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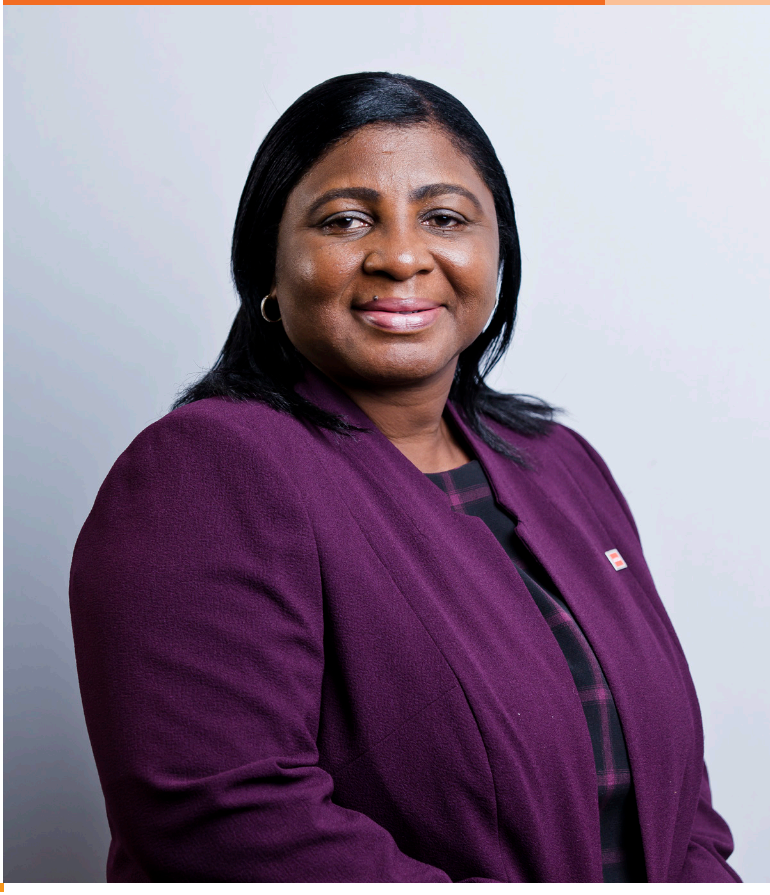
Navigating taxation

2016 Tax Facts and Figures

A quick guide to taxation in Ghana



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Introduction

On 1 January 2016, Ghana replaced its 15-year-old Internal Revenue Act with the Income Tax Act, 2015 (Act 896).

Before then, many tax changes had been made and they continue to be made.

The new Income Tax Act (Act 896) has already witnessed two amendments between September 2015, when it was first enacted by Parliament, and February 2016, a month after it came into force.

Besides the changes contained in the Income Tax Act, the following changes to the general tax regime in Ghana have been made or were proposed in the 2016 budget statement and economic policy:

- Passing the Revenue Administration Bill, which is expected to harmonise and consolidate all tax administration provisions in Ghana's various tax laws;
- Implementing the second phase of the National Single Window Project to simplify customs procedures;
- Establishing joint audit teams between the Domestic Tax Revenue and Customs Divisions;
- Reimposing the excise duty on cider and beer; and
- Implementing the excise tax stamp, which commenced in March 2016.

In this publication, all currency references are in Ghana cedi (GH¢), which is approximately USD0.26 as at 1 January 2016.

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 quick reference, and action should not be taken on the strength of the information contained herein without obtaining professional advice.

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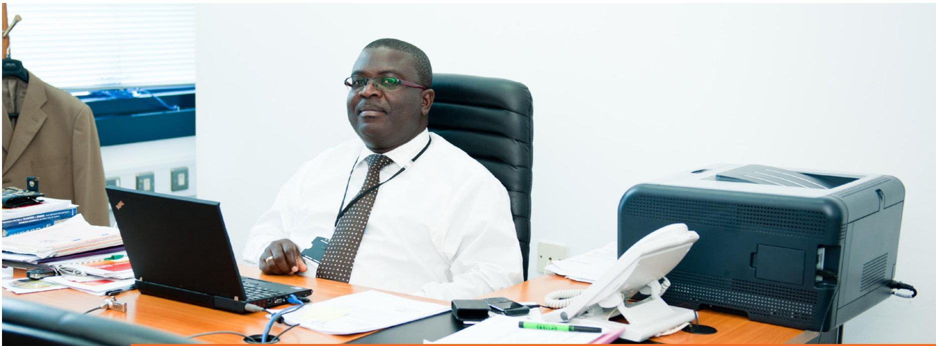
A brief profile of PwC



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Our core values

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

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

PwC in Africa

In Africa we're the largest provider of professional services, with close to 450 partners and over 9,000 people in 36 countries. This means that we're able to provide our clients with a seamless and consistent service, wherever they're located on the continent.

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PwC Ghana

PricewaterhouseCoopers (Ghana) Limited is one of the largest professional services firms in Ghana and a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

PwC's global network provides us with a broad resource base of in-depth knowledge, methodologies and experience that we use to provide value for our clients.

PwC Ghana is located in Accra and Takoradi, with a branch office in Sierra Leone. The firm has over 300 employees and 10 resident partners/directors. We provide industry-focused audit and assurance, advisory and tax services to both the private and public sectors, and in the following industries:

Consumer and industrial products and services (CIPS): Fast-moving consumer goods companies, telecoms, manufacturers, construction companies, and transportation, media and service-oriented companies.

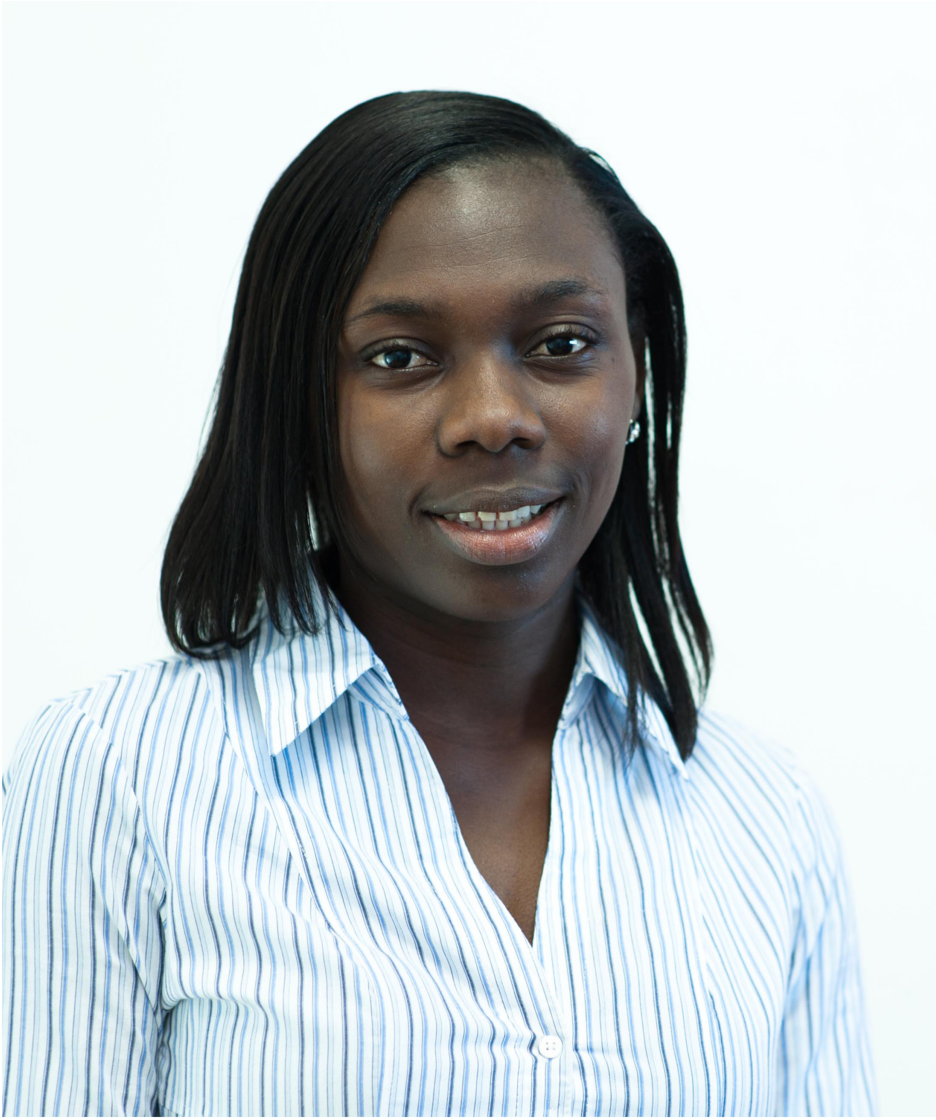
Energy, Utilities & Mining(EU&M): Mining and exploration, oil & gas as well as renewable energy and utility companies.

Financial services (FS): Banking, insurance, pensions and non-bank financial institutions.

Government and public sector: Government, and multilateral and bilateral agencies (donor agencies, non-governmental organisations (NGOs)).

Table of Contents

Direct taxation



General provisions under the tax 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.

Resident persons are taxed on their worldwide income.

For non-resident persons, the income must have a source in Ghana. Income has a source in Ghana if it accrues in or is derived from Ghana.

Resident persons

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

- a citizen of Ghana;
- present in Ghana for an aggregate period of 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 has a permanent home in Ghana and is temporarily absent from Ghana for up to 365 continuous days.

A partnership is considered a resident for a year if any of the partners resided in Ghana at any time during that year.

A trust is resident in Ghana for tax purposes if:

- that trust is established in Ghana;
- a trustee of the trust is a resident at any time during the year; or
- a person resident in Ghana directs or may direct senior managerial decisions of the trust at any time during the year, whether the directive is given
    - (i) alone or jointly with other persons, or
    - (ii) directly or through one or more interposed entities.

A company is resident for tax purposes if:

- that company is incorporated under the Companies Act, 1963 (Act 179); or
- the management and control of the affairs of that company are exercised in Ghana at any time during the year.

A Ghanaian permanent establishment is treated as a resident company for the purposes of income taxation.

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 deduction allowed to that person.

Taxation of individuals

Monthly tax rates

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

Year 2016	Chargeable income GH¢	Rate %	Tax payable GH¢	Cumulative income GH¢	Cumulative Tax GH¢
First	216	0	0	216	0
Next	108	5	5.4	324	5.4
Next	151	10	15.1	475	20.5
Next	2,765	17.5	483.88	3,240	504.38
Exceeding	3,240	25			

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

Income from employment

An individual's income from employment for a year of assessment is the gains and profits of that individual from the employment for that year or a part of that year.

Personal relief

An individual's assessable income for any year of assessment may be reduced in certain circumstances. These are summarised in the table below.

Conditions	2016 GH¢
i. An individual with a dependant spouse or at least two dependant children	200
ii. Disabled person(s)	25% of Y*
iii. Individual aged 60 years or more	200
iv. Education of dependant child or ward	200 per dependant** limited to three dependants
v. Dependant relative (excluding spouse or child) aged 60 years or more	100 per dependant** up to two dependants
vi. Professional, technical or vocational training cost	Up to 400

* Y is assessable income from a 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

Statutory contributions towards retirement are categorised under a three-tiered scheme, comprised as follows:

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

The general mandatory monthly social security contribution rates are as follows:

- *For employers:* 13% of the employee's basic salary; and
- *For employees:* 5.5% of the employee's basic salary.

The employer is responsible for remitting the total mandatory contributions by the 14th day of the month following the month in which the deduction was or should have been made. The contributions are remitted to the Social Security and National Insurance Trust (SSNIT) and the approved trustee, as appropriate. Late payment of mandatory pension contribution attracts a penalty of 3% per month of the contribution payable.

Tax exemptions are available for mandatory and voluntary contributions, subject to compliance with specified limits and conditions.

Interest incurred by individuals on residential premises

Mortgage interest an individual incurs on a loan employed in the construction or acquisition of the individual's residential premises may be claimed as a deduction against the income of that individual.

Non-cash benefits

Except where specifically exempt, non-cash benefits received from employment are taxable.

Unless specifically provided, a payment or an amount to be included in income or deducted from income is quantified according to market value, in line with the arm's length principle.

Accommodation facilities and vehicle-related benefits are specifically provided for and valued as follows:

Facility provided	2016
Provision of accommodation	**Value (% of TCE)**
Accommodation with furnishings	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¢600 per month
Vehicle with fuel	10% up to GH¢500 per month
Vehicle only	5% up to GH¢250 per month
Fuel only	5% up to GH¢250 per month

Loan benefits

Under certain conditions, soft loans provided by employers to their employees are not taxable. If these conditions are not met, deemed interest on the loan is calculated and the employees are taxed on it.

Non-taxable benefits or income

The following benefits and income are generally not taxable:

a. A discharge or reimbursement of proper business costs incurred on behalf of the employer;
b. A discharge or reimbursement of the employee's dental, medical, or health insurance expenses if the benefit is available to each full-time employee on equal terms;
c. The costs of relocating an individual to or from the country where that individual is first employed by the employer or when employment ends, and when the individual is:
   – recruited or engaged outside of Ghana,
   – solely to serve the employer in Ghana, and
   – a non-resident;
d. Accommodation provided by an employer to an employee of a timber, mining, building, construction or farming business or petroleum operation at a place or site where the field operations of the business are carried on;
e. Payment made to employees on a non-discriminatory basis and which by reason of the size, type and frequency of payments are unreasonable or administratively impracticable for the employer to account for or allocate to an individual;
f. Redundancy pay;
g. Pension; and
h. A capital sum paid to a person as a compensation or gratuity for personal injury suffered by that person, or because of the death of another person.

Overtime

Overtime payments made in a month to a qualifying junior employee are taxable at 5% if the payment does not exceed 50% of the basic salary of the employee for that month. If overtime payment to a qualifying junior employee exceeds this threshold, the overtime is taxable at 10%.

Bonuses

Bonus payments made to an employee that are up to 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.

Under this system, the employer deducts tax on the taxable income of the employee at source 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.

Gifts

A gift received by an individual in respect of employment, business or an investment of that individual is included in the assessable income of the individual and taxed.

Realisation of assets and liabilities

Gains or losses from the realisation of business or investment assets and liabilities are included in the assessable income of an individual and taxed using the graduated tax rates. However, an individual can elect that the gain from the realisation of an investment asset be taxed at 15%.

Modified taxation

Individuals whose only source of income in the year of assessment is from one business may opt to be taxed under presumptive tax, based on instalment or turnover, subject to the application of certain rules.

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	2016 %
Companies (excluding those specified below)	25
Rural banks – first ten years* /after ten years	1*/25
Free-zone enterprises/Developers – first ten years in operation	0
Free-zone enterprises/Developers – after first ten years in operation from exports*/other income:	15*/25
Venture capital financing company for the first ten years only	1
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)	22
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 export of non-traditional goods	8
Companies engaged in waste processing for the first seven years only	1
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 only	1
ii. after first five years only	25
Agriculture	
Farming tree crops, for first ten years only	1
Farming livestock (other than cattle or fish) or cash crop farming, for first five years only	1
Cattle farming, for first ten years only	1
Cocoa farming	0
Agro-processing companies	
i. first five years	1
ii. after first five years	25
Approved unit trust scheme, mutual fund and Venture capital finance company	
i. first five years	1
ii. after first five years	25

Year of assessment (companies)

The year of assessment is generally the calendar year.

Basis period

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

A company or a trust may choose a particular accounting year. Once chosen, an accounting year cannot be changed unless approval in writing is obtained from the Commissioner-General of the GRA.

Deductions allowed

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

Examples of allowable expenses include:

- capital allowance for the year;
- bad debts (under certain conditions);
- tax losses brought forward for a specified number of years;
- repairs and improvements (under certain conditions);
- research and development expenditure;
- losses incurred on the realisation of business or investment assets and liabilities;
- foreign exchange losses;
- incentives for hiring recent graduates; and
- financial costs (under certain conditions).

Deductions not allowed

Expenditure that is of a capital nature or not wholly, exclusively and necessarily incurred in the production of income is not allowed to be deducted. Examples of expenses that are not allowed as deductions include:

- domestic expenditure;
- income tax;
- interest expense and associated foreign exchange losses of a thinly capitalised company;
- bribes; and
- dividends.

Capital allowances

Capital allowances are granted to persons who own depreciable assets and use those assets to produce income from business.

Capital allowances granted to a person are to be taken in the year granted and cannot be deferred. Depreciable assets are grouped in the following classes for the purpose of capital allowances:

Class	Assets included	Rate (%)	Basis
1	Computers and data-handling equipment with peripheral devices	40	Reducing-balance
2	i) Automobiles, trailers, construction and earth-moving equipment, plant and machinery used in manufacturing ii) Plantation capital expenditure	30	Reducing-balance
3	Locomotives, water transportation equipment, aircraft, office furniture and fixtures; equipment not included in another class	20	Reducing-balance
4	Buildings, structures and works of a permanent nature	10	Straight-line
5	Intangible assets	Over useful life	

Carry-over of tax losses

Tax losses can be carried forward for three or five years, depending on the industry or sector of operation.

Venture capital financing company

Tax losses incurred by a qualifying venture capital financing company from the disposal of an investment in a venture capital subsidiary company shall be carried forward for five years after the date of disposal.

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 licence.

Ring-fencing of petroleum and mineral operations

The chargeable income of petroleum or mineral operations is calculated separately according to each petroleum right or mine. Each petroleum or mining operation is treated as an independent business and the tax liability of each business is calculated independently. This may result in multiple chargeable income or loss calculations, even if the petroleum or mining company is a single entity or taxpayer.

Dividends

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

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 to the 2013 to 2017 years of assessment.

The affected companies and institutions are:

1. Banks (excluding community and rural banks);
2. Non-banking financial institutions;
3. Insurance companies;
4. Telecommunications companies;
5. Breweries;
6. Inspection and valuation companies;
7. Companies providing mining support services;
8. Shipping lines; and
9. Maritime and airport terminal operators.

The NFSL is payable on a quarterly basis.

Free-zone developers or enterprises

Companies registered to operate as free-zone developers or enterprises do not pay corporate tax for the first ten years of operation. Once the ten-year corporate tax holiday has expired, the corporate tax rate from the export of goods and services is 15%.

After the tax holiday, income from goods and services provided to the domestic market is taxed at 25%.

Annuities, instalment sales and lease transactions

Payments made by a person under an annuity or finance lease, or in acquiring an asset under an instalment sale, are treated as interest and a repayment of a capital under a loan made by the person, lessor, or seller to the payer, lessee or buyer respectively.

The interest and repayment of capital are calculated as if the loan were a blended loan.

If an asset is transferred under a finance lease or instalment sale, the person or lessor is treated as deriving an amount equal to the market value of the asset and to the lessee or payer, incurring the same amount to acquire the asset. Hence, the lessee or payer is deemed to be the owner of the asset.

Gifts

A gift received by an entity in respect of business or an investment is included in the assessable income of the entity and taxed at the corporate tax rate.

Realisation of assets and liabilities

The gains or losses from the realisation of business or investment assets and liabilities are included in the assessable income of a company and taxed at the corporate tax rate.

Telecommunications and transportation businesses

Payments received by a person who carries out a business of transmitting or receiving messages by cable, radio, optical fibre or satellite, or electronic communication from an apparatus located in Ghana, whether or not the messages originate, terminate or are used in Ghana, are liable to a withholding tax rate of 15%. For a non-resident, the withholding tax is treated as a final tax.

Similarly, payments received by a person who conducts a business of carrying passengers, cargo, mail or other movable assets that are embarked in Ghana (other than transhipment), including the rental of containers and related equipment that are incidental or supplementary to the transportation business, is liable to a withholding tax rate of 15%. For a non-resident, the withholding tax is treated as a final tax.

Change in control

A change in the underlying ownership of an entity by more than 50% that takes place at any time within a three-year period triggers a number of consequences for the entity, including:

- deemed disposal of the assets and liabilities of the entity at market value and reacquisition at the same value; and
- non-deductibility of financial costs, losses and bad debts incurred before the change.

Banking business

A person engaged in banking business is required to determine income or loss from the banking business separately from any other business activity and keep separate books of account for each business. Specific provision for a debt claim is deductible if the Commissioner-General is satisfied that the debt is bad.

Insurance companies – general business

Any other business activity of a person engaged in general insurance business should be kept separate.

The business of a general insurance company is taxed on premiums and proceeds derived, less:

- proceeds incurred;
- premiums incurred under a contract of reinsurance; and
- reserves for unexpired risks as at the end of the accounting year.

The corporate income tax rate is applied to the result.

Withholding tax on premium payments

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

Premiums paid to a non-resident person for insurance with a source in Ghana attract a 5% withholding tax.

Life insurance business

A person engaged in a life insurance business is required to determine income from the life insurance business separately from any other business activity.

The business of a life insurance company is taxed as follows:

- Excluded from income: premiums and proceeds derived.
- Not deducted from income and not included in the cost of an asset or liability: premiums and proceeds incurred.

The corporate income tax rate is applied to the result.

Retirement funds

Retirement contributions received by a retirement fund are exempt from tax. Retirement payments made by the retirement fund are not deductible.

Payments sourced from Ghana

The following are some of the payments considered as sourced from Ghana:

- Dividends paid by a tax-resident company;
- Interest paid by a resident person (including a Ghanaian permanent establishment) or paid in relation to a debt obligation secured by real property located in Ghana;
- Payments made in respect of natural resources located in Ghana.
- Rent paid for the use of, right to use, or forbearance from using an asset situated in Ghana;
- Royalties paid for the use of, right to use, or forbearance from using an asset situated in Ghana;
- Premiums and proceeds for general insurance paid to cover risk in Ghana;
- Payment in respect of acquiring a domestic asset or incurring a domestic liability, or the realisation of that asset or liability;
- Payment made in respect of an activity conducted or forbearance from conducting an activity in Ghana;
- Payments for employment or services rendered in Ghana, regardless of the place of payment, or paid by the Government, regardless of the place of performance; and
- Any other payments brought into or received in Ghana by a resident person.

Income attributable to a permanent establishment

The income of a Ghanaian permanent establishment is subject to tax in the same manner as a resident company.

The foreign income of a foreign permanent establishment is exempt from tax in Ghana.

The income and liability of a permanent establishment are calculated as if the permanent establishment is separate from its owner, and arrangements between the two are recognised.

Branch profit tax

Net profit of a branch is deemed as repatriated profits and treated as dividends distributed, and attracts a final withholding tax of 8%.

Payment is required to be made to the Commissioner-General of the GRA within 30 days of the end of the accounting year.

Relief from double taxation

A resident person (excluding a partnership) is allowed to claim foreign tax credit for any income tax they pay to a foreign country in respect of a foreign sourced income to the extent that the foreign sourced income is included in the assessable income of that person.

Double tax treaties (DTTs)

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, Switzerland and Denmark.

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 %	Denmark %
Dividends (where the recipient holds at least 10% shares)	7.5	7.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Dividends (in any other case)	15.0	15.0	15.0	15.0	15.0	15.0	10	15.0	15.0
Royalties	12.5	12.5	8.0	10.0	10.0	10.0	8.0	8.0	8.0
Technical or management service fees	10.0	10.0	8.0	10.0	10.0	10.0	8.0	8.0	8.0
Interest	12.5	12.5	10	10.0 (5.0% for non-resident banks)	10.0	10.0	8.0	10.0	8.0

Withholding tax under domestic tax laws

Income	Rate (%)
Resident persons	
Interest (excluding individuals and resident financial institutions)	8.0
Dividend	8.0
Rent on residential properties to individuals and artificial persons	8.0
Rent on non-residential properties to individuals and artificial persons	15.0
Fees to resident individuals as invigilators, examiners and part-time teachers or lecturers, and endorsement fees to individuals	10.0
Fees or allowances to directors, managers, board members and trustees who are resident individuals	20.0
Commission to insurance, sales, canvassing and lotto agents who are individuals	10.0
Supply of goods exceeding GH¢ 2,000 per annum	3.0
Supply of works exceeding GH¢ 2,000 per annum	5.0
Supply of services by an entity exceeding GH¢ 2,000 per annum	7.5
Supply of general services by an individual	15.0
Lottery winnings exceeding GH¢ 2,592	5.0
Payment to petroleum subcontractors	15.0
Payment for unprocessed precious minerals	3.0
Royalties and natural resource payments	15.0
Non-resident persons	
Dividend	8.0
Royalties, natural resources payments and rents	15.0
Management and technical service fees	20.0
Goods, works or any services	20.0
Repatriated branch after-tax profits	8.0
Interest income	8.0
General insurance premiums	5.0
Income from telecommunication and transportation business	15.0
Payment to petroleum subcontractors	15.0

A withholding agent is required to prepare and provide the withholdee with a withholding tax certificate within 30 days of the month of deduction.

Exempt income

The following types of income are exempt from taxes:

a. Gains from life insurance when the proceeds are paid by a resident insurer;
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. A dividend paid to a resident company by another resident company when the company receiving the dividend controls at least 25% of the voting power in the company paying the dividend. This exemption does not apply to certain special industries;
d. The income of a cocoa farmer;
e. Interest paid to an individual by a resident financial institution or on bonds issued by the Government of Ghana; and
f. Interest or dividends on an investment paid or credited to a holder or member of an approved unit trust scheme or mutual fund.

Anti-avoidance schemes – income splitting

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

Transfer pricing

Ghana's transfer pricing regulations (TPRs) 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's (OECD) guidance on transfer pricing, acceptable methods under the TPRs are the:

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 to use 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 these to the GRA; and
- provide supporting documentation or 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 debt to equity is greater than 3:1. Thin capitalisation does not apply to financial institutions.

Administrative procedures – furnishing of returns of income

A return of income should be filed with the GRA within four months of the end of each year of assessment.

Cases where a return is not required

Unless the Commissioner-General requests so in writing, a return shall not be filed by:

- a non-resident person who has no tax payable for the year;
- a resident individual who has no tax payable for the year; or
- a resident employee whose only income was employment income subject to withholding tax.

Statement of estimated tax payable

A person who is an instalment payer for a year of assessment is required to file an estimate of tax payable for the year with the Commissioner-General by the date for payment of the first tax instalment.

Payment of tax

Tax instalment payments are generally due by the last day of the third, sixth, ninth and twelfth months of the basis period where the basis period is a twelve-month period.

Withholding tax is due 15 days after the end of each calendar month for which a tax is withheld.

In any other case, tax is due on the date stated in a notice of payment.

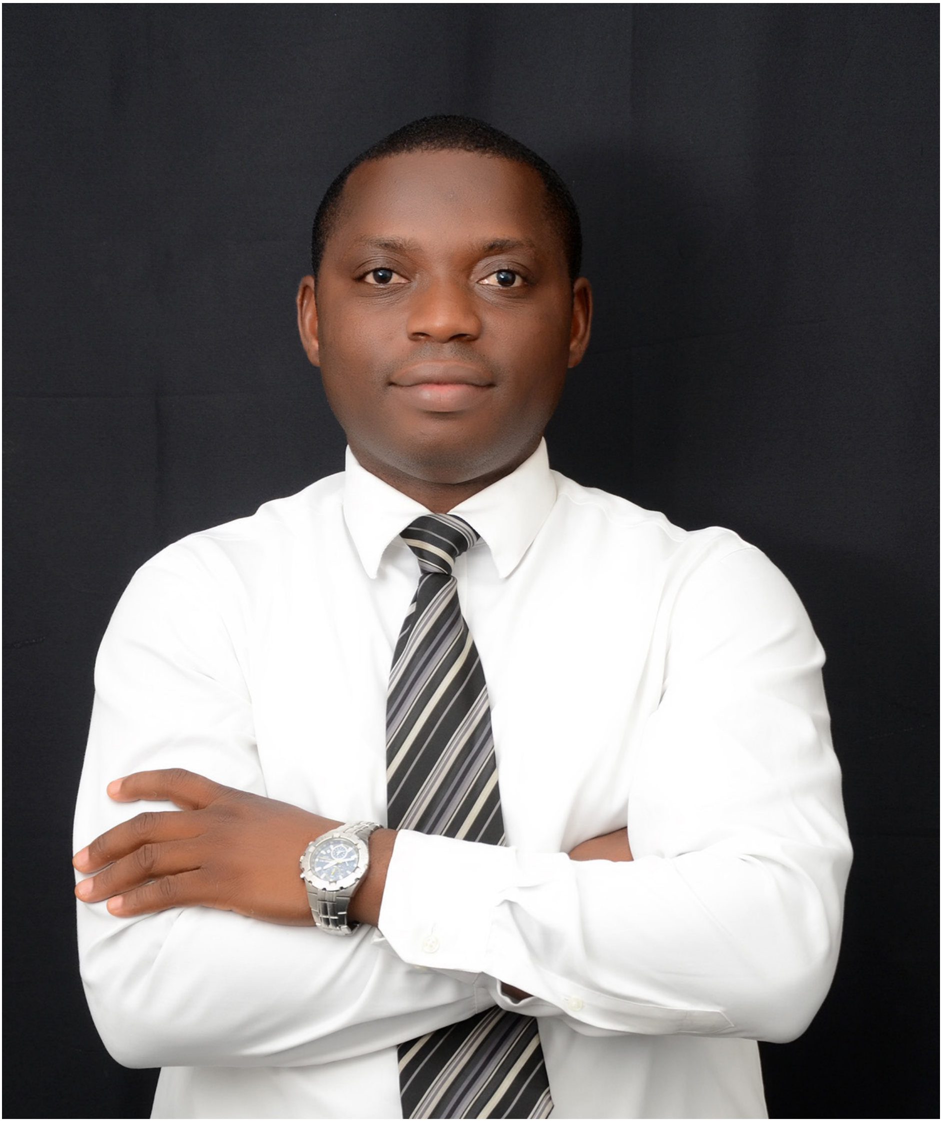
Offences and penalties

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

Offence	Interest, penalties and fines
Failure to maintain records	If the failure is deliberate or reckless, 75% of the tax attributable to the period of failure. In any other case, the lesser of 75% of the tax attributable to the period or GH¢ 250.
Failure to furnish a return	Entities pay GH¢ 4 and individuals pay GH¢ 2 for each day of default. The penalty applies separately to an estimate and a tax return. There may also be prosecution by the Commissioner-General following continual default.
Failure to pay tax on the due date	Interest at 125% of the statutory rate, compounded monthly, and applied to the amount outstanding at the start of the period.
Understating the estimated tax payable by instalment, where instalment tax paid during the year is less than 90% of the actual tax liability for the year	Interest at 125% of the statutory rate, compounded monthly, and applied to the difference between 90% of the total amount payable by instalments based on the correct amount and the tax paid by instalments.
Making false or misleading statements	A penalty of double or triple the resulting underpaid tax if the inaccuracy or omission had remained undetected, or a term of imprisonment, or both.
Aiding and abetting taxpayers not to file returns, pay tax or understate taxes	Triple the amount of the underpayment of the tax which may have resulted if the offence had gone unnoticed.
Failure to comply with the Act	If the resulting underpayment is not less than GH¢ 200, a fine between GH¢ 2,400 and GH¢ 4,800 and in any other case, between GH¢ 120 and GH¢ 2,400.
Failure to withhold tax	Personal liability to pay to the Commissioner-General the tax due but not withheld, plus interest at the statutory rate.
Failure to pay tax	For failure to pay tax of more than GH¢ 2,000, a penalty of between GH¢ 2,400 and GH¢ 12,000 applies. In any other case, a penalty of between GH¢ 600 and GH¢ 2,400 applies. A term of imprisonment between one month and one year may be imposed together with this pecuniary penalty or alone.
Impeding tax administration	A fine of between GH¢ 1,200 and GH¢ 12,000 applies. A term of imprisonment of between six months and two years may be imposed together with this pecuniary penalty or alone.
Offences by authorised and unauthorised persons	A fine of between GH¢ 600 and GH¢ 3,000. A term of imprisonment of between one and three years may be imposed together with this pecuniary penalty, or alone.
Aiding or abetting	If the offence involves making false or misleading statements which, if undetected, result in underpayment of tax of more than GH¢ 100, a penalty of between GH¢ 600 and GH¢ 2,400 may apply. A term of imprisonment of between one and two years may be imposed together with this pecuniary penalty, or alone. In any other case, a penalty of between GH¢ 120 and GH¢ 600 may apply. A term of imprisonment of between six months and one year may be imposed together with this pecuniary penalty, or alone.

Penalties have been prescribed for offences by authorised and unauthorised persons and by entities. The Commissioner-General may compound the offence at any time before the court proceedings commence.

Indirect taxation



Value added tax and the National Health Insurance Levy

Scope

Except for exempt goods and services, Value-Added Tax (VAT) and the National Health Insurance Levy (NHIL) are charged on:

a. the supply of goods and services made in Ghana; and
b. imports of goods and services.

VAT is charged on any supply of goods and services that is a taxable supply and is made by a taxable person in the course of their taxable activity.

A taxable activity means an activity, whether or not for a pecuniary profit, 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 VAT is in the case of:

1. a taxable supply by the taxable person making the supply;
2. imported goods, by the importer;
3. an imported service, by the receiver of the service, under certain conditions; and
4. the supply of telecommunication services or electronic commerce for use in Ghana by the non-resident person making the supply or its agent.

Except for supplies considered to be zero-rated and a flat rate of 5% for real estate developers, the standard rate of VAT is 15% and the NHIL is 2.5%.

VAT and the NHIL are calculated on the value of the taxable supply of the goods, services or imports.

A taxable person is a person who is registrable for VAT and has been registered by the Commissioner-General and issued with a certificate of registration. The effective date of registration as a taxable person is the date specified on the certificate of registration.

Standard (invoice credit) scheme

The general mandatory registration turnover threshold for taxable supplies over a twelve-month period is GH¢ 200,000.

Group registration and deregistration

Group registration is possible and must be applied for in writing. The Commissioner-General receives these applications and, if satisfied that the registered person no longer exists or carries out taxable activities, may cancel the registration of a taxable person.

Tax representative

The Commissioner-General may declare a person to be the tax representative of a taxable person. The representative is then responsible for performing the duties imposed on then taxable person, including the payment of VAT.

Exempt supplies

Some supplies that are specifically exempt are 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, 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. Certain pharmaceuticals, active ingredients and selected inputs;
12. Domestic transportation;
13. Machinery and parts of machinery;
14. Crude oil and hydrocarbon products;
15. Accommodation in a dwelling, or land for agricultural use and civil engineering public works;
16. Financial services, life insurance and reinsurance;
17. Goods specifically designed for the disabled;
18. Postal services;
19. Salt; and
20. Mosquito nets.

Detailed descriptions of the above exempt items are provided in the relevant VAT legislation.

VAT and NHIL incurred

A VAT-registered business which principally makes taxable supplies may recover up to 100% of the VAT and NHIL incurred on goods or services purchased for the business, subject to some restricted expenses or items.

A real estate developer may not have recourse to input tax deduction except under exceptional circumstances.

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

Returns

Registered businesses are required to submit monthly returns showing:

- VAT and NHIL charged on supplies;
- VAT and NHIL incurred on the purchase of goods and services; and
- the net VAT and NHIL payable or reclaimable.

VAT and NHIL returns and payment (if any) are ordinarily due by the last working day of the month after the month to which the return relates.

VAT and NHIL on imported goods are paid 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 after the month in which the services were imported.

Businesses are usually not entitled to VAT and NHIL refunds. Refund claims must satisfy several conditions.

Penalties

There is a comprehensive system of penalties and interest payable for:

- the incorrect declaration of VAT and NHIL;
- the late submission of returns;
- late payments; and
- other infringements of the provisions of the VAT laws.

If 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 given in the table below:

Offence	Sanctions
Failure to register	Up to twice the amount of tax on taxable supplies until the application is filed
Failure to issue (proper) tax invoices	Up to GH¢ 1,200, plus the higher of GH¢ 500 and triple the amount of tax
Late filing of VAT return	GH¢ 500 plus an additional GH¢ 10 per day
Making a claim for a refund which you are not entitled to	Twice the original refund request, plus interest
Late payment of tax	Interest at the prevailing Bank of Ghana discount rate, plus 25% of that rate for a month on the tax due
General penalty	Up to three times the amount of tax involved

Communication service tax

Communication 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%. CST 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 interconnection services.

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

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

If a CST return is not filed by the due date without justification, a penalty of GH¢ 2,000 applies, with an additional penalty of GH¢ 500 for each day the return is not submitted.

If an extension approval has not been granted by the Commissioner-General of the GRA, an interest rate of 150% of the average prevailing lending rate of commercial banks 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.

Special petroleum tax

Persons licensed to operate as oil marketing companies are required to charge a special petroleum tax at the rate of 17.5% on the ex-depot price of:

- petrol;
- diesel;
- liquefied petroleum gas;
- natural petroleum gas; and
- kerosene.

The tax is administered by the GRA and should be remitted by the last working day of the month following the month of transaction.

Customs and excise taxes

Ghana enacted the Common External Tariff (CET) classification system as the binding custom duty regime in 2016.

The CET repealed the Harmonised System and Customs Tariff Schedule 2012 ('the HS Code').

The CET sets out the various duties and administrative charges applicable to imports, exports and excise duties.

Import duties

Typically, import duties range between 0% and 35%, depending on the nature (description) of the item imported, as specified in the HS Code.

Import duties are generally levied on the cost, insurance and freight (CIF) value of the item imported.

VAT and NHIL of 17.5% are also applied to the CIF (used for customs purposes) and import duty amounts.

Special import levy

A special import levy of 1% to 2% applies on the importation of certain goods for the years 2013 to 2017.

This special import levy applies in addition to import duties, and mandatory statutory or 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% and 3.45% of the value of goods imported. These charges may apply regardless of any import duty exemptions.

Export duties

Exports do not usually attract any duties.

Excise duties

Excise duties generally range between 0% and 175% of the ex-factory price and apply to products such as beer, spirits and tobacco products.

Excise tax stamps

Excise tax stamps are to be affixed to specific excisable goods which are manufactured in the country or imported into the country.

They apply to tobacco products, alcoholic and non-alcoholic carbonated beverages, bottled water, and other goods specified by the minister responsible for finance, before sale or before entry into the market.

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 travel. The tax is GH¢ 5 for local travel and US$ 60 - US$ 200 for foreign travel.

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