

Ghana Country Profile

Africa Tax Centre: 2020 Fiscal Guide

May 2021

2020 Key tax factors for efficient cross-border business and investment involving Ghana

Double Tax Treaties	<p>With the following countries, territories and jurisdictions:</p> <ul style="list-style-type: none"> Belgium Czech Rep. Denmark France Germany Italy Mauritius Netherlands Singapore South Africa Swiss Confederation United Kingdom (UK) 																
Most important forms of doing business	<p>Limited Liability Company (LTD or Limited), Registering as an External Company</p>																
Legal entity capital requirements	<p>The statutory minimum share capital is USD500,000 for a wholly owned foreign company and a minimum share capital of USD200,000 for a company with joint ownership with a Ghanaian shareholder.</p> <p>However, for businesses such as general trading, importing, dealing in general goods and retail trading foreign applicants would be required to have a minimum of one million 1,000,000 US Dollars (USD1,000,000) in equity i.e. cedi equivalent at the prevailing bank rate.</p> <p>For all limited liability companies, applicants are required to pay 0.5% capital duty on the stated capital at the time of Incorporation.</p>																
Residence	<p>A company is regarded as resident if it is incorporated under the Companies Act, 2019 (Act 992), or its place of management or control is exercised at any time during the year in Ghana. Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Ghanaian source income.</p>																
Compliance requirements for CIT purposes	<p>Deadline for filing tax return is four (4) months immediately following the basis period of the Company. Companies can enjoy an extension for up to 2 more months upon approval by the Commissioner-General of the Ghana Revenue Authority.</p>																
Corporate income tax rate	<p>The standard corporate income tax rate is 25 percent. However, companies within some specific sectors are subjected to specific corporate tax rates as highlighted below:</p>																
	<table border="1"> <tr> <td>Companies in hotel industry</td> <td>22%</td> </tr> <tr> <td>Companies engaged in non-traditional exports</td> <td>8%</td> </tr> <tr> <td>Free-zone developers and enterprises exporting to foreign market</td> <td>15%</td> </tr> <tr> <td>Free-zone developers and enterprises providing goods and services to the local market</td> <td>25%</td> </tr> <tr> <td>Financial institutions in respect of income from financing farming enterprises and leasing companies</td> <td>20%</td> </tr> <tr> <td>Upstream Petroleum Operations</td> <td>35%</td> </tr> <tr> <td>Mineral and Mining Operations</td> <td>35%</td> </tr> <tr> <td>Trust</td> <td>25% ***</td> </tr> </table>	Companies in hotel industry	22%	Companies engaged in non-traditional exports	8%	Free-zone developers and enterprises exporting to foreign market	15%	Free-zone developers and enterprises providing goods and services to the local market	25%	Financial institutions in respect of income from financing farming enterprises and leasing companies	20%	Upstream Petroleum Operations	35%	Mineral and Mining Operations	35%	Trust	25% ***
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	<p>*** Income from approved Unit Trust scheme/mutual fund and approved Real Estate Investment Trust are exempt from tax</p>																

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Withholding tax rates

On dividends paid to non-resident persons
8 percent

On interest paid to non-resident persons
8 percent

On royalties paid to non-resident persons
15 percent

On rent paid on properties to non-residents
8 percent on Residential property or 15 percent on Non-Residential

On payments to non-resident petroleum subcontractors
15 percent

On payments related to unprocessed precious minerals located and won in Ghana
3 percent

On transport business for carrying passengers, cargo, mail or movable tangible assets which embark in Ghana other than as a result of transshipment
15 percent

On rentals of containers and related equipment incidental to the transport business
15 percent

On payment due to persons who conduct business of transmitting or receiving messages by cable, radio, optical fibre, satellite or electronic communications operations.
15 percent

On payment for goods, services, works which give rise to income with a source in Ghana and management & technical service fees to non-residents
20 percent

On the earned repatriated profits of a locally registered external Company
8 percent

On payment of insurance premiums sourced in Ghana to non-residents
5 percent

*****Note: Payments to non-residents are subject to final withholding taxes**

Tax rates for Individuals

On personal income taxes for residents
Resident Individuals are taxed on their worldwide incomes at the below Pay-As-You-Earn (PAYE) Schedule Below:

Annual Chargeable income (GH¢)	Rate of tax (%)
First – 3 828	0%
Next – 1 200	5%
Next – 1 440	10%
Next – 36 000	17.5%
Next – 197 532	25%
Exceeding 240 000	30%

Note: the tax rate for non-resident individuals is a flat rate 25% on income that has a source from Ghana
The rate is effective from 1 January 2020

Tax losses from Business or Investment

The following specified priority sectors can utilize unrelieved losses for any of the previous five (5) years of assessment:

- Minerals and mining operations;
- Petroleum operations;
- Energy and power business;
- Manufacturing business;
- Farming business;
- Agro processing business;
- Tourism business; and
- Information and communication technology businesses.

All other sectors can utilize unrelieved losses for any of the previous three (3) years of assessment. Also unrelieved losses made on the completion of a long-term contract can be carried back to set-off against profits reported in prior years.

- Unrelieved losses mean the amount of a loss that has not been deducted in calculating the income of a person
- Long-term contract means a contract for manufacture, installation, construction or the performance of services related to the above, which is not completed within twelve (12) months of the date on which work under the contract commenced.

Temporary Tax Concessions

Tax Incentives for Young Entrepreneurs

The income of a young entrepreneur from the business of manufacturing, information and communications technology, agro-processing, energy production, waste processing, tourism and creative arts, horticulture and medicinal plants are exempt from tax for a period of five years. Also, the young entrepreneur is allowed to carry forward an unrelieved loss for five basis periods.

Such businesses have further incentive after the initial concession period for a period of five years. These are based on location as follows:

Location	Tax Rate
Accra and Tema	15%
Other Regional capitals outside the three Northern Regions	12.5%
Outside other Regional capitals	10%
The three Northern Regions	5%

Note: young entrepreneur means an entrepreneur who is not more than thirty-five (35) years old.

Locational Incentives (*restricted to manufacturing companies not involved in Export of Non-Traditional Goods and Free Zone Enterprise Operations*)

Regional Capitals other than Accra and Tema – 25% Tax rebate; and Any other location other than Regional Capitals, Accra and Tema – 50% Tax rebate.

Incentives for Private Universities

Privately – owned universities are exempted from tax when they plough back a hundred percent of their profit after-tax into the business.

Temporary Tax Concessions

Other temporary Concessions

The following enjoy tax concessionary rate of 1% on their chargeable income

A. Farming Enterprise in the following areas Tree Crop Livestock (other than cattle and fish or cash crops) Cattle	First ten years from 1st harvest First five years from commencement First ten years from commencement
B. Agro-processing business	First five years of commercial production
C. Company producing cocoa by-products from cocoa waste	First five years from commencement of commercial production
D. Certified companies that construct low cost residential premises for sale or letting	First five years
E. Processing of waste for agricultural or commercial purpose	First seven years
F. Rural banking	First ten years
G. Approved unit trust scheme and mutual fund	First ten years
H. Venture capital financing company	First ten years after company first qualifies

NOTE: Businesses described from A to C above have further incentive based on location and do not qualify for any other location incentives available to manufacturing businesses. The incentive is for the next five (5) years after the temporary concession period and are stated below:

LOCATION	RATE OF INCOME TAX
Accra and Tema	20%
Other Regional Capitals outside the Northern Savannah Ecological Zone	15%
Outside other Regional Capitals	10%
The Northern Savannah Ecological Zone	5%

Gains on Realization of Asset or Liability

Any gain on realization of assets or liabilities in relation to a business, employment or investment is taxed in accordance with the source of the income. Individuals may opt for gains to be taxed at 15%.

The following gains are exempt:

- o Gains from the realization of bonds issued by the Government of Ghana by a non-resident person.
- o Gains from the realization of securities traded on the Ghana Stock Exchange up to 31 December 2021.

Transfer and Capital duties

Stamp duty is levied on a wide range of instruments and documents. The transfer of property attracts stamp duty at the rate of 0.25% to 1%. Capital Duty is levied on any additional capital injected into a business at a rate of 0.5%.

Other taxes

Tax	Rate
Mineral royalty	This is levied at 5% of total revenue.

Transaction Taxes

Value-added tax ("VAT") is levied on the taxable value of goods and services made in Ghana, on every importation of goods and on the supply of imported services. The rate of VAT is 12.5%.

In addition, a National Health Insurance Levy ("NHIL") and Ghana Education Trust Fund Levy (GETFL) of 2.5% each is imposed on the supply of goods and services in Ghana and the importation of goods and supply of imported services to determine the taxable value.

A 5% Communication Service Tax is also levied on any use of electronic communication using wire, radio optical or electromagnetic transmission emission or receiving system or any part of these and includes interconnection.

Inheritance and Donations

Gifts made in relation to a business, employment or investment is taxed in accordance with the source of the income.

However, where an Individuals receives a gift that does not come from business or employment, they can opt for it to be taxed at 15%.

National Fiscal Stabilization Levy (NFSL)

Effective July 2013, a levy of 5% on the profit before tax was imposed on banking, non-banking, insurance, telecommunications, breweries, mining support, shipping lines, maritime and airport terminals, inspection and valuation enterprises. This levy applies irrespective of the company or institution being granted any tax holidays or exemptions.

The law expires on 31 December 2024.

Transfer pricing rules

Ghana replaced the existing transfer pricing regulation in August 2020. The new regulation requires the taxpayer

- to ensure that the terms of related party transactions comply with the arm's length principle
- maintains contemporaneous documentation (Local and Master file) on all arrangements with related parties
- files an annual Transfer Pricing return and the local and Master file four (4) months after the financial year end

The ultimate parent of the Group is also required to file a Country-by Country Report twelve (12) months after each financial year end

General Anti-Avoidance rules (GAAR)

Part III, of the Income Tax Act, 2015 (Act 896) contains specific measures relating to income splitting, thin capitalization and arm's length standard and arrangements between associates.

The Act also contains a general anti-avoidance provision by which the Commissioner-General may re-characterize or disregard an arrangement (or part thereof) that is entered into or carried out as part of a tax avoidance scheme, if it is fictitious or does not have a substantial economic effect or if its form does not affect its substance.

Investment Information

Investment rules

Ghana has a positive attitude towards foreign private investment. There are limited restrictions on sectors or areas in which a foreign investor cannot participate. Ghana also requires a certain level of local participation in certain projects promoted by a foreign investor dependent upon the nature of the activity.

This local participation is a mandatory ten percent (10%) equity participation in mining and petroleum production companies by the government for no consideration.

Investment Information

Investment incentives

Licensed investors in a free-zone enterprise enjoy the following incentives:

- Exemption from income tax for the first 10 years, thereafter a maximum tax rate of 25%;
- Exemption from withholding tax on dividends;
- Foreigners may hold a maximum of 100% of the shares of the company
- Up to 30% of sales may be sold on the domestic market
- Imports of goods and services are exempt from taxes and duties.

Exchange control

Exchange controls are administered by the Bank of Ghana (BoG) and operate over imports, exports, outward transfers of capital, profits, royalties, interest, fees and expatriate income.

Non-resident companies are, in principle, free to transfer abroad their net after-tax profits unless their activities are financed with locally raised capital.

Residence and work permits

In general, foreign citizens are required to apply for a work permit which will only be granted if the position applied for cannot be filled by a Ghanaian.

Annual budget announcement

The Minister of Finance generally announces the Budget and Taxation Proposals in the last quarter – usually around November of each year for the tax year commencing 1 January thereafter. The Budget and Taxation Proposals are subject to parliamentary approval.

Bilateral trade agreements

Membership – WTO, ACP-EU Partnership, ECOWAS investment treaties concluded with Denmark, Germany, Netherlands, Switzerland and United Kingdom of Great Britain and Northern Ireland and 1965 ICSID Convention.

Currency

The Ghana Cedi (GH¢).

Languages

The official language is English although several local dialects including certain African languages are spoken locally.

Variable holidays

- Good Friday
- Easter Monday
- Eid Al Adha
- Eid Al Fitr
- 1 January (New Year's Day)
- 7 January (Constitution Day)
- 6 March (Independence Day)
- 1 May (May Day)
- 4 August (Founders' Day)
- 21 September (Kwame Nkrumah Memorial Day)
- 1st Friday in December (Farmer's Day)
- 25 December (Christmas)
- 26 December (Boxing Day)

Official holidays

Economic statistics

Prime interest rate (Dec 2020)	14.5%
US\$ exchange rate (Dec 2020)	GH¢5.7602
Inflation (Dec 2020)	10.4%
GDP (Dec 2019)	US\$66.984billion

Travel information

Visa requirements	Other than nationals of ECOWAS member States, visas are required.
Flights	Direct flights to a number of African, European and Asian countries and the United States of America.
Inoculations	Recommended to have malaria inoculation and to contact High Commission/Embassy for further advice.

For more information, contact:

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