Ghana Fiscal Guide 2019

March 2020

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Income tax

Business income

Basis of taxation

Generally, residents are taxable on their worldwide income, whilst non-residents are taxable only on such income that has a source in Ghana. In addition, both residents and non-residents are subject to a range of withholding taxes on certain types of payments sourced from Ghana.

Rates of tax

Resident companies	
Corporation tax:	
Standard rate	25%
Rate applicable to companies in hotel industry	22%
Rate applicable to 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%
Petroleum income tax	35%
Mineral and Mining Operations	35%
Trust	25%***
Dividends	8%*
Royalties	15%
Rent on properties	8%-15%**
Petroleum subcontractors	7.5%
Unprocessed precious minerals located and won in Ghana	3%
Transport business for carrying passengers, cargo, mail or movable tangible assets which embark in Ghana other than as a result of transshipment	15%
Rentals of containers and related equipment incidental to the transport business	15%
Payment due to persons who conduct business of transmitting or receiving messages by cable, radio, optical fibre, satellite or electronic communications operations	15%
Supply of goods	3%
Supply of services	7.5%
Supply of works	5%

* Tax is withheld at source and it is a final tax

** Tax is withheld from source at 8% on Residential property or 15% on Non-Residential

*** Income from approved Unit Trust scheme/mutual fund and approved Real Estate Investment Trust are exempt from Tax

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Temporary Tax 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 in A to C above have further incentive based on location for the next five (5) years after the concession period as follows:	
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 Savanna Ecological Zone	5%

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Unrelieved Losses from Business or Investment

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

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

— All other sectors can utilize unrelieved losses for any of the previous three years of assessment

— Also unrelieved losses made on the completion of a long-term contracts 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

NOTE

Resident individuals	
Income tax	0 – 30%**
Dividends	8%* or exempt if paid or credited to a holder or member of approved unit trust scheme or mutual fund
Directors Remuneration	20%
Interest	8%***
Royalties	15%
Rent on properties	8%-15%*
Commission for insurance, sales and canvassing agent	10%
Endorsement fees	10%*
Any other services	7.5%

* Tax is withheld at source and it is a final tax

** Individual's income tax table

*** Exempt if paid to an individual by resident financial institution or on bonds issued by the Government of Ghana. Interest paid to a holder or member on an investment in an approved unit trust scheme or mutual fund is also exempt. Withholding tax on interest is not a final tax and will be considered as a tax credit against taxes payable for the year.

The general withholding tax rates for payments for contracts for the supply or use of goods, supply of works and for the supply of any services involving one resident person to another resident person ranges from 3% to 7.5% and is on account of tax liability.

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Non-resident	
Company income	As for residents but only on Ghanaian source income. 20% withheld at source on part or whole amount.
Branch earned repatriated profits tax	8%*
Transport business for carrying passengers, cargo, mail or movable tangible assets which embark in Ghana other than as a result of transshipment	15%*
Rentals of containers and related equipment incidental to the transport business	15%*
Payment due to persons who conduct business of transmitting or receiving messages by cable, radio, optical fibre, satellite or electronic communications	15%*
Petroleum subcontractors	15%*
Unprocessed precious minerals located and won in Ghana	3%*
Goods, Works and Service fee with a source in Ghana	20%*
Dividends	8%*
Interest	8%^
Royalties	15%*
Management and technical service fees	20%*
Natural resource payments	15%*
Rent	8%-15%*
Insurance premium with a source in Ghana	5%*
Individuals	25%*

* Tax is withheld at source and it is a final tax.

^ Interest paid on bonds issued by the Government of Ghana is exempt

Below are the tax bands for resident individual, effective from 1 January 2019:

Chargeable income (GH¢)	Rate of tax (%)
First – 3 456	0%
Next – 1 200	5%
Next – 1 680	10%
Next – 36 000	17.5%
Next – 197 664	25%
Exceeding 240 000	30%

Note:

The tax rate for non-resident individuals is 25%.

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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 medical plants are exempt from tax for a period of five years. Also, the young entrepreneur is allowed to carry forward an unrelieved losses 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.

Location incentive (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% rebate; and

— Any other location other than Regional Capitals, Accra and Tema – 50% rebate.

Private Universities

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

Gains on Realisation 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:

- Gains from the realisation of bonds issued by the Government of Ghana by a non-resident person
- Gains from the realisation of securities traded on the Ghana Stock exchange up to 31 December 2021

Anti-avoidance rules

Part III, of the Income Tax Act, 2015 (Act 896) contains specific measures relating to income splitting, thin capitalisation 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-characterise 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.

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Transfer Pricing

Ghana has been enforcing a transfer pricing regulation, introduced in September 2012. Among the provisions in the transfer pricing regulation is a measure requiring taxpayers with related-party transactions to file transfer pricing returns together with the annual income tax returns.

National Fiscal Stabilization Levy

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 2019.

Inheritances and donations

Gift tax

Gift made in relation to a business, employment or investment is taxed in accordance with the source of the income. Where an Individuals receives a gift that does not come from business or employment they can opt for it to be taxed at 15%

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 6% Communication Service Tax is levied on any use of electronic communication through the use of wire, radio optical or electromagnetic transmission emission or receiving system or any part of these and includes interconnection.

Stamp, transfer and capital duty

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%, whereas the transfer of shares is exempt. Capital Duty is levied on any initial or 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.

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Double tax treaties and reduced rates

Country	Dividends (%)	Interest (%)	Royalties (%)	Management & technical/service fees (%)
Belgium	5^/15^^	10	10	10
Czech Republic	6	10	8	8
Denmark	5^/5∞/5α/15^^	8	8	8
France	5*/7.5**/15^^	10*/12.5**	10*/12.5**	10
Germany	5^/15^^	10	8	8
Italy	5^/15^^	10	10	10
Mauritius	7	7	8	10
Morocco ǫ	5^/10^^	10	10	10
Netherland	5^/10^^	8	8	8
Singapore	7	7	7	10
South Africa	5^/15^^	5#/10^^	10	10
Swiss Confederation	5^/15^^	10	8	8
United Kingdom	7.5^/15^^	12.5	12.5	10

* If the company paying the amount is a resident of France.

** If the company paying the amount is a resident of Ghana.

^If the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend.

^^ In all other cases

#If interest is derived by a Bank which is a resident of the contracting state

∞If the beneficial owner is the other contracting state or the central bank of the other state, or any national agency or any other agency (including a financial institution) owned or controlled by the government of that other State.

α If the beneficial owner is a pension fund or other similar institution providing pension or other similar institutions where it is established and recognised for tax purposes in accordance with the laws of that other State.

ǫ Withholding tax on business profits (branch profit) remitted to the head office should not exceed five percent (5%) of the amount remitted

By virtue of Act 896 and terms generally under the Double Taxation Treaties, where the tax rates above exceed the general tax rate under "Payments to non-residents" the general tax rate applies.

Investment information

Investment rules

Ghana has a positive attitude towards foreign private investment. There are, however, 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.

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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 and operate over imports, exports, outward transfers of capital, profits, royalties, interest, fees and expatriates 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.

Economic statistics

Prime interest rate (January 2019)	16%
US$ exchange rate (March 2019)	GH¢5.0830
Inflation (February 2019)	9.2%
GDP (July 2018)	US$47.33billion

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.

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Inoculations	Recommended to have malaria inoculation and to contact High Commission/Embassy for further advice.

Currency

The Ghana Cedi (GH¢).

Languages

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

Official holidays

- 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)

Variable holidays

- Good Friday
- Easter Monday
- Eid Al Adha
- Eid Al Fitr

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