included in the income of the employee and taxed accordingly.

A business is however not entitled to a deduction for a payment made to an individual on retirement on account of old age, sickness, or other infirmity.

A pension or lump sum paid by an entity to an individual on retirement on account of old age, sickness, or other infirmity is exempt from tax.

Interest expense

Interest incurred by an individual in respect of a borrowing employed in constructing or acquiring residential premises can be claimed as a deduction in determining the income of an individual.

Non-cash benefits

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

Generally, the value of any non-cash benefits 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 as follows:

Facility provided	2013
Provision of Accommodation	Value (% of TCE*)
Accommodation with furnishing	10%
Accommodation only	7.5%
Furnishings only	2.5%
Shared accommodation	2.5%
Provision of Means of Transport	Value (% of TCE*)
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.

Non-taxable benefits/income

The following benefits/income are generally not taxable:

- a. Reimbursement or discharge of an employee's medical and dental cost or health insurance expenses;
- b. Passage costs of an employee who is:
 - 1. recruited or engaged outside of Ghana;
 - 2. solely to serve the employer in Ghana; and
 - 3. a non-resident;
- c. Accommodation provided by employer to employee on a timber, mining, building, construction or farming business at any place or site where field operation of the business is carried on;
- d. Reimbursement of proper business costs incurred on behalf of employer;
- e. Severance pay;
- f. Night duty allowance (limited to 50% of monthly basic salary);
- g. Pension or lump sum payment upon retirement on account of old age, sickness or other infirmity;
- h. Pension or lump sum payment made by a retirement fund to a member or a nominated beneficiary of a member of the fund;
- i. The dividend or interest paid or credited to a person who has invested in a venture capital financing company that satisfies the eligibility requirements for funding;
- j. Interest paid by a resident financial institution or on bonds issued by Government of Ghana; and
- k. Interest, dividend or
 - 1. any other income of an approved unit trust scheme or mutual fund
 - 2. any other income payable under an approved unit trust scheme or mutual fund to a holder or member of that scheme.

Taxation of overtime

Overtime payments made to qualifying junior employees* in a month are taxable at 5% if the payment does not exceed 50% of the basic salary of the employee for the month.

Any overtime payment to a qualifying junior employee that exceeds the above threshold is taxable at 10%.

For all other employees, overtime payments are included in employment income and taxed under the graduated rates of tax shown on page 15.

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

Taxation of bonus

Bonus payments made to employees which fall below the threshold of 15% of the employees' annual basic salary are taxed at a rate of 5%.

Bonus payments in excess of the 15% threshold are added to the employment income of the employees and taxed at the graduated rates of tax.

Pay As You Earn (PAYE)

PAYE is a system of withholding income tax from payments to employees.

The employer deducts the tax at source on the taxable income including benefits earned by the employee and pays it to the Ghana Revenue Authority (GRA) by the 15th day of the month following the month in which the deduction was or should have been made.

Year of assessment (individuals)

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

Corporate tax



Rates of tax

Income tax rates applicable to companies include:

Entity	2013 %
Companies listed on GSE on or after 1 January 2004 for the first 3 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	8
Free Zone Enterprise /Developers – first 10 years in operation	0
Free Zone Enterprise/Developers – after first 10 years in operation	Up to 8
Manufacturing companies located:	
i. In Accra/Tema	25
ii. In all other regional capitals	18.75
iii. Elsewhere	12.5
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 non-traditional exports	8
Real estate companies	
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 5 years	0
ii. after first 5 years	25
Agro-processing companies	
i first 5 years (for new businesses from 1 January 2004)	0
ii. after first 5 years and located in Accra/Tema	20
iii after 5 years and located in other Regional Capitals, excluding Tamale, Wa and Bolgatanga	10
iv. after 5 years and located outside Regional Capitals	0
v located in Northern, Upper East and Upper West	0

Year of assessment (companies)

The year of assessment is the calendar year.

Basis period

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

A company can 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.

Deductions allowed

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

Examples of allowable expenses are as follows:

- Capital allowance;
- Specific bad debts;
- 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 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;
- Depreciation;
- Any income tax (as well as penalties) or profit tax or similar tax;
- Cost recoverable under an insurance contract; and
- Under ring fencing rules for mining entities, no deduction is allowed for expenses exclusively incurred in a mining area from revenue derived from another mining area belonging to the same entity.

Capital allowances

Capital allowances are granted to persons who own depreciable assets at the end of the basis period and use such assets in the production of income from business.

The Commissioner-General should be notified within one month of purchasing and putting an acquired asset to use.

Capital allowances granted to a person are not transferable either separately or together with any depreciable asset.

Depreciable assets are grouped in the following classes for the purpose of capital allowances:

Class	Assets included	Rate
1	Computers and data handling equipment	40% on reducing balance basis
2	i) Automobiles, trailers, construction and earth-moving equipment, plant and machinery used in manufacturing	30% on reducing balance basis
	ii) Plantation capital expenditure	
3	i) Mineral and petroleum exploration rights; cost incurred in respect of mineral and petroleum prospecting, exploration and development	20% on straight line basis
	ii) Buildings, structures and works of permanent nature used in respect of mineral and petroleum exploration	
	iii) Plant and machinery used in mining or petroleum operations	
4	Locomotives, water transportation equipment, aircraft	20% on reducing balance basis
	Office furniture and fixtures	
	Equipment not included in other class	
5	Buildings, structures and works of a permanent nature other than those mentioned in class 3 above	10% on straight line basis
6	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 capital allowance at 10% reducing balance distinct from the asset that gave rise to the loss.

Carry over of tax losses

Tax losses incurred by a qualifying venture capital financing company from disposal of shares in any venture investment shall 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, are lost. This provision 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).

Fresh graduate incentive

As an incentive to companies to hire recent graduates from recognised tertiary institutions in Ghana, a deduction from tax on income of between 10% and 50% of the recent graduates' salaries is granted depending on the percentage of recent graduates employed in relation to the total employees of the company.

Mineral royalty

The mineral royalty rate is 5% of the total revenue earned from minerals* obtained from mining operations by a holder of a mining lease, restricted mining lease or small scale mining license.

*Minerals exclude petroleum and water.

Ring fencing rules for the Mining Sector

In determining the chargeable income of a basis period, mining companies are not permitted to deduct expenses incurred in one mining area against revenue derived from another mining area. As such, chargeable income or loss of a mining company is computed on a mine area by mine area basis, resulting in multiple chargeable income or loss calculations, notwithstanding the fact that the mining company is a single entity or taxpayer.

Dividends

Generally, dividend received from a resident company is subject to a final withholding tax of 8%.

However, the withholding tax on dividend generally does not apply to dividend paid by a resident company to another resident company which controls, directly or indirectly at least 25% of the voting power of the company.

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 profit) 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 (i.e. calendar years).

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, 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 a quarterly basis commencing from the end of September 2013.

The NFSL is expected to be phased out by December 2014.

Free zone developers/enterprises

Companies registered to operate as Free Zone Developers/Enterprises do not pay corporate tax for the first ten years of operation. After the ten year corporate tax holiday has expired, the corporate tax rate is not expected to exceed 8%.

The corporate tax rates applicable to free zone companies after the ten year tax holiday are as follows:

Entity	2013 (%)
Agro processing companies outside regional capitals	0
Agro processing companies in the Northern, Upper East and Upper West Regions	0
Agro processing companies in regional capitals and Tema in the Greater Accra Region apart from Northern, Upper East and Upper West Regions	4
Wood processing companies	8
Commercial companies	8
Service companies	8
Enclave developers	8
Manufacturing companies outside capitals	5
Garments and textiles manufacturing companies	4
Other manufacturing companies	6

Lease transactions

The tax laws currently recognise both operating and finance leases. Under an operating lease arrangement, the lessor qualifies for capital allowances while paying tax on lease payments it receives from the lessee. In the case of a finance lease, the lessor is liable to tax on the lease rentals (excluding capital repayments) and does not qualify for capital allowances.

Under both arrangements, however, the lessee qualifies for a full deduction of payments made under the lease agreement but does not qualify for capital allowances.

For finance leases, neither the lessee nor the lessor qualifies for capital allowances. However, under certain conditions a finance lease agreement may be treated as a sale and purchase agreement.

Telecommunications

A non-resident person who has apparatus established in Ghana and who carries on a business of transmitting messages by cable, radio, optical fibre, or satellite communication from an apparatus established in Ghana, is liable to a final rate of tax of 10% on Ghana gross receipts.

Change in control

Where there is a change of 50% or more in the underlying ownership of an entity as compared with its ownership in the previous year, the company would not be allowed to take advantage of bad debts and losses incurred prior to the change in control.

Profit or dividend stripping

No deduction is allowed for a loss incurred on the disposal of shares or of an interest in shares of a company or of an interest in a body of persons where the disposal forms part of a profit or dividend stripping arrangement.

Taxation of insurance companies



General business

The general business of an insurance company is taxed as follows:

Ascertain

- Net premium income (i.e. gross premium less premiums returns);
- Investment income (excluding dividend income);
- Commissions received and reinsurance income; and
- Previous year statutory reserve.

Deduct

- Net claims admitted;
- Operating expenses; and
- Current year statutory reserve.

Apply corporate income tax rate to the result.

Withholding tax on premium payments

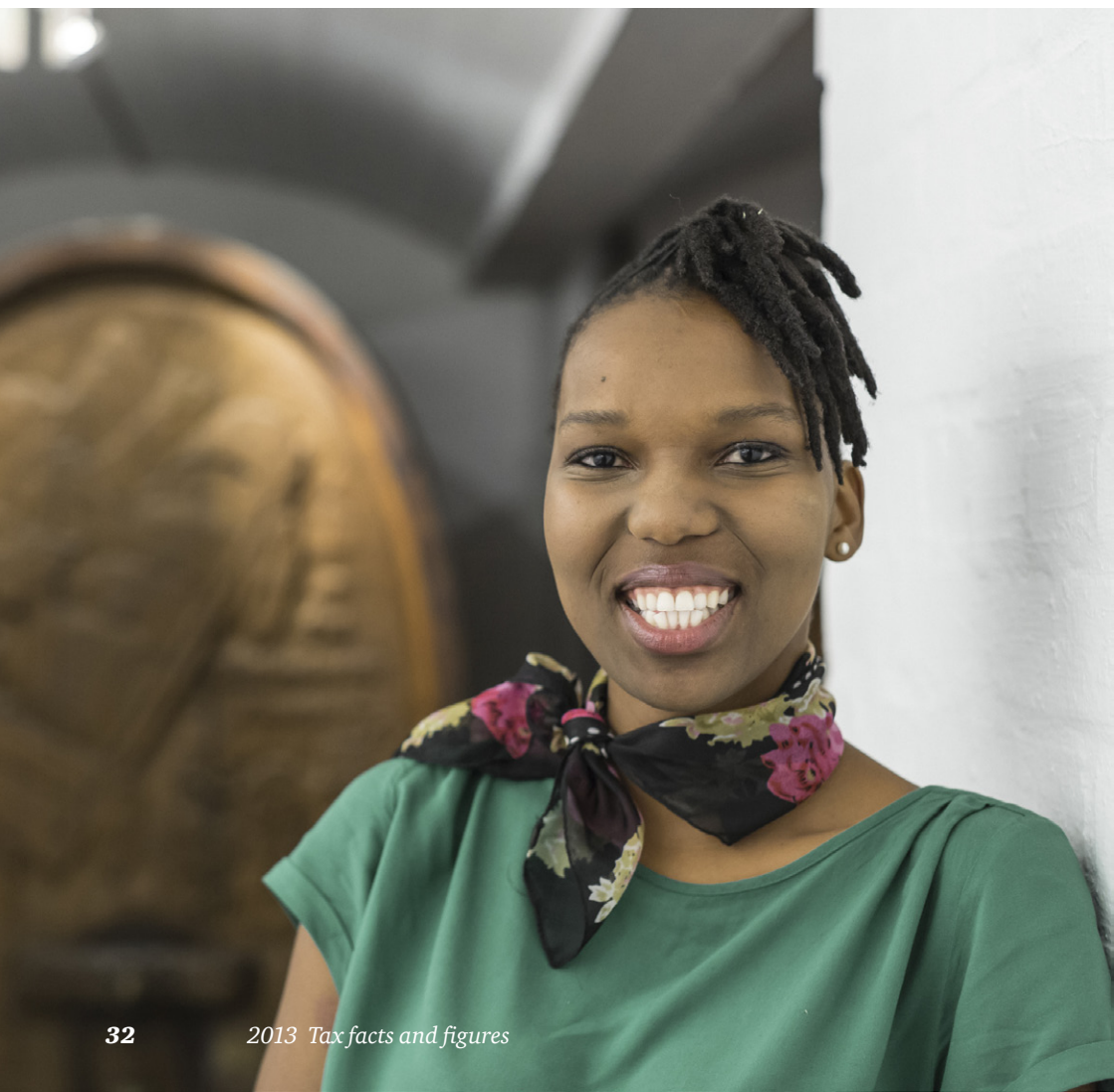
Premiums paid to a resident insurance company under an insurance contract are exempted from withholding tax.

Premiums paid to a non-resident short-term insurer attract 5% withholding tax on the gross premium.

Life business

A person carrying on a life insurance business is taxed on investment income derived from its investment activities. Deductions include management expenses and commissions paid out to agents.

International transactions



Geographic source of income

Income from any employment exercised in Ghana is treated as derived from or accrued in Ghana and therefore taxable in Ghana whether paid in Ghana or elsewhere.

The income from business of a non-resident person is treated as accruing in or derived from Ghana if that income is attributable to a permanent establishment of the non-resident person in Ghana.

A dividend is treated as accruing in or derived from Ghana where a resident company pays it.

Interest is treated as accruing in or derived from Ghana where:

- The debt obligation giving rise to the interest is secured by real estate located in Ghana;
- The interest is paid by a resident person; or
- The interest is borne by a permanent establishment of a non-resident company.

A royalty is treated as accruing in or derived from Ghana where the royalty arises from the use of or right to use a copy-right or any right in Ghana including the use of or right to use any industrial, commercial, or scientific equipment in Ghana.

Premiums and reinsurance premiums in respect of insurance business undertaken in Ghana are treated as accruing in or derived from Ghana.

Income attributable to a permanent establishment

In ascertaining the income of a permanent establishment of a non-resident person, charges or fees billed by the non-resident head office to the permanent establishment are excluded. Actual reimbursements of costs between them are however allowed.

Branch profit tax

Repatriated branch profit attracts final tax at 10%. This is payable by the non-resident entity who earns the repatriated branch profit and payment of this tax 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 to corporate income tax for the year under consideration.

Relief from double taxation

In ascertaining the income of a person accruing in or derived from outside Ghana, part of or all of the foreign tax paid is given as a credit towards the tax liability on that taxable foreign income.

Double Tax Treaties (DTT)

DTTs provide relief from double taxation of income that accrues to residents of contracting states within either of the jurisdictions covered by the treaty. 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, UAE, USA and the Czech Republic.

Treaty tax rates

Tax rates applicable under the terms of these treaties are as follows:

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

In a circumstance where the applicable rate under a double taxation treaty is higher than that provided exclusively under the domestic laws of Ghana, the rate under the domestic laws shall apply.

Anti-avoidance schemes



Income splitting

Income splitting includes transfers of income or property (including money) to an associate resulting in the transferee receiving or enjoying the income from that property with the reason for the transfers being to reduce the combined tax liability of the transferor and transferee. Income splitting is not permitted under the laws of Ghana.

Transfer pricing

Transfer Pricing Regulations (“TPR”) was introduced in September 2012 and it requires that transactions conducted between persons who are in a controlled relationship (e.g. parent-subsidiary, associates, relatives, etc) are done at arm’s length. The TPR also cover transactions between an employer and employee.

A transaction is conducted at arm’s length if the terms of the transaction do not differ from the terms of a comparable transaction between independent persons.

Similar to the Organisation for Economic Co-operation and Development (“OECD”) guidance on transfer pricing, the acceptable methods under the TPR are:

1. comparable uncontrolled price method;
2. resale price method;
3. cost-plus method;

4. transactional profit split method; and
5. transactional net margin method.

Taxpayers are also allowed the use of other methods if those prove more appropriate, subject to the Commissioner-General’s permission.

At the end of the year, taxpayers who transacted business with other persons with whom they have controlled relationships are required to:

- complete annual transfer pricing returns and submit same to the GRA; and
- provide supporting documentation/information on transactions with connected persons and other company information which would enable the GRA to establish whether or not such transactions have been priced at arm’s length.

Thin capitalisation

A company is deemed as thinly capitalised if the ratio of its interest bearing exempt debt to its exempt equity contribution held by its parent or associate of the parent is greater than the ratio of 2:1.

Any interest charges or exchange losses arising on the debt in excess of the ratio are disallowed in assessing the Ghanaian entity to tax.

Withholding taxes



The following are currently the generally applicable rates of withholding taxes.

Income	Rate %	Remarks
Resident persons		
Interest (excluding individuals & resident financial institutions)	8	Not final tax
Dividend	8	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
Commissions to lotto agents	5	Not final tax
Supply of goods and services exceeding GH¢500	5	Not final tax
Non-Resident persons		
Dividend	8	Final tax
Royalties, natural resources payments and rents	10	Final tax
Management, consulting and technical service fees and endorsement fees	15	Final tax
Repatriated Branch after tax profits	10	Final tax
Interest income	8	Final tax
Short term insurance premium	5	Final tax
Income from telecommunication, shipping and air transport	10	Final tax

Exempt income



The following types of income are exempt from taxes:

- a. Proceeds from a life insurance policy where the policy premiums were paid in Ghana;
- b. The income of a non-resident person from a business of operating ships or aircraft if the Commissioner-General is satisfied that an equivalent exemption is granted by that person's country of residence to persons resident in Ghana;
- c. The interest, dividend or
 - any other income of an approved unit trust scheme or mutual fund
 - any other income payable under an approved unit trust scheme or mutual fund to a holder or member of that scheme
 - interest and dividend paid or credited to a person who has invested in a venture capital financing company; and
- d. Dividend paid to a resident company by another resident company where the company receiving the dividend controls at least 25% of the voting power in the company paying the dividend.

Administrative procedures



Furnishing of returns of Self-Assessment income

A return of income should be filed with the GRA within 4 months after the end of a person's basis period.

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

Cases where a return is not required

In the following cases, unless the Commissioner-General requests in writing, a return shall not be filed by:

- A non-resident person who has no income accruing in or derived from Ghana during the year;
- A non-resident person who suffers a final withholding tax on income derived in Ghana;
- A resident individual who has no chargeable income or a taxable individual whose chargeable income is only up to GH¢1,584; and
- A resident employee whose only income is employment income and on whose behalf an employer has furnished a return.

Provisional assessment

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

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

Payment of tax

Tax instalment payments are due on the last day of every quarter of the year for persons whose accounting year begins on 1st January. In any other case, tax instalment payments are due at the end of each three-month period beginning at the commencement of the person's accounting year.

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

Tax dates fixed by the Commissioner-General should be complied with by the taxpayer and any tax payment settled on that date.

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

Offences and penalties

The following penalties, and in some cases criminal liabilities, apply for the under listed offences:

Offence	Penalty 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 3 months, 10% of the tax payable and where default exceeds 3 months 20%. If it is withholding tax, the penalty for a delay of not more than 3 months and more than 3 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.

Gift tax



Taxable gift

A person who receives a taxable gift is liable to pay gift tax.

A taxable gift includes:

1. any of the following assets situated in Ghana, if received as a gift:
 - a. Buildings of a permanent or temporary nature;
 - b. Land;
 - c. Shares, bonds, and other securities;
 - d. Money, including foreign currency;
 - e. Business and business assets;
 - f. Any means of transportation (land, sea, or air);
 - g. Goods or chattels not included in (f); and
 - h. Part of, or any right or interest in, to, or over any of the above assets.
2. an asset or a benefit situated in Ghana or outside Ghana, received by a resident person as a gift
3. an asset situated in Ghana or outside Ghana, received by or for the benefit of a resident person as a gift where the asset has been credited in an account, invested, accumulated or capitalised in the name of or on behalf of at the direction of that person

4. Any monetary consideration or consideration in any other form aimed at ensuring the performance of an act or an omission which goes to the benefit of a resident person.

Valuation

The value of a taxable gift is the market value of the gift at the time of receipt.

Imposition of tax

Gift tax is levied at a rate of 15% of the taxable value in excess of GH¢50. It is payable by a person on the total value of taxable gifts received by that person by way of gift within a year of assessment.

Taxable gift - exceptions

The total value of taxable gift does not include the value of a taxable gift received:

- a. by that person under a will or upon intestacy;
- b. by that person from that person's spouse, child, parent, brother, sister, aunt, uncle, nephew, or niece;
- c. by a religious body which uses the gift for the benefit of the public or a section of the public; or
- d. for charitable purposes.

Returns and payment of tax

A gift tax return and the tax is required to be filed and paid respectively within 30 days of receipt of the taxable gift.

Capital gains tax



Capital gains tax is payable by a person at the rate of 15% on capital gains accruing to or derived by that person from the realisation of a chargeable asset owned by that person.

Chargeable asset

Chargeable asset ordinarily means any of the following assets:

- Buildings of a permanent or temporary nature situated in Ghana;
- Business and business assets, including goodwill, of a permanent establishment situated in Ghana;
- Land situated in Ghana;
- Shares of a resident company; and
- Part of, or any right or interest in, to or over any of the assets referred to above.

Exclusions from chargeable assets

1. Agricultural land situated in Ghana;
2. Trading stock or Class 1, 2, or 4 depreciable assets; and
3. Securities listed on the Ghana Stock Exchange (GSE) during the 25 years after the establishment of the GSE. This exemption is expected to expire at the end of November 2015.

Calculation of capital gain

The amount of a capital gain is the excess of the consideration received by that person from the realisation over the cost base at the time of realisation.

Returns and payment of tax

A capital gain return and the tax (if any) is required to be filed and paid within 30 days of realisation of the chargeable asset.

Exemption from capital gains tax

The following capital gains are exempt or, in the case of items 2 to 5, deferred:

1. Capital gains of a person up to a total of GH¢50 per year of assessment;
2. Capital gains accruing to or derived by a company arising out of a merger, amalgamation, or re-organisation of the company where there is continuity in underlying ownership in the asset of at least twenty five per cent;
3. Capital gains resulting from a transfer of ownership of the asset by a person to that person's spouse, child, parent, brother, sister, aunt, uncle, nephew or niece;
4. Capital gains resulting from a transfer of ownership of the asset between former spouses as part of a divorce settlement or a genuine separation agreement;
5. Capital gains where the amount received on realisation is, generally within one year of realisation, used to acquire a replacement asset;
6. Capital gains accruing to, or derived by, an eligible venture capital financing company for a period of ten years from and including the year in which operations of the business commences; and
7. Capital gains accruing to, or derived by, an investor from an eligible capital financing company.

Value Added Tax & National Health Insurance Levy



Scope

Other than exempt goods and services, Value Added Tax (“VAT”) and the National Health Insurance Levy (“NHIL”) are charged on the following:

- a. supply of goods and services made in Ghana;
- b. importation of goods; and
- c. supply of any imported service.

The tax shall be charged on a supply of goods and services where the supply is a taxable supply and made by a taxable person in the course of his business.

The liability for the tax is in the case of:

- a. taxable supply, by the taxable person making the supply;
- b. imported goods, by the importer; and
- c. imported service, by the receiver of the service.

Except for supplies considered to be zero-rated, the standard rates of the taxes are respectively 12.5% for VAT and 2.5% NHIL and are calculated on the value of the taxable supply of the goods, services or import. For imports of goods, the value of the taxable supply is defined to be inclusive of cost, insurance, freight and import duty used for customs purposes.

A taxable person is a person registered by the Commissioner-General and issued with a certificate of registration. It should be exhibited at the principal place of business of the taxable person. The effective date of registration as a taxable person shall be such date as shall be specified in the certificate of registration issued by the Commissioner-General.

VAT registration threshold

The turnover threshold for supplies by businesses relating to taxable supplies over a twelve-month period is GH¢10,000 or its quarterly equivalent.

VAT flat rate scheme

All businesses, engaged in making taxable supplies, with annual turnover between GH¢10,000 and GH¢90,000 are required to operate the VAT flat rate scheme. Under this scheme, qualifying businesses are expected to pay 3% of their turnover as VAT without recourse to input VAT claims.

Standard (invoice credit) scheme

Businesses engaged in making taxable supplies with annual turnover in excess of GH¢90,000 are required to operate the VAT standard rate scheme (i.e. charge of 15% comprising 12.5% for VAT and 2.5% for NHIL).

Group registration

With the approval of the Commissioner-General, group registration is possible.

VAT 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 ceases to carry on taxable business activity.

Exempt supplies

Supplies that are specifically exempt are as listed below:

1. Live animals
2. Animals, livestock, poultry and fish imported for breeding purposes
3. Animal products in its raw state produced in Ghana
4. Agricultural and aquatic food product in its raw state produced in Ghana
5. Seeds, bulbs rootings, and other forms of propagation
6. Agricultural inputs
7. Fishing equipment
8. Water
9. Electricity
10. Printed matter – books and newspapers

11. Education
12. Medical supplies and services – pharmaceuticals
13. Transportation
14. Machinery
15. Crude oil and hydrocarbon products
16. Land, buildings and construction
17. Financial services
18. Goods for the disabled
19. Transfer of going concern
20. Postal services
21. Salt
22. Mosquito net
23. Musical instruments
24. Pharmaceuticals – locally produced
25. Textbooks – locally produced
26. Agricultural machinery

Descriptions of the above items are provided by related laws.

Reverse charge

Importation of taxable services is subject to VAT & NHIL. The recipient of the service is required to account for and charge VAT & NHIL by the “reverse charge” system.

VAT & NHIL incurred – excluding flat rate scheme operators

A VAT registered business, which principally makes taxable supplies, can recover the VAT & NHIL incurred on goods or services purchased for the business except on certain disallowed items (e.g. cars and entertainment).

If a registered person makes both taxable and exempt supplies, a proportion of VAT & NHIL incurred may be recoverable. Businesses which principally make exempt supplies are not eligible to register and all VAT & NHIL incurred represent a cost.

There is a time limit of 36 months to claim VAT & NHIL incurred on goods and services procured.

Returns

Registered businesses prepare monthly returns showing VAT & NHIL charged on supplies, VAT & NHIL incurred on the purchase of goods and services and net VAT & NHIL payable or

reclaimable. VAT & NHIL on imported goods are paid at the time when the associated duties are paid. VAT & NHIL returns are ordinarily due for submission and the associated amount paid by the last working day of the month following the month in which the VAT & NHIL became due.

Businesses entitled to regular credits, such as exporters, are required to submit returns monthly and duly complete VAT & NHIL refunds claim forms (VAT 35) for a refund claim to be made. VAT & NHIL refund claims may be audited before any refunds are made.

Penalties

There is a comprehensive and punitive system of penalties and interest payable for mis-declaration of VAT & NHIL, late submission of returns, late payment and other infringements of the provision of the VAT laws. The penalty on late filing is GH¢100 and a further GH¢0.50 per additional day of default.

Where a person formally admits to an offence, the Commissioner-General may at any time before proceedings are commenced in court, compound the offence and order for the payment of an amount not exceeding three times the amount of tax or revenue involved.

Some monetary penalties resulting from non-compliance are:

Offence	Penalty
Failure to register, notify Commissioner-General of change in business or apply for cancellation of registration where required	Up to GH¢1,000
Failure to issue tax invoices to cover goods and services supplied	Up to GH¢1,000
False or misleading statement	Up to GH¢1,000
Falsification and alteration of documents	GH¢200 – GH¢1,000
Evasion of tax payment	Up to three times amount of tax involved
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	Up to GH¢9,600 or three times amount of tax involved (whichever is higher)
Unauthorised collection of tax	Up to ten times amount of tax involved
Offences relating to officers	Up to three times amount of tax involved
Late filing of VAT returns	GH¢100 flat and GH¢0.50 for each day of default

Customs and Excise Taxes



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

Import duty

Typically, import duties range between 0% - 20% depending on the nature (description) of 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 15% is also applied on the sum of CIF value (used for customs purposes) and import duty.

Special import levy

In July 2013, the government introduced a special import levy which is applied at the point of importation of certain goods. This levy is imposed for the 2013 to 2015 calendar years and is computed on the CIF value of the goods. 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 fertilizers listed under chapter 31 of the HS Code.

The special import levy will 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, organisation and institutions (e.g. Diplomatic Missions) as well as for persons belonging to some specific industries (such as mining and 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 will 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 and VAT (i.e. zero-rated).

Excise duty

Excise duties generally range between 10% - 170% (of ex-factory price) and are applied on products such as beer, spirits, tobacco products, etc.

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 (approx US\$2.5) on local travels and between US\$60 - US\$200 for foreign travels.

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 (pay) 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, a penalty of GH¢2,000 and a further penalty of GH¢500 applies for each day the return is not submitted.

Where an extension approval has not been granted by the Commissioner-General of the GRA, an interest rate of 150% of the average prevailing commercial banks lending rate is imposed as interest on CST that is not remitted to the GRA by the due date.

Other than those mentioned above, penalties and fines indicated under VAT & NHIL Section of this document apply to CST.

* ECS includes a service providing electronic communication, a closed user group service, a private ECS, a public ECS, a radio communication service and a value added service.

“Electric communications” means any communication through the use of wire, radio, optical or electromagnetic transmission emission or any part of these and includes interconnections.



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