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Navigating taxation

2014 Tax Facts and Figures

A quick guide to taxation in Ghana

pwc

Introduction

The tax regime in Ghana has seen a number of changes in recent times which we have reflected in this publication where applicable.

In this publication all currency references are in Ghana Cedi (GH¢), which was approximately USD0.26 as at 31 August 2014.

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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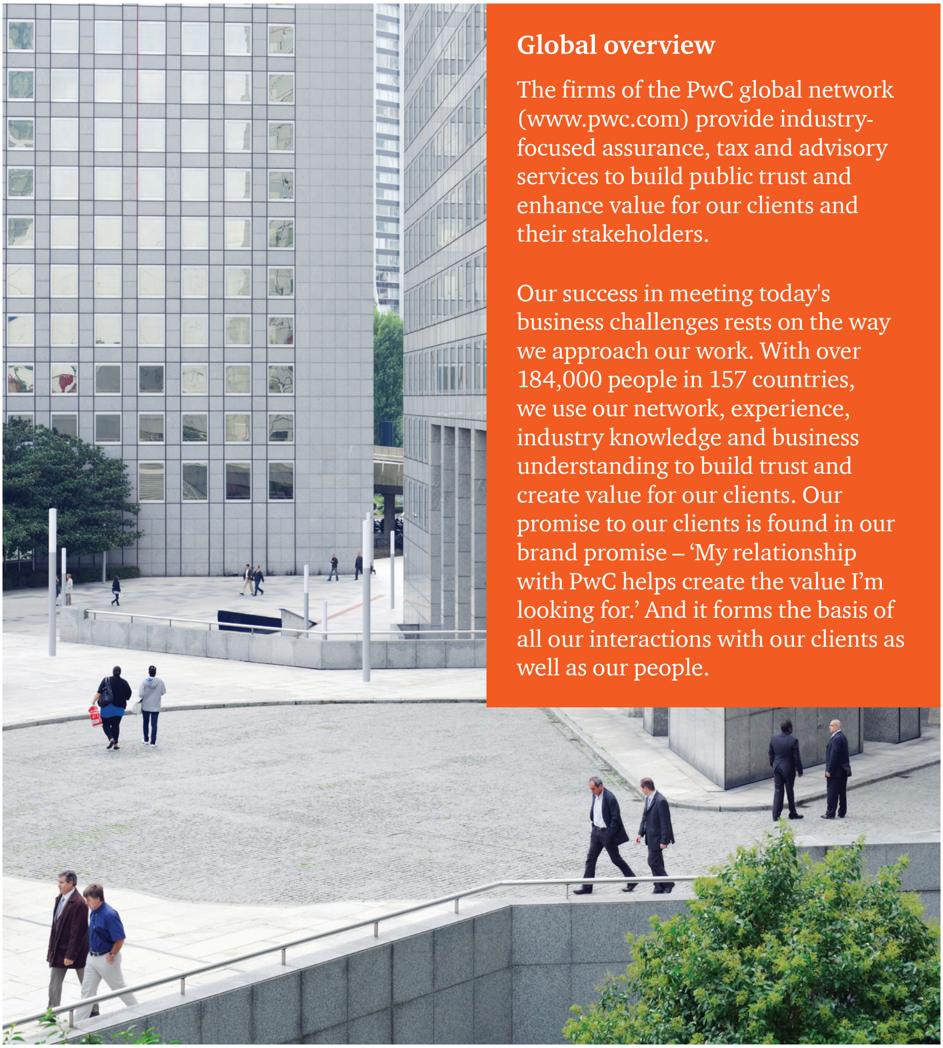
A brief profile of PwC



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 over 184,000 people in 157 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

In Africa, we are the largest provider of professional services with close to 450 partners and over 8,500 people in 34 countries. This means that we're able to provide our clients with seamless and consistent service, wherever they are located on the continent. Member firms can be found in:

- Angola
- Algeria
- Botswana
- Cameroon
- Cape Verde
- 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
- Zimbabwe

PwC Ghana

A quick guide to taxation in Ghana

In Ghana, PwC has 10 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 Sierra Leone and Gambia, or with business and development interests in those countries.

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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
- 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 criteria 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

The table below indicates the existing monthly income tax bands and rates applicable to the chargeable income of resident individuals:

Year 2014	Chargeable income	Rate	Tax payable	Cumulative income	Cumulative tax
	GH¢	%	GH¢	GH¢	GH¢
First	132	0	0	132	0
Next	66	5	3.30	198	3.30
Next	92	10	9.20	290	12.50
Next	2,350	17.5	411.25	2,640	423.75
Exceeding	2,640	25			

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

Income from employment

A person's income from employment includes all of that 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 relief

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

	Conditions received	2014 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)	Education of dependant child or ward	200 per dependant** Limited to three dependants
(v)	Aged dependants (over 60 years)	100 per dependant** up to two 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 under a three-tiered 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 pension contribution rates for employers and employees are 13% and 5.5%, respectively of each employee's salary.

Remittance of contributions

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 to the Social Security and National Insurance Trust (SSNIT) and the approved trustee as appropriate.

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 the amount of any 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 the amount of any contribution made to a retirement fund by or on behalf of an employee, provided that the contribution is included in the income of the employee and taxed accordingly.

Interest expense

Interest incurred by an individual in respect of a loan employed to construct or acquire residential premises can be claimed as a deduction in determining the income of that individual.

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 of the benefit, determined on the date that 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	2014
Provision of accommodation	**Value (% of TCE*)**
Accommodation with furnishing	10%
Accommodation only	7.5%
Furnishing only	2.5%
Shared accommodation	2.5%
Provision of means of transport	**Value (% of TCE*)**
Fueled 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 and 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:
   - recruited or engaged outside of Ghana;
   - solely to serve the employer in Ghana; and
   - a non-resident;

c. Accommodation provided by an employer to an employee of 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 up to a limit;

g. Interest paid by a resident financial institution or on bonds issued by the Government of Ghana; and

h. Interest, dividends or any other income received as a member of an approved unit trust scheme or mutual fund from that scheme or fund.

Taxation of overtime

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

Taxation of bonuses

Bonus payments made to an employee which fall below the threshold of 15% of the employee's 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 employee and taxed as appropriate.

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 of 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 and partnerships)

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 / Activity	2014 %
Companies listed on the GSE on or after 1 January 2004 for the first three years only / Other companies	22/25
Rural banks – first ten years/after ten years	0 /25
Free-zone enterprises/Developers – first ten years in operation	0
Free-zone enterprises/Developers – after first ten years in operation	Up to 8 or 25
Venture capital financing company for the first ten years only	0
Manufacturing companies located:	
i. In Accra/Tema ii. In all other regional capitals iii. Elsewhere	25 18.75 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 business	35
Companies engaged in upstream petroleum business	35
Companies engaged in non-traditional exports	8
Companies engaged in waste processing, including recycling of plastic and polythene, for the first seven years only	0

Entity / Activity	2014 %
Real estate companies	
Income derived from construction for sale or letting of low-cost affordable residential premises (subject to approval from the Ministry of Works and Housing):	
i. first five years	0
ii. after first five years	25
Agriculture	
Farming tree crops for first ten years	0
Livestock (other than cattle), fish farming or cash crop farming, for first ten years only	0
Cattle farming, for first five years only	0
Cocoa farming	0
Agro processing companies	
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 and Upper East, and Upper West Regions	0

Year of assessment (companies)

The year of assessment is the calendar year.

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 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;
- Bad debts;
- Tax losses brought forward under certain conditions;
- 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 under certain conditions;
- 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 to be deducted. Examples of expenses that are not allowed as deductions include:

- Personal or domestic expenditure;
- Interest expense and associated foreign exchange losses of a thinly capitalised company;
- Depreciation;
- Any income tax (as well as penalties) or profit tax or similar tax; and
- Cost recoverable under an insurance contract.

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 an acquired asset being put 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 ii) Plantation capital expenditure	30% on reducing-balance basis
3	i) Mineral and petroleum exploration rights; cost incurred in respect of mineral and petroleum prospecting, exploration and development ii) Buildings, structures and works of a permanent nature used in respect of mineral and petroleum exploration iii) Plant and machinery used in mining or petroleum operations	20% on straight-line basis
4	Locomotives, water transportation equipment, aircraft Office furniture and fixtures Equipment not included in any other class	20% on reducing-balance basis
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 a 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 the 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, they are lost. This provision currently applies only to farming, mining, agro processing, tourism, information and communication technology (ICT) and manufacturing businesses. A manufacturing business for this purpose is defined as a business manufacturing mainly for export.

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

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 graduate's salary is granted, depending on the percentage of recent graduates employed in relation to the total employees of the company.

Mineral royalties

The mineral royalty rate is 5% of the total revenue earned from minerals (excluding petroleum and water) obtained from mining operations by a holder of a mining lease, restricted mining lease or small-scale mining license.

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 losses of a mining company are computed on a mine-area-by-mine-area basis, resulting in multiple chargeable income or loss calculations, notwithstanding the fact that the mining company may be a single entity or taxpayer.

Dividends

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

However, the withholding tax on dividends generally does not apply to a 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)

The NFSL is a levy imposed on the profit before tax (accounting profits) of some specified companies and institutions. The rate of this levy is 5% and it applies 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 a quarterly basis.

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	2014 (%)
Agro processing companies outside regional capitals	0
Agro processing companies in the Northern and Upper East, and Upper West Regions	0
Agro processing companies in Tema, and in regional capitals, apart from Tamale, Wa and Bolgatanga	4
Wood processing, commercial, service, or enclave development entities	8
Manufacturing companies outside capitals	5
Garment and textile manufacturing companies	4
Other manufacturing companies	6

Income from goods and services provided to the domestic market after the tax holiday period is charged at 25%.

Lease transactions

The tax laws 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 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 15% 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 deduct 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 business of a general insurance company is taxed as follows:

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

Deduct:

- Net claims admitted;
- Operating expenses; and
- Current year's 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 a 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 in Ghana is treated as derived from or accrued in Ghana and therefore taxable in Ghana, whether paid in Ghana or elsewhere.

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

A dividend is treated as having accrued in or having been derived from Ghana where a resident company pays such dividend.

Interest is treated as having accrued in or having been 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.

Any charge, annuity, management or technical service fee, proceeds of a life insurance policy, pension or other payment from a retirement fund is treated as having accrued in or having been derived from Ghana where it is paid by a resident person or is borne by a permanent establishment of a non-resident person in Ghana.

A royalty is treated as having accrued in or having been derived from Ghana where the royalty arises from the use of or the right to use a copyright or any other 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 having accrued in or having been 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 a final tax of 10%. This is payable by the non-resident entity who earns the repatriated branch profit. Payment 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, be liable for tax on its income for the year under consideration.

Relief from double taxation

In ascertaining the income of a person that has accrued in or been derived from outside Ghana, part or all of the foreign tax paid may be granted as a credit towards the tax liability on that taxable foreign income.

Double Tax Treaties (DTTs)

DTTs provide relief from double taxation of income that accrue 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. Ghana has recently signed a DTT with Denmark, which is yet to be ratified by Parliament, and is pursuing DTTs with various countries including Mauritius, 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/ Manage-ment 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 circumstances 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 that results in the transferee receiving or enjoying the income from that property with the reason for the transfer 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 (TPRs) were introduced in September 2012 and require that transactions conducted between persons who are in a controlled relationship (e.g. parent-subsidiary, associates, relatives, etc.) be done at arm's length. The TPRs 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 TPRs 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 conducted business with other persons with whom they have controlled relationships are required to:

- complete annual transfer pricing returns and submit the 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 being thinly capitalised if the ratio of its interest-bearing exempt debt to the exempt equity contribution held by its parent or an 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's tax.

Withholding taxes

The following are the current applicable withholding tax rates:

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 and part-time teachers, and endorsement fees	10	Final tax
Commissions to insurance agents and 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	15	Final tax
Management, consulting and technical service fees and endorsement fees	20	Final tax
Repatriated branch after tax profits	10	Final tax
Interest income	8	Final tax
Short-term insurance premiums	5	Final tax
Income from telecommunication, shipping and air transport	15	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 that operates 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, dividends 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 dividends paid or credited to a person who has invested in a capital venture 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 income

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

An employer should by 31 March 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 so in writing, a return shall not be filed by:

- A non-resident person who has had no income accruing in or derived from Ghana during the year;
- A non-resident person who is liable for a final withholding tax on income derived in Ghana;
- A resident individual who has had no chargeable income or a taxable individual whose chargeable income did not exceed GH¢1,584; and
- A resident employee whose only income was 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.

Self-assessment

The Commissioner-General may require specified persons to submit their 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 1 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 have been made.

Taxes should be paid on the dates fixed by the Commissioner-General.

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 offences listed:

Offence	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 delays of not more than three months is 20%, and the penalty for delays of more than three months is 30%.
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 have resulted if not detected
Aiding and abetting	Three times the amount of the underpayment of the tax which may have resulted if the offence had gone unnoticed
Failure to comply with the Act	Where the resulting underpayment is more than GH¢500, the penalty is between 50 and up to 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 pension 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 by entities. The Commissioner-General may at any time prior to the commencement of court proceedings compound the offence.

Gift tax

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 within that year of assessment.

Taxable gifts

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

A taxable gift includes:

1. any of the following assets situated in Ghana, if received as a gift:
   - Buildings of a permanent or temporary nature;
   - Land;
   - Shares, bonds, and other securities;
   - Money, including foreign currency;
   - Businesses and business assets;
   - Any means of transportation (land, sea, or air);
   - Other qualifying goods or chattels;
   - 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 or at the direction of that person; and
4. Any monetary consideration or any 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.

Taxable gifts – exceptions

The total value of a 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.

Valuation

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

Returns and payment of tax

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

Capital gains tax

Imposition of tax

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

Chargeable assets

Chargeable assets ordinarily mean any of the following assets:

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

Chargeable assets are also subject to tax wherever they are situated if they are disposed of by a resident person.

Exclusions

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 capital gain is the excess of the consideration received by a person from the realisation of an asset over the cost base at the time of realisation.

Returns and payment of tax

A capital gains return and the tax payable (if any) are required to be filed and paid after 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 from a merger, amalgamation, or re-organisation of the company where there is continuity in underlying ownership of the assets of at least twenty five per cent;
3. Capital gains resulting from the transfer of ownership of an 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 an 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 commence; 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 in the case of 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; and
b. imports of goods and services.

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

A taxable activity means an activity, whether or not for a pecuniary profit, which is carried on by a person in Ghana or partly in Ghana that involves the supply of goods or services to another person for consideration.

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;
c. imported service, by the receiver of the service where the service is not for use in a taxable activity; and
d. supply of telecommunication services or electronic commerce for use in Ghana by a non-resident person by the non-resident person making the supply.

Except for supplies considered to be zero-rated, the standard rates of the taxes are respectively 15% for VAT and 2.5% for the NHIL and are calculated on the value of the taxable supply of the goods, services or imports. For import of goods, the value of the taxable supply is defined to be inclusive of cost, insurance, freight and import duty for customs purposes.

A taxable person is a person registered by the Commissioner-General and issued with a certificate of registration. The certificate of registration should be exhibited at the principal place of business of the taxable person and every other location where that person engages in a taxable activity. The effective date of registration as a taxable person is the date specified on the certificate of registration issued by the Commissioner-General.

Standard (invoice credit) scheme

The turnover threshold for supplies by persons relating to taxable supplies over a twelve-month period is GH¢120,000. No threshold is required for promoters of public entertainment, auctioneers or a national, regional, local or other authority which carries on a taxable activity.

Group registration and deregistration

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

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 activities.

Exempt supplies

Supplies that are specifically exempt are as listed below:

1. Agricultural and aquatic food products
2. Live animals bred or raised in Ghana
3. Agricultural inputs
4. Gear designed exclusively for fishing and raw materials for use in the production of nets and twines and goods for fishing
5. Water, excluding bottled or packaged water
6. Electricity within specified limits
7. Textbooks, approved supplementary readers, newspapers, atlases, charts, maps and music
8. Education services
9. Laboratory and library equipment
10. Medical services and medical supplies
11. Pharmaceuticals listed under Chapter 30 of the Harmonised Systems Commodities Classification Code, 2012
12. Domestic transportation
13. Machinery and parts of machinery
14. Crude oil and hydrocarbon products
15. Immovable property attributable to a dwelling, accommodation in a dwelling, land and civil engineering public works
16. Financial services, life insurance and reinsurance
17. Goods specifically designed for the disabled
18. Postal services
19. Salt
20. Mosquito nets

Descriptions of the above items are provided by related laws.

VAT on imported services

The importation of taxable services is subject to VAT and NHIL. The recipient of the service is required to account for and charge VAT and NHIL where the service is not used to make a taxable supply.

VAT & NHIL incurred

A VAT registered business which principally makes taxable supplies can recover the VAT and 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 and NHIL incurred may be recoverable. Businesses which principally make exempt supplies are not eligible to register, and all VAT and NHIL incurred represent a cost.

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

Returns

Registered businesses are required to make monthly returns showing VAT and NHIL charged on supplies, VAT and NHIL incurred on the purchase of goods and services and net VAT and NHIL payable or reclaimable. VAT and NHIL on imported goods are paid at the time when the associated duties are paid. The return and payment of VAT and NHIL on imported services are due within 21 days of the month following the month in which the services were imported. VAT and NHIL returns are ordinarily due for submission and payment of the associated amount by the last working day of the month following the month in which the VAT and NHIL became due.

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

Penalties

There is a comprehensive system of penalties and interest payable for misdeclaration of VAT and NHIL, the late submission of returns, late payments and other infringements of the provisions of the VAT laws. The penalty on late filing is GH¢500 and a further GH¢10 per additional day of default.

Where a person formally admits to an offence, the Commissioner-General may, at any time before proceedings commence in court, compound the offence and order 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	Up to two times the amount of tax on taxable supplies payable
Failure to issue tax invoices to cover goods and services supplied, issuing a false invoice, or using a false taxpayer identification number	Up to GH¢1,200 and the higher of 500 penalty units and three times the tax involved
Making a claim for a refund to which a person is not entitled	Double the original amount of refund and interest
Wrong VAT charge as a result of fraudulent action or misrepresentation by recipient of supply	Unpaid tax, interest and any other applicable penalty
Acceptance of goods for which VAT has not been or will not be paid	Up to three times the amount of tax involved
Evasion of tax payment	Up to three times the amount of tax involved
Late filing of VAT returns	GH¢500 flat and GH¢10 for each day of default
Late payment of tax	Interest at the prevailing Bank of Ghana discount rate plus one quarter of that rate

Customs and excise taxes

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

Import duties

Typically, import duties range between 0%–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 the CIF value (used for customs purposes) and import duty.

Special import levy

In July 2013, the government introduced a special import levy which applies to the importation of certain goods for the years 2013 to 2015. The levy is applicable on importation of the following:

- machinery and equipment listed under chapters 84 and 85 of the HS Code and Customs Tariff Schedules 2012; 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 and Customs Tariff Schedules 2012.

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, organisations and institutions (e.g. diplomatic missions) as well as for persons belonging to certain 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 duties

Exports do not usually attract any duties.

Excise duties

Excise duties generally range between 10%–17.650% (of ex-factory price) and apply to locally manufactured products such as beer, spirits, tobacco products, etc.

Environmental tax

An environmental excise tax of 10% applies to plastic and plastic products listed.

Airport tax

Airport tax is levied on local and foreign travels. The tax is GH¢5 on local travels and US$60–US$200 for foreign travels.

Communications Service Tax (CST)

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 consideration (e.g. promotions and bonuses). CST is also applicable to interconnect services.

The ECS providers in Ghana are ordinarily required to collect the tax and account to the GRA (pay them) 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 apply 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.

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

"Electronic communications" means any communication through the use of wire, radio, optical or electromagnetic transmission emission or receiving system or any part of these and includes interconnection.

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