

Tax flash alert

April 2023

The Parliament of Ghana on 31 March 2023 approved three (3) tax bills presented by the Minister of Finance in the 2023 Budget Statement. The three (3) enactments received gazette notification on 3 April 2023.

This flash alert seeks to provide the key highlights and overview of the passed Acts.

1

The Growth and Sustainability Levy Act, 2023 (Act 1095)

Act 1095 widens the scope of the existing National Fiscal Stabilisation Levy (NFSL) by introducing the Growth and Sustainability Levy (GSL) to replace the NFSL.

The GSL has been classified into three (3) main categories as stated below:

Category A entities will be subject to the levy at 5% of Profit Before Tax.

These entities are:

- Banks;
- Non-Bank Financial Institutions;
- Insurance Companies;
- Telecommunication companies liable to collect and pay Communication Service Tax;
- Breweries;
- Inspection and Valuation Companies;
- Companies providing Mining Support Services;
- Bulk Oil Distributors;
- Oil Marketing Companies;
- Communication Tower Operators;

- Upstream Petroleum Service Providers;
- Companies and Institutions registered by Securities and Exchange Commission;
- Specialised Deposit-Taking Institutions;
- Electronic Money Issuers; and
- Shipping lines, maritime and airport terminals.

Category B entities comprise of mining companies and upstream oil and gas companies shall be subject to the levy at 1% of Gross Production.

Category C entities comprise of all entities not falling in Category A or B shall be subject to the levy at 2.5% of Profit Before Tax.



The levy shall be payable in four (4) quarterly instalments for the 2023, 2024 and 2025 years of assessment. The due date for quarterly payments is 31 March, 30 June, 30 September, and 31 December.

However, the Levy shall not be deductible for corporate tax purposes and shall be payable by all entities despite any agreement or enactment relating to tax holidays or exemptions from direct and indirect taxes.

Companies and Institutions subject to the GSL are required to file returns in a prescribed form provided by the Commissioner General (C-G).

Act 1094 provides for the revision of the income tax rates and bands for resident individuals by introducing an additional income tax bracket; introduction of a withholding tax rate on the realisation of assets and liabilities and on winnings from lottery, revision of the treatments of foreign exchange losses as well as the revision of the upper limits of the quantification of motor vehicle benefits-in-kind.

A Introduction of a 5% Minimum Chargeable Income on Turnover of loss-making entities

Businesses with losses for the previous five (5) years of assessment may be required to pay a minimum income tax on their income. The minimum chargeable income may be assessed at 5% on turnover of the qualifying businesses.

However, businesses exempted from the minimum chargeable income mechanism are

- Farming businesses; and
- Businesses within their first five (5) years of operation.

B Deductibility of Foreign Exchange Losses

Foreign exchange losses incurred on financial instruments by taxpayers in the production of incomes shall not be deductible if:

- the losses are of capital nature;
- the losses are of unrealised nature; and
- the losses are incurred on transactions between two resident persons

Non-deductible foreign exchange losses of capital nature may be capitalised, and capital allowance granted.

C Taxation of Lottery operations

Persons engaged in Lottery businesses (betting, gaming, or game of chance) will now be subject to income tax from the lottery operations at a rate of 20% on their Gross Gaming Revenue (Total amount staked less winnings paid or payable).

D Unification of Carry over of Tax Losses for all Businesses - 5 years

All businesses in ascertaining their chargeable incomes are now eligible to carry forward unrelieved tax losses for a period of 5 years irrespective of the sector of operations.

E Increment of the 1% Temporary Concessionary Rate to 5% for Eligible Entities

The tax rate of persons currently enjoying tax concessions at a tax rate of 1% has been increased to a rate of 5% on their chargeable incomes. The affected entities are businesses engaged in Agriculture, Rural banking, Waste processing, Low cost housing, Approved unit trust schemes, mutual funds and Venture capital financing companies.

F Revision of the Personal Income Tax Rates and Bands

The Pay-As-You-Earn (PAYE) rates have been adjusted to include an additional income tax band of 35%. As such individuals with annual chargeable income exceeding GHS600,000 shall be subject to additional income tax of 5%. The tax-free band has also been updated from GHS4,380 to GHS4,824 per annum.

The new PAYE rates and bands below shall be effective from April 2023:

CHARGEABLE INCOME (ANNUAL)	CHARGEABLE INCOME (MONTHLY)	RATE OF TAX
First GH¢4,824	First GH¢402	NIL
Next GH¢1,320	Next GH¢110	5%
Next GH¢1560	Next GH¢130	10%
Next GH¢36,000	Next GH¢3,000	17.50%
Next GH¢196,740	Next GH¢16,395	25%
Next GH¢359,556	Next GH¢29,963	30%
Exceeding GH¢600,000	Exceeding GH¢50,000	35%

The non-resident rate remains at a flat rate of 25%.



G Upward revision of the maximum limits of Vehicle Benefits-in-Kind (BIK)

The maximum benefits-in-kind limit for employees provided motor vehicle have been reviewed upwards as follows.

BENEFIT-IN-KIND	NEW MAXIMUM LIMIT	OLD MAXIMUM LIMIT
Driver and Vehicle with Fuel	12.5% of TCE up to GH¢ 1,500 per month	12.5% of TCE up to GH¢600 per month
Vehicle with Fuel	10% of TCE up to GH¢ 1,250 per month	10% of TCE up to GH¢500 per month
Vehicle only	5% of TCE up to GH¢625 per month	5% of TCE up to GH¢250 per month
Fuel only	5% TCE up to GH¢625 per month	5% of TCE up to GH¢250 per month

NOTE: TCE is defined as Total Cash Emoluments

H Increment of Capital Gains Tax & Gift Tax for Individuals

Gains from the realisation of investment assets by an individual upon election is subject to tax at the rate of 25% - an increment from the previous rate of 15%. Also, individuals who receive gifts in respect of business or employment, may elect to pay tax at the rate of 25%.

I Introduction of a 10% withholding tax on lottery winnings

Persons who engage in betting, gaming and other game of chance will now have their gross winnings subjected to a 10% final withholding tax.

J Introduction of a return for filing the gains on realisation of assets & liabilities

All persons who realise an asset and liability are required to file a tax return (on the prescribed form) with the Ghana Revenue Authority within 30 days after the realisation.

K Tax Exemption on withdrawals from provident fund or personal pension schemes

All 2023 withdrawals from provident fund or personal pensions schemes before the statutory retirement age due to loss of permanent employment, COVID-19 Pandemic or the current economic hardship will be exempt from income tax for 2023.

NOTE: The Ghana Revenue Authority (GRA) may issue implementation guidelines for these new amendments, and we shall notify you accordingly.

L Introduction of Withholding tax on the realisation of assets and liabilities

All persons other than individuals are obliged to withhold tax at the rate of 3% (to residents) and 10% (to non-residents) when making payments for considerations in respect of assets and liabilities realised.

M Inclusion of winnings from Lottery as an Investment Income

Investment income of taxable persons shall include winnings from lottery.

3

The Excise Duty (Amendment) Act, 2023 (Act 1093)

Increment and Imposition of Excise Duty of some products

Act 1093 amends the existing Excise Duty Act 2014 (Act 878) to increase the excise duty in respect of cigarettes and tobacco products, wine, malt drinks and spirits.

The amendment also imposes excise duty on sweetened beverages, including fruit juice and on electronic cigarette liquids, electronic cigarettes, and electronic smoking devices.

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