



# PwC Tax Alert - 2022 Tax Updates

Three new laws have been enacted to amend existing tax laws on income tax, VAT and sanctions waiver. These amendments were gazetted on 31 December 2021 and are currently in force. Principally, the Income Tax Amendment (No. 2) Act, 2021 (Act 1071) revises the personal income tax table to effectively exclude the 2022 minimum wage from income tax and increase the scope and threshold for the simplified income tax regime for small sole proprietors. The Value Added Tax (Amendment) Act, 2021 (Act 1072) principally restricts the flat rate scheme to small retailers. The Penalty and Interest Waiver (Amendment) Act, 2021 (Act 1073) extends the deadline for taxpayers to submit waiver applications to 30 June 2022.

## Act 1071 – Income Tax Amendment

The changes to the income tax regime include:

### Personal income tax rates

The annual personal income tax table for resident individuals has been changed to ensure that the 2022 National Minimum Wage of GH¢13.53 per day is not reduced by income tax. This wage was announced on 3 June 2021 for implementation from 1 January 2022. The overall effect is that resident employees should expect up to GH¢15 per month increase in their monthly take-home salaries.

### Special tax regime for individual business owners

Businesses typically pay income tax in proportion to their annual profits. However, owners of commercial vehicles and self-employed persons who purchase vehicle income tax stickers and tax stamps may not be required to pay income tax in proportion to their profits from those business but at fixed amounts if certain conditions are met. The key conditions (before 2022) for the simplified income tax regime to apply for such businesses were (1) the annual business revenue should not exceed GH¢20,000 and (2) the business is not VAT registered. From January 2022 a qualifying business can use the simplified tax approach to determine its annual income tax liability even if it is registered for VAT. However, the revenue cap of GH¢20,000 for applying this flat tax simplified income regime continues to apply.

There are other individuals who pay income tax at a rate of 3% on revenue (and not in proportion to profits) or use a modified cash basis of accounting rather than the typical accrual accounting basis if their annual revenues do not exceed GH¢500,000. Prior to 2022, the revenue limit for such simplified regimes to apply was GH¢200,000.

### COVID-19 reliefs

Some commercial vehicle owners and self-employed persons who enjoyed the COVID-19 reliefs last year will continue to enjoy them for a further six months up to June 2022. The list of vehicle owners enjoying the reliefs has also been extended to some commuter buses that did not previously qualify.

Please note that the nine-month 30% rebate for businesses in selected education and tourism sectors was not extended beyond 31 December 2021.

### Others

Finally, the withholding tax rate on the purchase of unprocessed precious minerals has been lowered from 3% to 1.5%.

### Outstanding amendment?

Contrary to the position expressed in the 2021 National Budget, the exemption from tax on gains made from disposing securities on the Ghana Stock Exchange (GSE) was not extended beyond 31 December 2021. So, currently the general position is that investors are liable to tax on disposal of GSE listed securities unless a law is made to reintroduce the exemption.



## Act 1072 – Value Added Tax Amendment

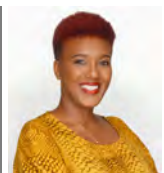
There are two main changes here. Firstly, only retailers of goods making taxable supplies of at least GH¢200,000 and not more than GH¢500,000 can charge the 3% VAT rate. The Commissioner-General (CG) has the power to direct a retailer to operate the standard 12.5% instead of the flat 3%. The new law does not specify the conditions under which the CG will make this direction. Secondly, local textile manufacturers have been charging VAT at a rate of 0% on locally manufactured textiles since 2019. This arrangement, has been extended to the end of 2023.



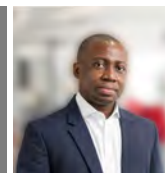
## Act 1073 – Penalty and Interest Waiver Amendment

This new law extends the amnesty period for applying for waiver of interest and penalty on outstanding returns and tax arrears for periods up to December 2020. The 30 September 2021 application deadline has been extended to 30 June 2022. So, taxpayers have up to 30 June 2022 to submit applications and pay any associated principal taxes using health check and/or tax audit reports. This is a great opportunity for those who missed the previous deadline to apply or reapply for the amnesty. Obtaining a waiver certificate also gives the taxpayer immunity from prosecution or other enforcement actions relating to the liability settled.

**Want to know more?  
Let's talk.**



Ayesha Bedwei Ibe  
Tax Leader  
+233 (0) 24 481 3956  
ayesha.a.bedwei@pwc.com



Abeku Gyan-Quansah  
Partner  
+233 (0) 20 820 8106  
abeku.gyan-quansah@pwc.com



Kingsley Owusu-Ewli  
Partner  
+233 (0) 54 566 3500  
kingsley.owusu-ewli@pwc.com



Lydia Pwadura  
Partner  
+233 (0) 59 398 6595  
lydia.p.pwadura@pwc.com

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