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Global Mobility Services: Taxation of International Assignees - Ghana

*Taxation issues &
related matters for
employers &
employees 2018*



pwc

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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Country: Ghana

Introduction:	International assignees working in Ghana	4
Step 1:	Understanding basic principles	5
Step 2:	Understanding the Ghanaian tax system	7
Step 3:	What to do before you arrive in Ghana	9
Step 4:	What to do when you arrive in Ghana	10
Step 5:	What to do at the end of the year	11
Step 6:	What to do when you leave Ghana	12
Step 7:	Other matters requiring consideration	13
Appendix A:	Airport tax table	14
Appendix B:	Estimation of value of non-cash benefit table	15
Appendix C:	Tax tables containing rates of taxation	16
Appendix D:	Typical tax computation	17
Appendix E:	Double-taxation agreements	18
Appendix F:	Ghana contacts and offices	19

Additional Country Folios can be located at the following website:
Global Mobility Country Guides

Introduction: International assignees working in Ghana

This folio is intended to assist foreign nationals sent to work in Ghana with their tax planning. It gives a broad background to taxation in Ghana and other important aspects to be considered by a foreign national working in Ghana on a temporary basis.

This folio is not intended to be a comprehensive guide. It merely attempts to give an overview of the issues involved. Accordingly, professional advice should be sought before making important decisions.

For further information or assistance please contact one of the individuals listed in Appendix F.

Step 1:

Understanding basic principles

The scope of taxation in Ghana

1. Income tax is levied on person's income from employment, business or investment. Resident individuals are taxed on their worldwide income, while non-resident persons are taxed only on income which has a source in Ghana. Income has a source in Ghana if it accrues in or is derived from Ghana.
2. Other taxes/deductions for which individuals may become liable are:
 - Social security – 5.5% of basic salary;
 - VAT – 17.5%;
 - Airport tax – Please refer to Appendix A for the applicable tax rates;
 - Dividend- 8%
 - Interest – 8%

The tax year

3. The tax year runs from 1 January to 31 December.

Method of calculating Ghanaian tax

4. Income tax on resident individuals is levied on a sliding scale at rates that vary between 0% and 25%. The income of resident expatriates are taxed on the same sliding rates as local residents.
5. A non-resident expatriate is taxed at a flat rate of 20% on taxable income earned in Ghana.
6. However, overtime and bonus payments are treated differently from other taxable income.
7. 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. Any overtime payment to a qualifying junior employee that exceeds 50% of the basic salary is taxable at 10%. For all other resident employees, overtime payments are included in their regular

employment income and taxed at the sliding scale rates discussed above.

A qualifying junior employee is a junior staff whose qualifying employment income in a year of assessment does not exceed GHC18,000.

8. Bonus payments are taxed at a rate of 5% to the extent that the bonus amount does not exceed 15% of annual basic salary. Any payment in excess of the limit is treated included in the employee's employment income and taxed at the employee's sliding scale rate. The annual basic salary used is that of the year to which the bonus relates.
9. Annual Employer and Individual Income Tax Returns should be filed by 30 April of the year following the year of assessment.

Husband and Wife

10. A husband and wife are treated as separate taxpayers in Ghana.



Residents and Non Residents

11. An individual who is not a citizen of Ghana is resident for tax purposes in any particular year if he/she resides in Ghana for a period exceeding 183 days in a twelve month period that commences or ends during the year of assessment.
12. Non-residents are liable for tax on income sourced in Ghana. They are not liable for tax on income sourced outside Ghana. Tax relief would be available where Ghana has a tax treaty with the other country.
13. Employees of contractors and sub-contractors in the Oil and Gas sector who spend 30 days or less in Ghana for any twelve month calendar period are tax exempt.

Step 2:

Understanding the Ghanaian tax system

Taxation of employment income

14. Employment income comprises all gains and profits (whether cash or in-kind) from employment including gifts.
15. Employment income is subject to monthly withholding tax deducted by the employer and paid over to the tax authorities on a monthly basis.

Benefits

16. Non-cash benefits received from employment are also taxable at the employee's graduated tax rate, e.g.:
 - Use of company car;
 - Use of household furniture;
 - Company provided accommodation except that provided by an employer on a timber, mining, building, construction, farming business or petroleum operations at any place or site where field operation of the business is carried on;
 - Use of coupon for fuel;

- Utilities paid by the company; and
 - Other collateral benefits.
17. The following benefits or income are not included in an employee's taxable income;
 - Reimbursement of medical, dental or health insurance expenses;
 - Passage costs subject to the following specific conditions that the person is recruited or engaged outside of Ghana, is solely in Ghana to serve the employer in Ghana, and is a non-resident;
 - Reimbursement of proper business costs incurred on behalf of employer; and
 - Payment made to employees on a non-discriminatory basis and which by reason of size, type and frequency of payments, are unreasonable or administratively impracticable to account for

- Interest, dividends or any other income received as a member of an approved unit trust scheme or mutual fund from that scheme or fund.
- A final withholding payment.

Deductions

18. An employee can claim relief in respect of his/her life assurance and social security contributions (retirement fund), if the contributions are invested in Ghana.
19. Donations made by the employee to a worthwhile cause approved by government may be deducted in calculation an employee's taxable income.

Personal allowances

20. The allowances per year are as follows:
 - Basic tax free allowance – GH¢3,132;
 - Individual with dependent spouse or at least two dependent children – GH¢200;

- Person 60 years old and above – GH¢200;
- Individual who supports an aged relative (60 years old and above), limited to two such relatives – GH¢100;
- Child education relief of GH¢200 per child but limited to three children in registered educational institutions in Ghana;
- Disabled person – 25% of income from business or employment; and
- Cost of training for residents in respect of professional, technical, or vocational skills or knowledge – GH¢400.

Social Security Contributions

21. Every worker employed in Ghana is required to contribute to the mandatory social security schemes unless specifically exempt.
22. The general mandatory monthly social security contribution rates for employers and employees are 13% and 5.5% respectively of the employees' basic salary which is remitted to Social Security and National Insurance Trust (SSNIT) at 13.5% as first tier contribution and to a selected approved fund at 5% as the second tier contribution.
23. Expatriates may obtain exemption from contributing if:
 - they are in Ghana for less than 3 years; and
 - they can demonstrate that they are already contributing to a similar scheme in their home country.
24. Expatriates will be able to obtain a lump sum payment of their contributions when they are permanently emigrating from Ghana.

Tax rates

25. Please refer to Appendix C for the applicable tax rates.



Step 3:

What to do before you arrive in Ghana

Work Permit

26. Generally, visas are required for every visit to Ghana irrespective of the length of stay. However, some nationals are exempt from obtaining visas when travelling into Ghana. Nationals of the following countries and officials of the organisations below are exempt from visa application:

- Members of ECOWAS countries
- Citizens of Trinidad and Tobago
- Egypt- visas to be obtained at the High Commissions before embarkation
- Zimbabwe
- Holders of German ,Iranian and Cuban Diplomatic / service passport (for a period not exceeding three(3) months)
- Persons in direct Airside transit

- Holders of passport of Regional Economic Communities in Africa and the African Economic Community as well as United Nations and its specialised agencies.
- The World Bank
- African Development Bank

copies of their visas before embarking on the journey.

A visitor's permit is granted to, allow a traveler to stay in Ghana for a period not exceeding 90 days for ECOWAS nationals, and 30 to 60 days in the case of other nationals. This permit does not allow the individual to work during the period; as such an individual who intends to work must obtain a work and residence permit.

27. Visas/Entry permits may be obtained from the Ghana Missions abroad. Assignees from countries which do not have Ghana Missions may obtain emergency entry visa upon prior application to the Director of Immigration. Such applicants must receive

Step 4:

What to do when you arrive in Ghana

Work permit

28. A work and residence permit must be obtained prior to working in Ghana. The work permit is issued first and it serves as a basis for issuing the residence permit. Both work and resident permits are sponsored by the employing company.
29. Work permits can be obtained either from the Ghana Investment Promotion Centre (GIPC) in the form of Automatic Expatriate Quota (AEQ) or the Ghana Immigration Service (GIS)/Ministry of Interior (MoI). Assignees working for companies in the mining and petroleum industries, as well as Non-Governmental

Organisations (NGOs) are required to apply to the GIS/MoI for their work permits. Before making an application to the GIS, support should be obtained from the regulatory bodies overseeing the industries concerned in respect of a named applicant: Mining – Minerals Commission (MC); Petroleum (upstream) – the Petroleum Commission; Petroleum (downstream) – the Energy Commission; Ghana Free Zones – the Ghana Free Zones Board; and NGOs – the Department of Social Welfare.

30. A person can begin to work after the work and residence permits have been granted.

31. To register as a tax payer, an individual must complete a Taxpayer Registration Form to obtain a Taxpayer Identification Number. The form can be obtained from the Ghana Revenue Authority. The application must be supported by a colored notarized copy of the biodata page of the applicant's passport.

Tax Entry Briefing

32. An entry briefing with a PwC specialist on arrival in Ghana will enable all Ghanaian Tax Issues to be identified and tax planning opportunities can be identified at the early stages of your assignment.

Step 5:

What to do at the end of the year

Tax Returns

33. Expatriate employees who have tax payable in Ghana are required to file annual personal tax returns. An assignee shall furnish a return of income for a year of assessment not later than four months after the end of a calendar year.
34. Where the employer withholds income tax from payments to employees on a monthly basis, this tax deducted at source on the taxable income of the employee must be remitted to the Ghana Revenue Authority by the 15th day of the month following the month in which the deduction was or should have been made.
35. Penalty for failure to pay tax on the due date is interest at 125% of the statutory rate, compounded monthly and applied to the amount outstanding at the start of the period.
36. Penalty for failure to file returns by the due date is GH¢500 upfront and GH¢10 for each day in default.

Annual Returns

An individual or body corporate to whom work permit or immigrant quota is granted, is obliged to submit annual returns, not later than the 14th day of January in each year to the issuing authority with a copy to the Director of immigration, giving names and addresses of all foreign employees in their employment as at 1st January.

Penalty of GHS1,000 apply to the employer for non-compliance and GHS200 applies to the individual employee.



Step 6: **What to do when you leave Ghana**

Tax Exit Briefing

37. A meeting with a PwC Tax specialist prior to departure from Ghana will enable all the relevant tax issues to be identified and the appropriate actions taken.

38. A notification of cessation must be completed for the assignee and submitted to the Ghana Revenue Authority.

39. In addition, a notification letter must be sent to the Ghana Immigration Service

to inform them that the person is no longer in the employment of the company and has left the country. Evidence of the person leaving the country must be attached to the letter.



Step 7:

Other matters requiring consideration

Long-term transfers

40. Companies with the intention of employing foreign nationals to work in their organisation are required under the Immigration Laws to obtain work and residence permits for the expatriates and their accompanying dependents.

not allowed to work. However they are allowed to attend meetings, training and also to perform some form of work (i.e. assembling of machines, maintenance, etc.).

41. A holder of business visa does not require authorisation before attending or receiving short term training in Ghana.

traveler to stay in Ghana for a period not exceeding 90 days for ECOWAS nationals, and 30 to 60 days in the case of other nationals.

42. A visitor's permit does not authorise a foreigner to work during the period of stay in Ghana. Visitor's permits can be extended upon expiry.

Business Visa

43. Visitors travelling on business visa are generally

Visitor's Permit

44. A visitor's permit is granted upon arrival and this allows a

Appendix A:

Airport tax table

Destination	Class	Airport tax
Within Ghana	-	GHC 5.00-
Within West Africa		US 60.00
Outside West Africa	Economy	US 100.00
Outside West Africa	Business	US 150.00
Outside West Africa	First	US 200.00

Appendix B:

Estimation of value of non-cash benefit table

The value of non-cash benefits is generally 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. However, accommodation facilities, vehicle and fuel benefits are valued as follows;

Facility provided	Value (% of TCE*)
Accommodation with furnishing	10%
Accommodation only	7.5%
Furnishing only	2.5%
Shared accommodation	2.5%
Fueled vehicle with driver	12.5% up to GH¢ 600 per month (GH¢ 7,200 per year)
Vehicle with fuel	10% up to GH¢ 500 per month (GH¢ 6,000 per year)
Vehicle only	5% up to GH¢ 250 per month (GH¢ 3,000 per year)
Fuel only	5% up to GH¢ 250 per month (GH¢ 3,000 per year)

*Total Cash Emoluments “(TCE)” is the total of all income derived by the person during the year from any and all employment including other non-cash benefits and indirect payments made by the employer on behalf of the employee.

Appendix C:

Tax tables containing rates of taxation

Applicable for the tax year ending 31 December 2018

Currency: Ghana cedi (GHC)

	Chargeable Income(GHS)	Rate	Tax Payable	Cumulative Income	Cumulative Tax
First	261.00	0%	-	261.00	-
Next	70.00	5%	3.50	331.00	3.50
Next	100.00	10%	10.00	431.00	13.50
Next	2,810.00	17.50%	491.75	3,241.00	505.25
Exceeding	3,241.00	25%			

The above rates are applicable only to residents.

Appendix D:

Typical tax computation

Individual tax calculation – Year ending 31 December 2018

Assumptions

Resident husband and wife with two children in approved educational institution. Neither the wife nor the children have any separate income. Husband is provided with fully furnished accommodation and use of an official car with fuel. Income includes salary of GH¢400,000 and allowances totaling GH¢20,000.

Tax computation	GH¢	GH¢
Basic salary	400,000	
Allowances	20,000	
Total cash emolument		420,000
Rent element (10% of TCE)	42,000	
Car element (10% of TCE up to a limit of GH¢500 per month)	6,000	
Total Assessable income		488,000
Less:		
Employee's contribution to social security fund (5.5% of basic salary up to a limit of GHS 25,000 per month)	(16,500)	
Subtotal		471,500
Less — Reliefs:		
Married	(200)	
Children's education (2 x 200)	(400)	
Total deductions		(600)
Chargeable income		470,900
Tax thereon:		
On first 33,720	6,063	
On remaining 437,180 at 25%	109,295	
Tax payable		115,358

Appendix E:

Double-taxation agreements

Countries with which Ghana currently has double-taxation agreements:

Belgium	Italy	The Netherlands
France	South Africa	United Kingdom
Germany	Switzerland	Denmark
Czech Republic*	Singapore*	Mauritius*
Morocco*	Ireland*	

*Yet to be ratified by the Parliament of Ghana



Appendix F:

Ghana contacts and offices

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