



Doing Business in Ghana

March 2018

Table of Contents



04



07



12

Appendix A

Registration of Business

About Ghana

Modern Ghana takes its name from the ancient kingdom of Ghana which was situated some 800 km.

Legal Framework

The government is committed to implementing policies that reduce the general cost of doing business in Ghana

Tax System

The tax types that investors will encounter in Ghana are Corporate Tax, Withholding

23

Appendix B

Ghana Tax Data Cards

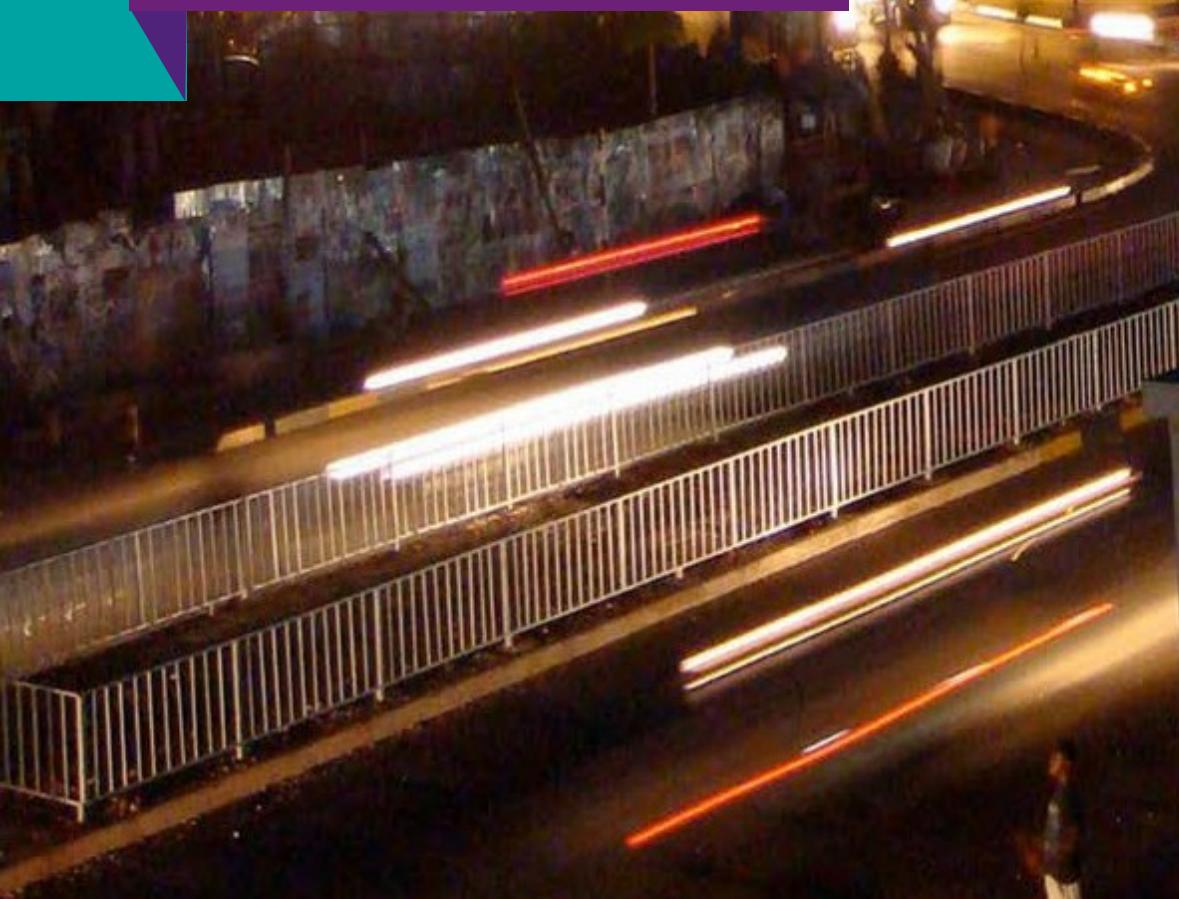
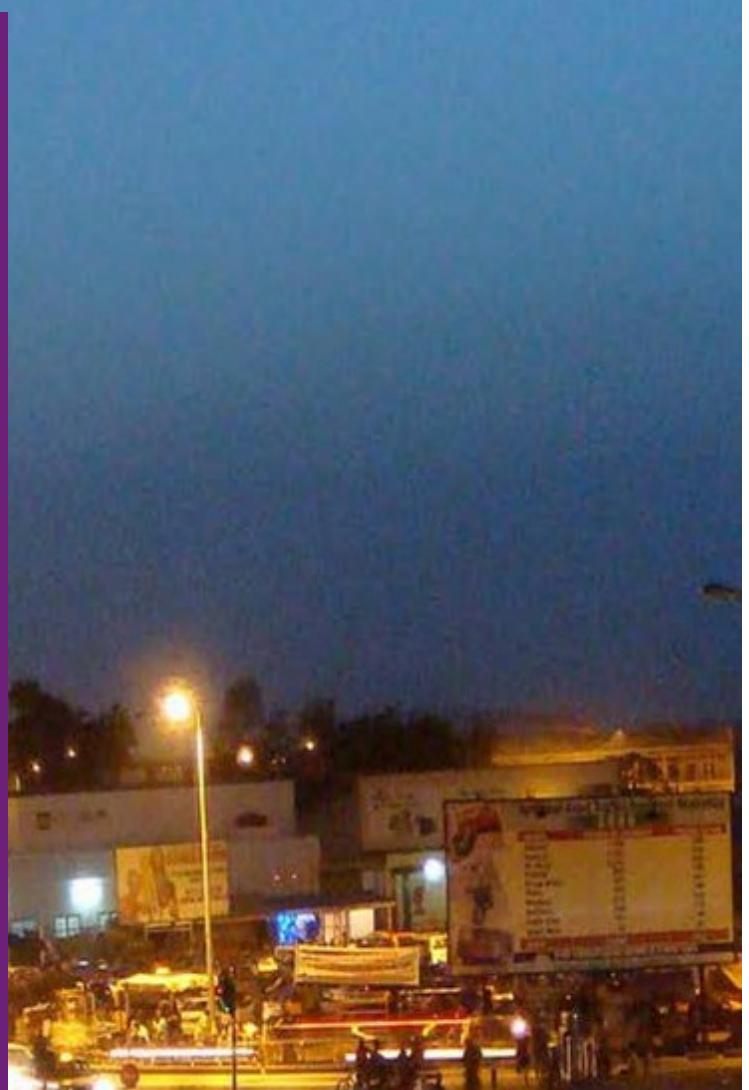
Appendix B- Tax Data Cards

Content

- A. Corporate Income Tax Rates**
- B. Location Incentives**
- C. Free Zone Enterprise**
- D. Gains on Realisation of Assets or Liabilities and Gifts Received**
- E. Unrelieved Losses from Business or Investment**
- F. Temporary Tax Concessions**
- G. Capital Allowances**
- H. Additional Deduction for Companies that Employ Fresh Graduates**
- I. Withholding Tax Rates (Residents)**
- J. Withholding Tax Rates (Non-Residents)**
- K. Individual Income Tax Rates**
- L. Personal Reliefs**
- M. Mortgage Deduction**
- N. Benefits-in-Kind**
- O. Double Tax Treaties**
- P. Value Added Tax**
- Q. National Health Insurance Levy**
- R. Overtime**
- S. Bonus**
- T. Tax Calendar**
- U. Royalties**
- V. Special Taxes**



About Ghana



©2018 KPMG, a partnership registered under Ghanaian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Ghana lies at the heart of a region which has been leading Sub-Saharan African culture since the first millennium BC in metal-working mining, sculpture and agriculture. In 1951, the Gold Coast became the first British colony in Africa to achieve self-government and upon attaining political independence in 1957, it became known as Ghana.

Location

Modern Ghana takes its name from the ancient kingdom of Ghana which was situated some 800 km. (500 miles) to the north of present-day Accra, which flourished up to the eleventh century AD. Ghana lies on Latitude 5 degrees, 36 minutes north and Longitude 0 degrees, 10 minutes east. To the west of Ghana lies Côte d'Ivoire, to the east Togo, to the north, Burkina Faso and to the south is the Gulf of Guinea. The Greenwich Meridian passes through Tema near Accra making Ghana geographically the closest to the centre of the world, that is, the notional point of intersection between the equator and longitude zero degree (0 degree) which is located in the Atlantic Ocean at about 614km from Accra.

Climate

The climate is mainly tropical. There are two main seasons; the wet and the dry seasons. Northern Ghana experiences its rainy season from March to November while the south, including the capital Accra, experiences that season from April to mid-November.

Vegetation

Ghana has tropical vegetation of dense tropical rain forest in the southern middle belt. The vegetation cover is evergreen forest with semi deciduous forest at the northern and southern fringes. Towards the north is savannah grassland and towards the coast is the coastal savannah.

There are a few mountains and several hills rising to a height of 900 meters and above. Mount Afadzato is the highest mountain and lies 1,500 meters above sea level.

Drainage

The country is drained by a large number of streams and rivers. The Volta River and its tributaries drain more than two-thirds of water bodies in the country. All the major rivers in the country flow into the Gulf of Guinea directly or as tributaries to other major rivers. The Akosombo and Bui Dams, both built on the Volta River, provides hydro-electricity for Ghana.

The Volta Lake formed after damming the river is navigable for a distance of about 400 km and motorised vessels now ply its waters carrying passengers and goods from the south of the country to the north and vice versa. There are several rivers in the country and the most important is the Volta dammed at Akosombo, Akuse and Bui (situated on the Black Volta) for hydro-electric power generation plants.

Other rivers are the Pra, Ankobra and Tano. Among the smaller rivers are the Densu and Ayensu which provide Winneba and parts of the capital, Accra, with pipe-borne water. The largest natural lake in the country is Bosomtwi with a total area of 48 square kilometres and reaches depths of 72 meters in some parts.

Population

As of 1 January 2017, the population of Ghana was estimated to be 28,409,576 people and increase of 2.39 % (663,411 people) compared to population of 27,746,165 in 2016. The sex ratio of the total population was 1.036 (1,036 males per 1 000 females) which is higher than global sex ratio.

Thirty-six and half percent of the population is under 15 years, 60% of the population is between 16-65 years and 3.6 percent is above 65.

It is estimated that between now and 2020 the number of children under 15 (now nearly eight million) will remain virtually constant while the 15 to 64 year age group will nearly double to 18 million; there will also be a substantial increase in the elderly population (65 and over), to over one million, but that proportion of the total population will still be small.

Ethnic Groups

Ghana is home to more than 100 different ethnic groups. The official language is English; however, most Ghanaians also speak at least one local language.

The ethnic groups in Ghana are the Akan (the Fante, Akyem, Ashanti, Kwahu, Akuapem, Nzema, Bono, Akwamu, Ahanta and others) 47.3 %; Mole-Dagbani 16.6%; Ewe 13.9 %; Ga-Dangme (Ga, Dangme) 7.4%; Guan 3.7%; Gurma 3.7%; Grusi 2.5%; Mande 1.1%; other tribes 1.4%; other (Hausa, Zabarema, Fulani) 0.4% (2010 census). The religious distribution is follows: Christianity 71.2% (Pentecostal/Charismatic 28.3%, Protestant 18.4%, Catholic 13.1%, other 11.4%), Islam 17.6%, Traditionalist 5.2%, and no affiliation 5.3%, none 0.7% (2010 census).

Education

Most Ghanaians have relatively easy access to primary and secondary education. Free secondary education was introduced in September 2017.

Ghana's spending on education has varied between 28 percent and 40 percent of its annual budget in the past decade. All teaching and learning is done in English, Ghana's official language.

Under the educational reforms implemented in 1987, the basic education system of Ghana comprises a six-year primary education system which usually begins at the age of six and a three-year junior high school education system. A three-year senior high school system follows after the end of the basic education.

At the end of the third year of the junior high school, students sit for the Basic Education Certificate Examination (BECE) organised by the West African Examinations Council (WAEC). Those continuing must complete the three-year senior high school (SHS) or technical/vocational programme. Successful students can continue to the tertiary institutions, either to the universities, polytechnics, nursing training colleges or the teacher colleges of education.

Government

The system of government practised in Ghana is Parliamentary democracy with separation of powers among the Executive, the Legislature and the Judiciary guaranteed under the 1992 Constitution. The press enjoys a great deal of freedom which has been nurtured into one of the most vibrant in Africa. The 1992 Constitution provides checks and balances which limit the powers of each of the arms of government.

The Constitution also provides for a Council of State, made up of experienced elders with proven character, to advise the President on national issues. The Constitution has also established a number of autonomous institutions such as the Commission for Human Rights and Administrative Justice (CHRAJ), the Electoral Commission (EC) and Economic and Organised Crime Office (EOCO). These institutions are there to facilitate good governance. The Government is elected by universal adult suffrage. There have been six democratically elected presidents and parliaments since 1992.

Ghana has 10 administrative regions and 216 metropolitan, municipalities and district assemblies (MMDAs).

Decentralisation of governmental powers to the MMDAs has been vigorously pursued for some time now and the process still continues.

Ghana is considered a beacon of hope for black Africa as it continues to champion the course of good governance as well as pursuing sound economic management.

Judiciary

The legal system is based on the English common law and customary laws of Ghana. The court system is made up of the Supreme Court of Ghana, Court of Appeal and the High Court of Justice which constitute the superior courts. Below these are the Magistrate, Circuit and District Courts, and family tribunals which constitute the lower courts. The traditional rulers also settle disputes among their subjects but such decisions do not constitute judgment of a court of competent jurisdiction. The 1992 Constitution which is the basic law of the land guarantees an independent judiciary. The tribunals which used to be part of the court system are being phased out.

Membership with other organisations

Ghana is a member of many international organisations including the United Nations, International Monetary Fund, World Trade Organisation, South Atlantic Peace Cooperation Zone, the Commonwealth of Nations, the Economic Community of West African States, the African Union, the United Nations, the Non-Aligned Movement, and an Associate Member of La Francophone. Ghana is an observer to the organisation of American States and has a strong record of contributing troops to international peace keeping forces.

Economy

The services sector is the biggest contributor to GDP accounting for 57%, followed by Industry with 24% and Agriculture with 19%.

The industry sector recorded the highest growth of 11.5%, compared to 1.8% in 2016, mainly from mining and petroleum. The agriculture sector grew by 7.6%, up from 5% the previous year, driven by good performances in the crops, fisheries, and cocoa sub-sectors. Growth in the services sector slowed to 3.7% from 6.6%, due to slower growth in information, communication, and finance.

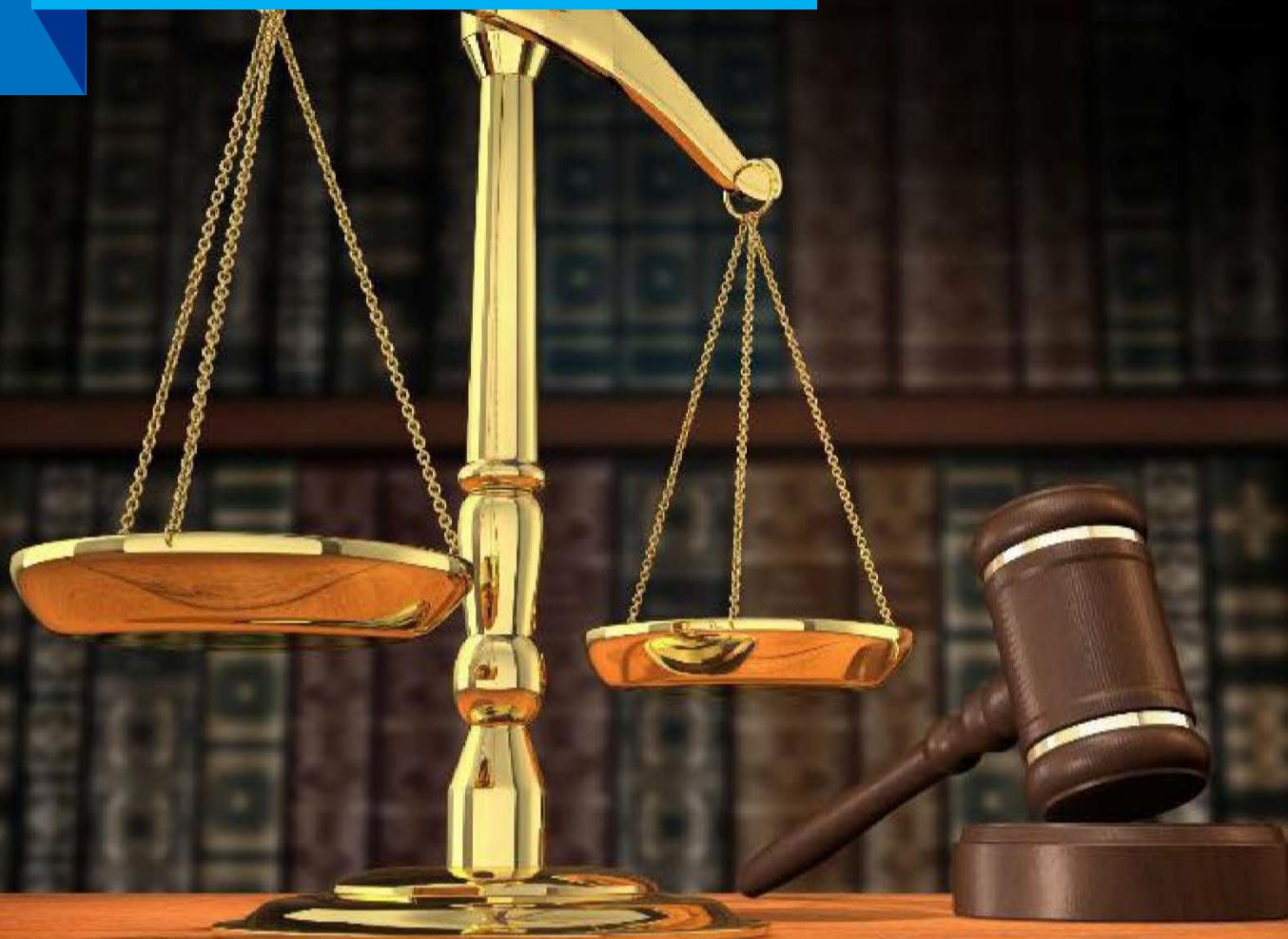
Outstanding credit to the private sector grew by 16.2% in May 2017, against 10.1% for the same period in 2016.

Ghana's near term economic prospects are good as evidenced by the half-year fiscal performance, though global interest rate hikes are likely to impact high domestic and external financing costs. Overall GDP is projected to rebound to 6.1% in 2017 and this is expected to be driven mainly by oil production.





Investment and Legal Framework



Investment and Legal Framework

Why Do Business in Ghana?

The government is committed to implementing policies that reduce the general cost of doing business in Ghana and to promote investor confidence in the country. With a stable multi-party government that is committed to market liberalisation, Ghana has been ranked as one of the most attractive locations for doing business in Africa. Other factors that make Ghana a competitive investment destination include:

- A sound macroeconomic environment
- Immediate access to all markets of the Economic Community of West African States (ECOWAS)
- 100% foreign ownership is permitted
- On-going privatisation in key economic sectors
- On-going infrastructure development
- Expanding stock market
- Competitive labour force
- Availability of skilled and trainable labour
- Quota-Free access to USA & European Union markets.
- Export-free zones where goods traded with other countries are exempt from customs duties and some laws
- Fast developing financial infrastructure
- High degree of personal safety and
- Warm and friendly people

Starting a Business in Ghana- Process, Time and Cost

Domestic Laws

Laws governing the establishment of business in Ghana are in accordance with the provisions made in the following legal legislations:

- The Companies Code, 1963 (Act 179)
- The Incorporated Private Partnership Act, 1962 (Act 152)
- The Business Name Act, 1962 (Act 151)

The investor, whether Ghanaian or a foreigner, who desires to establish a resident business entity has to register with the Registrar General's Department (RGD). This registration may be done under one of the Acts mentioned above, except where the entity is to operate in the country as a representative of a non-resident business entity. Non-resident business entities do not go through the process of incorporation under Act 179 but simply submits the required documents to the Registrar General who registers them in the register of external companies.

Investment Legislation

The legal framework for investment in Ghana is regulated by different agencies in the country.

These are:

- Registrar General's Department
- Ghana Investment Promotion Centre (GIPC)
- Ghana Immigration Service (GIS)
- Ghana Revenue Authority (GRA)
- Environmental Protection Agency (EPA)
- Ghana Free Zones Board
- Petroleum Commission
- Minerals Commission.

Investment Procedures

The first step for an investor wishing to invest in Ghana is to register with the Registrar General's Department. The department charges a fee of 0.5% of the company's stated capital. The official processing time varies between three to five days, after which the company will receive the certificate of incorporation and certificate to commence business.

After incorporation, companies that are partly or fully owned by foreigners have to register with the GIPC. Registration is completed after companies have met the minimum equity requirements depending on their structure as shown below.

The required equity can be brought into Ghana either in money or in kind (goods, plant and machinery, vehicles or other tangible assets). Money can be brought in cash or transferred into the account of the incorporated company at a Ghanaian commercial bank. The bank must confirm the transfer to the Bank of Ghana, which subsequently informs the GIPC. Equity in kind are generally supported by relevant documents such as bills of lading, invoices and others and are generally confirmed by the Customs Division of Ghana Revenue Authority prior to being presented to the Ghana Investment Promotion Centre.

Registrar General's Department

The Registrar General's Department is the organisation that registers all companies, societies and institutions in Ghana and issues certificates of incorporation and to commence business to newly formed companies.

For more information please see attached appendix 1 (Registration of Business).

Ghana Investment Promotion Centre (GIPC)

The Ghana Investment Promotion Centre was set up to initiate and maintain a favourable environment for both Ghanaian and foreign investments in Ghana. The GIPC was established under the GIPC Act as the government agency responsible for overseeing investments in all sectors of the economy except mining, petroleum, free zones and portfolio investments. Investments in the mining and petroleum sectors are licensed by the Minerals Commission and the Petroleum Commission respectively while that for Export Processing and portfolio investments are administered by the Ghana Free Zones Board and Ghana Stock Exchange.

Ghana Immigration Service

Ghana Immigration Service is the governmental authority that grants work and/or residence permit. It also handles re-entry visas, extension of visitors permit and visa on arrival to visitors in Ghana where there is no Ghanaian Embassy or consulate abroad.

Ghana Revenue Authority (GRA)

The Ghana Revenue Authority is the agency responsible for administering all the tax laws in Ghana. Hitherto, revenue collection in the country was done under the Internal Revenue Service (IRS), Value Added Tax Service (VATS) and the Customs Excise and Preventive Service (CEPS). These agencies operated as autonomous bodies with a Revenue Governing Agency Board playing monitoring and supervisory roles. Currently, all the above agencies have been merged into one body called the Ghana Revenue Authority (GRA). The Ghana Revenue Authority has three divisions, namely, Domestic Tax Revenue Division, Customs Division, and the Support Services Division.

The Customs Division is responsible for collecting customs and excise duties whereas the Domestic Tax Revenue Division takes care of income tax, value added tax and national insurance levy. The Support Services Division is responsible for all internal functions such as finance and administration, legal, human resource, etc. of the Authority. Each of the three divisions is headed by a Commissioner who reports to the Commissioner- General.

Any investor in Ghana will necessarily have to register at one of the GRA offices to pay one tax type or another.

Environmental Protection Agency (EPA)

The Environmental Protection Agency is the body responsible for issuing environmental permits to companies operating in various fields. The investor will often be required to submit an environmental impact assessment report.

Free Zones Board

The Ghana Investment Promotion Centre keeps track of all investments in the country while the Ghana Free Zones Board regulates enterprises that operate in the Free Zone enclave. These enterprises are required to export at least 70 percent of their products and should be registered as free zone enterprises.

Any investor who will be producing to export at least 70 percent of its total output can take advantage of the Free Zones Act and locate their businesses within the Free Zone Enclaves at Tema or Sekondi. Boankra in the Ashanti Region is being developed as a third free zone enclave. Registration for the free zone enclave generally happens after going through the registration processes described above and having the relevant applications to be a free zone enterprise approved by the Free Zones Board.

Some of the privileges available to free zone enterprises are the exemption from tax on imports into the free zone as well as exemptions from duty and other taxes on exports to foreign countries. Free zone enterprises are exempt from corporate income tax for a period of ten (10) years, and thereafter, the corporate tax shall be 15 percent and 25 percent on income from sales to foreign markets (export) and the local market respectively.

Depending on the field of operation, additional registration may be necessary with other regulatory bodies.

Petroleum Commission

This is a body set up under the Petroleum Commission Act, 2011 (Act 821), to regulate and manage the utilisation of petroleum resources and to co-ordinate policies in relation to them.

The Petroleum Commission has the following responsibilities, among others:

- Recommending to the Minister responsible for petroleum national policies relating to petroleum activities
- Monitoring petroleum activities and carrying out relevant inspections and audits related to such activities
- Receiving applications and issuing permits for

- specific petroleum activities as required under relevant petroleum laws and regulations
- Promoting local content and local participation in petroleum activities as prescribed in the Legislative Instrument (L.I 2204) and other applicable laws and regulations to strengthen national development, etc.

Ghana National Petroleum Corporation (GNPC)

The Ghana National Petroleum Corporation was established by the Ghana National Petroleum Corporation Act, 1983 (PNDCL 64).

Mandate

GNPC was established as a state-owned entity and given legal backing "to undertake the exploration, development, production and disposal of petroleum". The PNDCL 84 establishes the legal framework governing the contractual relationship between the state, GNPC and prospective investors in upstream petroleum operations.

The Corporation was established with the following objects:

- To accelerate the promotion of petroleum exploration activities to ensure early commercial discovery and production
- To undertake the appraisal of existing petroleum discoveries to ensure production to meet national requirements
- To ensure that Ghana obtains the greatest possible benefits from the development of its petroleum resources
- To obtain the effective transfer to Ghana of appropriate technology relating to petroleum operations
- To ensure the training of citizens of Ghana and the development of national capabilities in all aspects of petroleum operations, and
- To ensure that petroleum operations are conducted in such a manner as to prevent adverse effects on the environment, resources and people of Ghana.

With the establishment of the Petroleum Commission, GNPC ceased to exercise the advisory functions relating to the regulation, management and utilisation of petroleum resources and the coordination of policy in relation to that function.

Minerals Commission

This is a government agency established under Article 269 of the 1992 Constitution and the Minerals

Commission Act, 1993 (Act 450) as the main promotional and regulatory body for the minerals sector. The Commission is responsible for regulating and managing the utilisation of the mineral resources in the country and implementing policies relating to mining. It also has responsibility for ensuring compliance with the various minerals and mining laws.

Investors seeking to invest in the minerals sector have to register with the Minerals Commission after completing the necessary registration or incorporation requirements at the Registrar General's Department.

National Petroleum Authority (NPA)

The National Petroleum Authority is responsible for regulating the downstream petroleum industry in Ghana. As a Regulator, the Authority ensures that the industry remains efficient, profitable, fair, and at the same time, ensures that consumers receive value for money.

Downstream activities include importation and refining of crude oil, sale, marketing and distribution of refined petroleum products in the country, exportation, re-exportation, shipment, transportation, processing, refining, storage, distribution, marketing and sale of petroleum products.

Its responsibilities include issuing licenses to Petroleum Services Providers (PSPs), monitoring of the operations of PSPs and inspecting facilities of PSPs in the downstream industry.

The NPA also ensures the quality design, construction and operation of all petroleum infrastructure and that consumers receive high quality fuel that is safe, efficient and value for money.

Other responsibilities include ensuring adequate maintenance of petroleum and fair pricing of products.

For more information on the NPA and licensing fees visit their website at www.npa.gov.gh/

Expatriates

Foreign investors are given immigrant quotas depending on the level of equity capital invested in the business. However, there are opportunities to apply for increases in automatic quota depending on one's circumstances. After registration with the GIPC, companies can apply for immigrant quotas.

The table below shows the amount of capital against which automatic quota can be obtained:

| Paid Up Capital and Related Quota of Expatriate Staff | |
|---|---------------------------|
| Paid Up Capital Required (US\$) | Quota of Expatriate Staff |
| 50,000 - 250,000 | 1 |
| 250,000 -500,000 | 2 |
| 500,000 - 700,000 | 3 |
| 700,000+ | 4 |

Investment Incentives and Guarantees

Investment incentives are used by the government to attract investors to sectors of the economy that require stimulation to grow. Some geographical areas of the country are also targeted for investments to generate employment. Such incentives are found in various legislations such as the GIPC Act, Free Zones Act, and the Petroleum and Mining Laws. Investment incentives can also be found in the revenue laws.

The GIPC Act protects the businesses of investors from nationalisation or appropriation by any government. Where such a step has to be taken, it can only be done by law and should be in the national interest. In such a case, adequate compensation will be paid. No individual can also be compelled to cede his interest in any investment to any other person. Transfer of profits, interests or dividends from these investment are also guaranteed by the GIPC Act.





Tax System



Tax System

Ghana Revenue Authority

The tax types that investors will encounter in Ghana are Corporate Tax, Withholding Tax, Value Added Tax, National Health Insurance Levy, Employment Tax, Dividend Tax, Customs and Excise Duties and Communication Service Tax.

Corporate Tax

The general corporate income tax is twenty-five percent (25%). Companies in the mining sector have a corporate tax rate of thirty-five percent (35%), while those in the hospitality industry pay corporate income tax at twenty-two percent (22%).

Income tax incentives are provided under the Income Tax Act, 2015 (Act 896). Depending on the sector and location in which an entity operates, it may be liable to pay tax at rates different from the general corporate tax rate.

Withholding tax

All companies are generally obliged to withhold tax from payments made to persons for the supply of goods, works or services. The withholding tax does not apply in cases where the value of the contract does not exceed GH¢2,000 for a year of assessment.

The rate varies from three percent (3%) to twenty percent (20%) depending on whether the person is resident or a non-resident, and on the type of transaction.

Value Added tax (VAT) /National Health Insurance Levy (NHIL)

A VAT rate of 15% and NHIL rate of 2.5 % are chargeable on the supply of goods and services made in Ghana, the importation of goods into Ghana and the supply of imported services. The newest addition is the 3% Flat Rate Scheme which is charged by retailers and wholesalers.

Persons dealing in taxable supplies must register with the Domestic Tax Revenue Division of the Ghana Revenue Authority in order to charge the tax. Registered taxable persons are obliged to file a tax return and pay VAT/NHIL every month.

Goods and services exempted from VAT/NHIL are:

- Food produced in Ghana and sold in its raw state
- Petrol, diesel and kerosene

- Equipment for agriculture and fishing
- Housing (ownership and rental). However, houses sold by real estate companies, and rental of properties for commercial purposes are taxable
- Domestic transportation of passengers by road, rail and water.

Customs Duty

Agricultural and industrial plant, machinery and equipment imported for investment purposes are exempted from customs import duty. All import duty-exempted goods, however, attract processing and/or other related fees or levies ranging between 0.5% and 1.0%, with the exception of goods imported specifically for the educational, health and agricultural sectors.

Commercial buses with seating capacity of above thirty passengers, workshop vans, breakdown vehicles, mobile showrooms, ambulances, hearse and motor bikes are also exempted from the payment of import duty.

However, certain types of vehicles attract both import duty and VAT/NHIL. Import duties range between 0% and 20%.

Domestic Tax

Taxation of Individuals

Resident individuals pay tax on their income at graduated rates with twenty percent (25%) being the highest rate.

Sole Proprietorships and partners of partnerships also pay tax at the graduated rates up to an upper limit of twenty percent (25%).

Individuals enjoy tax reliefs such as child education relief, old age relief, aged dependent relief, training and development relief, and disabled relief. Individuals who have life insurance policies get reliefs for the premiums paid for the policies. Those who pay social security and national insurance trust get reliefs for amounts contributed. Employers also get relief for additional contributions they make on behalf of their employees.

An individual is considered resident in Ghana where she/he has lived in Ghana for at least 183 days in any 12month period.

The income tax rate for a non-resident individual is 20% flat on the income derived from Ghana.

Corporate Tax

Resident companies in Ghana pay corporate tax at 25% on their taxable profits. By the Income Tax Act, 2015 (Act 896), a company is considered a resident company in Ghana for a year of assessment if it is either incorporated under the laws of Ghana, or has its management and/ or control exercised in Ghana at any time during the year of assessment.

The table below shows the tax rates applicable to various industries in Ghana. After tax holidays, agro processing enterprises and manufacturers of cocoa by-products attract different corporate tax rates depending on their location as shown below.

| Corporate Tax Rates | |
|--|-------------------|
| General | 25% |
| Hotels | 22% |
| Non-traditional exports, Rural Banks and Free Zone Enterprises after their 10 years tax holidays | 8% |
| Free zones enterprise after tax holiday -Sales Outside Domestic Market -Sales to the domestic Market | 15% 25% |
| Income of financial institutions from loans granted for farming and leasing enterprises | 20% |
| Petroleum Operations | Not Exceeding 50% |
| Mining Operations | 35% |

- Accra and Tema-20%
- Other Regional capitals except Northern, Upper East and Upper West- 10%
- Northern, Upper East and Upper West- 0%
- Outside Other Regional Capitals-0%.

Tax Incentives

Temporary Concessions

Companies operating in certain sectors of the economy enjoy tax concessionary rate of 1% on their chargeable income as shown below.

| Temporary Concession | |
|--|---|
| Certified companies that construct low cost residential premises for sale or letting | First five years of operation |
| Free Zone Enterprise | First ten years of operation |
| Enterprises that pre-finance Real estate | First ten years of operation |
| Tree Crops | First ten years from 1st harvest |
| Livestock, Fish and Cash Crops | First five years from commencement |
| Cattle | First ten years from commencement |
| Agro-Processing Business established after 1/1/2004 | First five years from commercial production |
| Production of Cocoa By-Products from cocoa waste or substandard cocoa beans | First five years from commencement of commercial production |
| Rural Banking | First ten years from establishment of business |
| Companies processing waste including recycling of plastic and polythene material for agriculture or commercial purposes. | First seven years from commencement of the business |
| Venture Capital Financing Company | First ten years after Company first qualifies |
| Approved Unit Trust Scheme Mutual Fund | First ten years |

Location Incentives

Companies operating in the manufacturing sector are entitled to tax rebates, depending on their location.

The income tax rebate allowable to manufacturing business operating in regional capitals other than Accra and Tema is 25% of the applicable income tax rate, while those in other locations other than Accra and Tema enjoy 50% of the applicable tax rate.

Capital Allowances

Capital allowances are granted on depreciable assets owned by a person at the end of its basis period. The asset pooling system is used in the computation of capital allowance. Based on this system, the assets are grouped into five classes of depreciable assets. Each class of assets has its own depreciation rate. Classes one, two and three assets are depreciated on a reducing balance basis. Classes four and five are depreciated on straight line basis.

The applicable capital allowance rates are as follows:

| Capital Allowances | | |
|--------------------|--|---|
| Class | Qualifying Assets | Depreciation Rate |
| 1 | Computers and data handling equipment together with peripheral devices | 40% |
| 2 | Motor vehicles, construction & earth-moving equipment, heavy general purpose or specialised trucks, trailers and trailer-mounted containers, manufacturing plant and equipment, capital expenditure on long term crop planting | 30% |
| 3 | Railroad cars, locomotives and equipment; water transportation vessels and equipment; aircraft; specialised public utility plant and machinery; office furniture fixtures and equipment and any other depreciable asset not included in another class. | 20% |
| 4 | Building structures and similar works of a permanent nature. | 20% on straight line basis |
| 5 | Intangible assets | 1 divided by the useful life of the asset in the pool |

Taxpayers are obliged to notify the Commissioner-General of any new assets acquired within one month after the assets have been put to use in the business.

Unrelieved Losses From Business or Investment

Specified priority sectors can utilise unrelieved losses for any of the previous five years of assessment. All other sectors can utilise 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

Insurance Against Non-Commercial Risks

Ghana is a signatory to the World Bank's Multilateral Investment Guarantee Agency (MIGA) Convention. This Convention guarantees coverage (insurance) against non-commercial risks such as transfer restrictions, breach of contract, expropriation, war and civil disobedience.

International Agreements

These international agreements are signed to promote business transactions between Ghana and the other parties to the agreements.

Double Taxation Agreements

Ghana has signed Double Taxation Agreements (DTAs) with some countries to facilitate cross-border trade and investment and to create an enabling environment for foreign direct investment in Ghana and the respective countries. Currently, it has signed such agreements with France, the United Kingdom (UK), Belgium, Italy, Germany, South Africa, Switzerland, the Netherlands, Denmark, Czech Republic, Singapore, Morocco and Mauritius.

Investment Promotion and Protection Agreements

Ghana has signed Bilateral Investment Protection Treaties with twenty one countries. Currently, countries with whom the agreements have been signed and ratified are UK, China, the Netherlands, Denmark, Germany, the Swiss Confederation and Malaysia. The countries with whom agreements have been signed but awaiting ratification are La Cote d'Ivoire, Egypt, The United States of America (US), France, Zambia, Cuba, Yugoslavia, Mauritania, Guinea, South Africa, Mauritius, Romania, Bulgaria, and Burkina Faso.

Countries with agreements pending are South Korea, Canada, Pakistan, Ethiopia, Israel, Turkey, Jamaica, Nigeria, Belgium, Indonesia, Philippines, The Czech Republic, Australia, Singapore, Morocco, Togo, Finland and Spain.

African Growth Opportunities Act (AGOA).

AGOA has been renewed for a 10-year period (2015 to 2025) by the U.S. Congress and Ghana is seeking to double its non-traditional export earnings to \$5 billion per year. Ghana's AGOA Strategy aims to enable the country make maximum use of opportunities under AGOA, with an emphasis on intensifying export development and diversification. This is a key initiative of the Government of Ghana's 10-point Integrated Industrial Transformation Agenda.

Ghanaian industries with the greatest potential to benefit from AGOA include clothing, fisheries, horticulture, tropical fruits, specialty vegetables, root crops, vegetable fats (palm oil and shea butter), cocoa, handicrafts, and jewellery.

Ghana's main export to the USA consist of forest products, agricultural products, energy-related products, minerals and metals, textiles and apparels, chemicals and related products.,

footwear, machinery, transportation equipment, manufactured goods and electrical products. Exports are gradually increasing after declining in 2008 mainly due to the global economic recession

Free Zones Export

In line with government's vision to boost economic growth through the private sector, it set up the Free Zones Programme in 1996 to promote processing and manufacturing of goods through the establishment of Export Processing Zones (EPZs).

Two export processing zones (one in Tema near Accra and the other in Sekondi near Takoradi, the capital of the Western Region) have been established by the government of Ghana. A third one in Boankra in the Ashanti Region is being developed. A Free Zone company can be located either in any of the Export Processing Zones (EPZ) or anywhere in Ghana upon the approval of the Ghana Free Zones Authority (GFZA). In essence, the whole of Ghana is accessible to potential investors who have the opportunity to use the free zones as focal points to produce goods and services for foreign markets. The Ghana Free Zones Board (GFZB) was established under the Free Zone Act, 1995 (Act 504) to promote, facilitate, monitor and regulate investments under the programme.

Every company can apply for a status of a single free zone company, provided it sells up to 30% of its products to the local market and exports no less than 70% of its products.

Incentives

Companies in the Free Zone are totally exempted from payment of duties and levies on all imports for production and exports from free zones. There is also an exemption from income tax for the first ten years of operation and thereafter income tax rate is either 15% or 25% for sales made outside the domestic market and within domestic market respectively. Furthermore, they are not required to obtain import licenses, are totally exempted from payment of withholding taxes on dividends and are relieved from double taxation for foreign investors and employees.

Import and Export Rules

Exports

Procedures and requirements for exporting goods from Ghana depend on the kind of goods exported. Exports

are categorised into traditional and non- traditional exports. Traditional exports include cocoa, timber, gold, minerals and electricity. Non-traditional exports include agricultural products, fish, aluminium products and textiles. Exporters are required to register their companies with the Registrar General's Department and GIPC to obtain a number.

Exporters are also obliged to complete foreign exchange forms issued by the Bank of Ghana, Customs Entry forms and certificates of origin from the Customs Division of the Ghana Revenue Authority. Permits or certificates must also be obtained from relevant institutions like the Ghana Standards Board.

Prohibited exports are narcotics, parrots and Ghanaian currency in excess of GH¢ 5,000. There are also restrictions on the export of antiques, precious minerals and live plants. Permits to export these must be obtained from the relevant regulatory agencies such as the Museums and Monuments Boards, Precious Minerals Marketing Corporations and Ministry of Agriculture respectively.

General documents required for exports include:

- Original Bill of Lading/Airway Bill
- Attested Invoice (Customs # C.61)
- Packing List
- Import Declaration and Valuation Report (FCVR)
- Tax Clearance Certificate (Domestic Tax Division of Ghana Revenue Authority)
- Taxpayers Identification Number (TIN)
- Permits and Licenses from Relevant Institutions

Imports

In Ghana, all imported goods attract an import duty and VAT/NHIL (See Domestic Tax System for details). Goods such as aircraft and aircraft parts, advertising materials, infant food and machines or plant for agricultural purpose are exempted from import duty.

Prohibited imports are narcotics, animals and dangerous weapons. These are only allowed if the relevant competent Ghanaian Authorities have issued the necessary permits or certificates. For drugs, permit must be obtained from the Ministry of Health; for animals, the Ministry of Food and Agriculture and for weapons, the Ministry of Interior.

Three additional fees and levies are paid on imported goods. These are an inspection fee of 0.5% of the value of the imported goods, a 1% ECOWAS levy and a 0.5% fee payable to the Ghana Export Development and Investment Fund (EDIF).

Duty Drawback

This gives an exporter the opportunity to receive fund on import duties after they have re-exported previously imported products (same-state drawback) or import duties paid on raw materials used in the production of finished goods and exported (material drawback). The drawback process commences when goods have been duly re-exported and a Ghana Customs export document endorsed by the Customs authorities in both the exporting and importing countries or a "landing certificate" from the importing country (where required) is produced. An application form must be accompanied with the following documents:

- Certified copies of the import documents
- Import duty payment receipts (certified copies)
- Drawback Debenture Form (Form C3)
- Statement of Composition Form (Form C2A) in case of Material drawback.

There is a twelve-month time frame beginning from the date of the first export within which the duty drawback can be claimed. It is advised that claims are put in quarterly. The Government of Ghana has established an escrow account with the Bank of Ghana into which monies are paid for the purpose of satisfying the duty drawback needs of exporters.

Temporary Importation of Goods

Certain goods imported into Ghana can be conditionally relieved from the payment of import duties. Such goods must be imported for a specific purpose and must be intended for re-exportation within three months, either in the state in which they were imported or after having undergone specific processing or repair. Conditions to be met for the tax relief on temporary importation of goods include:

- Goods must be declared at importation that they are imported only temporarily and will be subsequently re-exported
- A Form C59 must be filled
- A cash deposit or a bond to cover the potential duty and tax liabilities (if any) must be given
- Goods must be exported within three months or such further period as the Customs Officer may allow
- Goods must not be disposed of in the country without prior permission of the Commissioner - General.

Items that Fall Under the Temporary Importation Regime

- Goods imported and stored in a bonded warehouse.

For more information, please see appendix II (KPMG Tax Data Card).



Appendix A

Registration of Business

| No. | Procedure | Time to Complete | Associated Costs |
|-----|---|-------------------|------------------|
| 1 | <p>Acquire a Tax Identification Number</p> <p>Agency: Registrar-General Department or Ghana Revenue Authority</p> <p>As of 2012, the applicant needs to acquire a TIN before proceeding to company registration. The applicant needs to complete a Ghana Revenue Authority Taxpayer Registration Form- Organisation. The Ghana Revenue Authority (GRA) officers after processing the TIN, sends a text message to the applicant to collect the TIN. This applies to both forms of application submission, whether online or physical filing in person.</p> | 2 days on average | No charge |
| 2 | <p>Check for availability of company name and submit company documents to obtain the certificate of incorporation</p> <p>Agency: Customers Service Office of the Registrar General's Department</p> <p>The promoter/applicant shall request for a search to be conducted at the Companies Registry (customer service office) to ascertain the availability and acceptance of the proposed name of the company, and submit the company documents for registration. The Registrar may, on a written application and on payment of the prescribed fee, reserve a name pending registration of a company: section 15(13) of the Companies Act 1963 (Act 179)</p> <p>Applicant may pick up a prescribed Form A from the in-house bank, and submit filled forms at the bank. The Registrar examines and issues business registration certificate as well as certified true copy of the form to be submitted as attachment.</p> <p>Fees are the following:</p> <ul style="list-style-type: none"> -Name search GHC25 -Name reservation GHC 50 -Complete set of Incorporation forms GHC 15 -Registration fees GHC230 -GHC 5 per certification of regulations (assuming 3 certificates) <p>The incorporation documents and forms can be downloaded online at http://www.rgd.gov.gh. They include:</p> <ul style="list-style-type: none"> • Company regulations (four copies) • Tax identification number form (one copy) <p>The forms require the following information:</p> | 1 day | |

| No | Procedure | Time to Complete | Associated Costs |
|-----|--|---|---|
| | <ul style="list-style-type: none"> •Nature of the business that subscribers intend to engage in •Full names of subscribers and shareholders, their addresses, percentage shareholdings, occupation, and any directorships in any other company •Full name and address of company secretary and auditors (a letter of consent to act as auditor is attached) •An attestation that the minimum nominal capital complies with the requirement that a company 100% Ghanaian-owned have minimum nominal capital of at least GHC 500 <p>The tax identification number (certificate) is usually obtained by the Registrar General's Department on behalf of the incorporated company. A letter from an auditing firm must also be presented at the moment of document submission.</p> | | |
| * 3 | <p>A Commissioner of Oaths authenticates forms required for the certificate to commence business</p> <p>Agency: Commissioner of Oaths</p> <p>Form 4 must be completed for the issuance of the certificate to commence business, which requires authentication before a Commissioner of Oaths. The Commissioner for Oaths, located in the Registrar General Department, usually swears the oath within 1 day so that the company can obtain the certificate to commence business.</p> | 1 day (simultaneous with previous procedure) | GHC10 |
| * 4 | <p>Obtain from the Registrar-General Department the certificate to commence business</p> <p>Agency: Registrar-General Department</p> <p>After incorporating the company, the founder must complete Forms 3 and 4 within 28 days, indicating, among other information, the names, addresses, businesses, and occupations of the company's secretary and directors; name and address of the company's qualified auditor; the address of its registered office; its register of members; the amount of stated capital; and the number of issued and unissued company shares. Forms 3 and 4 must be signed by all company directors and the secretary. As the company's commencement tax, 0.5% of the stated capital is collected by the Registrar-General's Department on behalf of the Ghana Revenue Authority (GRA).</p> | 2 days (simultaneous with previous procedure) | 0.5% of the stated capital as commencement tax + GHC 10 (registration fee with Ghana Revenue Authority) + GHC 100 form fees |

| No | Procedure | Time to Complete | Associated Costs |
|-----|---|--|------------------|
| 4 | <p>There is also a 100 GHC fee for forms 3 and 4. Four or five copies of the company regulations and Forms 3 and 4 are required (auditors, banks, solicitors, company secretaries may each require a copy).</p> <p>The Registrar of Companies now automatically registers new companies with the GRA. The Registrar of Companies now automatically provides new companies with a Tax Identification Number (TIN) suitable for all tax purposes. VAT is charged at 15% including a national health insurance levy (NHIL) of 2.5%.</p> | | |
| 5 | <p>Deposit paid-in capital in an account</p> <p>Agency: Bank</p> <p>The following documents must be presented to deposit paid-in capital in a bank account: copies of company regulations; the certificate of incorporation and the certificate to commence business; and signatures of the authorized company representatives.</p> <p>As part of the KYC (Know Your Customer) procedures, most banks require introductory letters from the company's solicitors in order to open the account. Additionally, some banks conduct a physical inspection of the company address.</p> | 1 day | No charge |
| 6 | <p>Apply for business licenses at the Metropolitan Authority</p> <p>Agency: Metropolitan Authority</p> <p>The cost to apply for a Business Operating Permit (BOP) at the Metropolitan Authority depends on the type of business and the category in which it falls. Documents to be submitted depend on the type of enterprise; (for example, restaurants must have permits from the fire department and the Town and Country Planning Authority—and, among other documents, an inspection certificate from the Ghana Tourist Board).</p> <p>Fees are subject to change by the Metropolitan Assembly, according to law. According to the Accra Metropolitan Assembly Fee-Fixing Resolution 2015, the fee for a commercial retail/wholesale standardized shop "Cat. E" is GHC270.</p> | 7 days | GHC270 |
| * 7 | <p>Inspection of work premises by the Metropolitan Authority</p> <p>Agency: Metropolitan Authority</p> <p>An officer visits the business premises and</p> | 1 day (simultaneous with previous procedure) | No charge |

| No | Procedure | Time to Complete | Associated Costs |
|----|--|------------------|------------------|
| 7 | reports to the Revenue Accountant of the Metropolitan Assembly, who then submits a report to the Revenue Mobilisation Subcommittee of the Metropolitan Assembly. The subcommittee meets to deliberate on the report and then recommend to the Executive Committee of the Metropolitan Authority, whether any adjustment is required. | | |
| 8 | <p>Apply for social security</p> <p>Agency: Social Security Office</p> <p>To apply for social security, the company must attach the list of employees, their respective salaries and social security numbers, and the company's certificate of incorporation and certificate to commence business.</p> | | No Charge |

Source: World Bank Group, 2017



Appendix B

Ghana Tax Data Cards

The KPMG Tax Data Card provides a brief insight into the Income Tax Act, 2015 (Act 896), including the subsequent amendments to the Act.

It is important to note that, most of the taxes initiated in the 2017 Budget Statement which is to create a conducive business environment have been enacted into law.

Recent and new amendments are as follows:

- Exemption from tax on gains from the realisation of securities listed on the Ghana Stock Exchange
- Repeal of taxes and levies on petroleum and petroleum related products
- Removal of 1% special import levy payable on specific imported goods
- Removal of 17.5% VAT & NHIL on financial services, selected imported medicines (not manufactured in Ghana) and on domestic airline tickets
- Reduction of VAT & NHIL for traders from 17.5% to 3% flat rate and Special Petroleum Tax from 17.5% to 15%, and
- Introduction of the VAT flat rate scheme.

TaxData Cards 2017

A Corporate Income Tax Rates

| | |
|--|-----|
| General | 25% |
| Hotel Industry | 22% |
| Non-Traditional Exports | 8% |
| Financial Institutions in respect of income from financing farming enterprises | 20% |
| Financial Institutions in respect of income from financing leasing companies | 20% |
| Petroleum Operations | 35% |
| Mineral and Mining Operations | 35% |
| Trust | 25% |

B

Location 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
- Elsewhere other than Regional Capitals 50% Tax Rebate

C

Free Zone Enterprise

Free Zone Enterprises enjoy a tax holiday for the first ten years starting from date of commencement of operation

| (After Tax Holiday) | RATE |
|--|------|
| • Income from sales to Foreign Market (Export) | 15% |
| • Income from sales to the Local Market | 25% |

TaxData Cards 2017

Location 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 |
| • Elsewhere other than Regional Capitals | 50% Tax Rebate |

C

Free Zone Enterprise

Free Zone Enterprises enjoy a tax holiday for the first ten years starting from date of commencement of operation

| (After Tax Holiday) | RATE |
|--|------|
| • Income from sales to Foreign Market (Export) | 15% |
| • Income from sales to the Local Market | 25% |

Tax Data Cards 2017

D

Gains on Realisation of Assets or Liabilities and Gifts Received

- Any gain on realization of assets or liabilities, as well as, gifts received in relation to a business, employment or investment is taxed in accordance with the source of the income
- Individual may opt for 15% tax rate on the gain realized from the assets and liabilities and gifts received which cannot be attributed to employment or business

NOTE

The following gains are exempt from tax:

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

TaxData Cards 2017

E

Unrelieved (Unutilised Tax Losses) Losses from Business or Investment

Priority sectors below can utilise 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; and
- Information and communication technology business.

All other sectors can utilise unrelieved losses for any of the previous three years of assessment.

Unrelieved losses made on the completion of a long-term contracts can be carried back against profits reported in prior years.

(a) **Unrelieved losses mean the amount of losses that have not been deducted in calculating the income of a person.**

(b) **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.**

TaxData Cards 2017

F

Temporary Tax Concessions

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

| | | |
|--|--|---|
| Certified companies that construct low cost residential premises for sale or letting | - | First five years |
| Farming Enterprise conducted by an individual: | - | First ten years from 1st harvest |
| <ul style="list-style-type: none">TreeCropLivestock (other than cattle, fish and cash crops)Cattle | <ul style="list-style-type: none">- First five years from commencement- First ten years from commencement | |
| Agro-Processing Business | - | First five years from commercial production |
| Company producing cocoa By-Products from cocoa waste | - | First five years from commencement of commercial production |
| Processing of Waste for agricultural or commercial purpose | - | First seven years from commencement of the business |
| Rural Banking | - | First ten years from establishment of business |
| Approved Unit Trust Scheme and Mutual Fund | - | First ten years from commencement of operations |
| Venture Capital Financing Company | - | First ten years after Company first qualifies |

G

Capital Allowances

| Class | Qualifying Assets | Depreciation Rate |
|-------|---|---|
| 1 | Computers and data handling equipment together with peripheral devices | 40% |
| 2 | Motor vehicles, construction & earth-moving equipment, heavy general purpose or specialised trucks, trailers and trailer-mounted containers, manufacturing plant and equipment, capital expenditure on long term crop planting | 30% |
| 3 | Railroad cars, locomotives and equipment, water transportation vessels and equipment, aircraft, specialised public utility plant and machinery, office furniture fixtures and equipment and any other depreciable asset not included in another class | 20% |
| 4 | Building structures and similar works of a permanent nature | 10% |
| 5 | Intangible assets | 1 divided by the useful life of the asset in the pool |

(a) Classes 1, 2 and 3 qualifying assets are depreciated on a reducing balance basis.
(b) Classes 4 and 5 qualifying assets are depreciated on straight line basis.
(c) The cost of a road vehicle other than a commercial vehicle shall not exceed GH¢75,000.00.
(d) Capital allowances are required to be utilised in the year in which they are granted.

Tax Data Cards 2017

H

Additional Deduction for Companies that Employ Fresh Graduates During the Year

| Percentage of Fresh Graduates in Workforce deductible from profits | Percentage of Salaries / Wages of Such Employees |
|--|---|
| Up to 1% | 10% |
| Above 1% but not more than 5% | 30% |
| Above 5% | 50% |

Withholding Tax Rates and Status

| Payments to Residents | | | |
|---|-----|-------------|---------------|
| (a) General | | Rate | Status |
| (i) Dividend, including capitalization of profits | | 8% | Final |
| (ii) Dividend paid to persons from petroleum operations | | 8% | Final |
| (iii) Dividend paid to persons from mineral operations | | 8% | Final |
| (iv) Interest | | 8% | On Account |
| (v) Lottery winning exceeding GH¢2,592 | | 5% | Final |
| (vi) Royalties and natural resource payment | | 15% | On Account |
| (vii) Rent on properties (Payment to an individual) | | | |
| Business income | | | |
| – Residential | 8% | On Account | |
| – Non-Residential | 15% | On Account | |

TaxData Cards 2017

I

Withholding Tax Rates and Status (Continued)

Payments to Residents

| (a) General | Rate | Status |
|---|------|------------|
| (vii) Rent on properties (Payment to an individual) | | |
| <i>Non-Business Income</i> | | |
| – Residential | 8% | Final |
| – Non-Residential | 15% | Final |
| (viii) Rent on properties (Payment to persons other than an individual) | | |
| <i>Business Income</i> | | |
| – Residential | 8% | On Account |
| – Non-Residential | 15% | On Account |
| <i>Non-Business Income</i> | | |
| – Residential | 8% | Final |
| – Non-Residential | 15% | Final |
| (ix) Tax on Petroleum Subcontractors | 7.5% | On Account |

TaxData Cards 2017

I

Withholding Tax Rates and Status (Continued)

Payments to Residents

| (a) General | Rate | Status |
|---|------|------------|
| (x) Payments made to a person who conducts a relevant transport business other than as a result of transshipment | 15% | On Account |
| (xi) Payments for rental of containers and related equipment which are supplementary or incidental to the relevant transport business above | 15% | On Account |
| (xii) Payments for unprocessed precious minerals located won in Ghana | 3% | On Account |
| (xiii) Payments due to persons who conduct business of transmitting or receiving messages by cable, radio, optical fibre or satellite or electronic communication | 15% | On Account |

TaxData Cards 2017

I

Withholding Tax Rates and Status (Continued)

Payments to Residents

(a) General

| | | Rate | Status |
|---------|--|------|------------|
| (xiv) | Commission paid to an individual as a sales agent | 10% | On Account |
| (xv) | Service fees paid to an individual for examining, invigilating or supervising an examination, or part time teaching or lecturing | 10% | Final |
| (xvi) | Fees or allowances to a resident director, manager trustee or board member of a company or trust | 20% | On Account |
| (xvii) | Commission paid to an individual as a resident insurance, sales or canvassing agent | 10% | On Account |
| (xviii) | Endorsement fees to an individual | 10% | Final |
| (xix) | Any other service provided by an individual | 7.5% | On Account |

TaxData Cards 2017

I

Withholding Tax Rates and Status (Continued)

Payments to Residents

| (a) General | | Rate | Status |
|-------------|--|------|------------|
| (xx) | Commission to an individual as a resident lotto receiver or agent | 10% | On Account |
| (xxi) | Contract payments for the supply or use of goods | 3% | On Account |
| (xxii) | Contract payments for the supply of works | 5% | On Account |
| (xxiii) | Contract payments for the supply of services <i>(Refer to item (ix) for rates applicable to petroleum subcontractors)</i> | 7.5% | On Account |

TaxData Cards 2017

I

Withholding Tax Rates and Status(Continued)

Payments to Residents

(b) Payments to Residents Exempt from Withholding Tax

Exemption of withholding tax on payments to residents apply to the following:

(i) Dividend

- a resident Company receiving dividend, that controls, directly or indirectly, 25% or more of the voting power in the Company paying the dividend (this does not apply to petroleum, minerals and mining operations)
- dividend paid or credited to a holder or member of an investment in an approved unit trust scheme or mutual fund

The exemption does not apply to:

- dividend paid to petroleum and mining operations
- dividend paid to a Company by virtue of its ownership of redeemable preference shares in the Company paying the dividend
- dividend arising out of adjustments carried out to comply with the arm's length standard and income splitting

Tax Data Cards 2017

I

Withholding Tax Rates and Status (Continued)

Payments to Residents

(b) Payments to Residents Exempt from Withholding Tax

Exemption of withholding tax on payments to resident apply to the following:

(ii) Interest

The withholding tax on interest paid by a resident person to another resident person does not apply to:

- interest paid to a resident financial institution
- interest paid to an individual by a resident financial institution or on bonds issued by Government of Ghana
- interest paid to a holder or member on an investment in an approved unit trust scheme or mutual fund
- payments made by an individual, unless made in conducting a business
- payments that are exempt amounts

(iii) Contract Payments

Withholding tax on contract payments does not apply:

- to payments under a contract not exceeding two thousand Ghana Cedis - (GH¢2,000.00)
- to payments under a contract for the sale of goods which constitute trading stock of both the vendor and the purchaser
- to premium paid to registered resident insurance companies
- where the Commissioner-General grants an exemption

TaxData Cards 2017

I

Withholding Tax Rates and Status(Continued)

Payments to Residents

(b) Payments to Residents Exempt from Withholding Tax

(iv) Payments for unprocessed precious minerals

The withholding tax on unprocessed precious minerals does not apply to:

- a payment made by an individual, unless the payment is made in the course of conducting a business
- a payment made by the holder of a small scale mining licence to a labourer with respect to winnings from the area covered by the licence
- a payment received by a holder of a large scale mining lease

(v) Lottery winnings

The payment of lottery winning not exceeding two thousand five hundred and ninety two Ghana cedis (GH¢2,592.00) is exempted from withholding tax.

J

Withholding Tax Rates and Status (Continued)

Payments to Non-Residents

| (a) General | Rate | Status |
|--|-------------|---------------|
| (i) Interest | 8% | Final |
| (ii) Dividend | 8% | Final |
| (iii) Lottery winnings exceeding (GH¢2,592) | 5% | Final |
| (iv) Royalties and Natural Resource Payment | 15% | Final |
| (v) Rent on properties - Residential | 8% | Final |
| - Non-Residential | 15% | Final |
| (vi) Management and technical service fees | 20% | Final |
| (vii) Contract payments for the supply of any services | 20% | Final |

J

Withholding Tax Rates and Status (Continued)

Payments to Non-Residents

| (a) General | Rate | Status |
|--|-------------|---------------|
| (viii) An insurance premium with a source in Ghana | 5% | Final |
| (ix) Service fee with a source in Ghana | 20% | Final |
| (x) Tax on petroleumsubcontractors | 15% | Final |
| (xi) Payments for unprocessed precious minerals located Or won inGhana | 3% | Final |
| (xii) Payments received by a person who conducts a relevant transport business other than as a result of transshipment | 15% | Final |

J

Withholding Tax Rates and Status (Continued)

Payments to Non-Residents

| (a) General | Rate | Status |
|---|------|--------|
| (xiii) Rental of containers and related equipment which are supplementary or incidental to the relevant transport business above | 15% | Final |
| (xiv) Payments received by a person who conducts a business of transmitting or receiving messages by cable, radio, optical fiber or satellite or electronic communication | 15% | Final |

NOTE

- (a) For items (viii) and (ix) above, the Commissioner-General should be notified within thirty days and may direct that the withholding tax rate be applied on part or the whole of the amount.
- (b) All the above payments when made to a Ghanaian Permanent Establishment are considered as a tax payment on account.
- (c) Withholding tax on interest does not apply to interest paid to a non-resident person on bonds issued by the Government of Ghana.

K

Individual Income Tax Rates - Residents

| Chargeable Income(GH₵) | | Rate |
|------------------------|--------|-----------|
| First | 3,132 | Nil(Free) |
| Next | 840 | 5% |
| Next | 1,200 | 10% |
| Next | 33,720 | 17.5% |
| Exceeding | 38,892 | 25% |

NOTE

- (a) The tax rate for non-residents is 20%.
- (b) The chargeable income of an individual includes gains from the realization of investment. An individual may elect for the gains on investment to be taxed at 15% after deducting associated losses.

L

Personal Reliefs

- i. Dependent spouse or **at least two (2) children** - Gh¢200
- ii. Old Age –GH¢200 for an individual who is sixty (60) years or more
- iii. Children's Education –GH¢200 per child or ward in any recognised registered educational institution in Ghana, up to a **maximum of three (3) children**
- iv. Disability Relief - 25% of the assessable income of an individual who has a disability
- v. Aged Dependents - GH¢100 in the case of an individual with a dependent relative, other than a child or spouse, who is 60 years or more (up to a **maximum of two (2) dependents**)
- vi. Training and Development relief –Relief equivalent to the cost of training and not more than GH¢400 for training to update the professional, technical, or vocational skills or knowledge of that person

M

Mortgage Deduction

Mortgage interest incurred during the year in respect of only one residential premises during the lifetime of the individual is allowed as a deduction in arriving at the individual's chargeable income.

N

Benefits-in-Kind

1. Motor Vehicle Benefits

| | |
|------------------------------|--|
| Driver and vehicle with fuel | 12.5% of total cash emoluments up to a maximum of GH¢600 per month |
| Vehicle with Fuel | 10% of total cash emoluments up to a maximum of GH¢500 per month |
| Vehicle only | 5% of total cash emoluments up to a maximum of GH¢250 per month |
| Fuel only | 5% of total cash emoluments up to a maximum of GH¢250 per month |

2. Accommodation Benefits

| | |
|-------------------------------|-------------------------------|
| Accommodation with furnishing | 10% of total cash emoluments |
| Accommodation only | 7.5% of total cash emoluments |
| Furnishing only | 2.5% of total cash emoluments |
| Shared Accommodation | 2.5% of total cash emoluments |

TaxData Cards 2017

N

Benefits in Kind (Continued)

3. Loan Benefits

Conditions

- i) The loan should be from the employer to the employee.
- ii) The loan should have a tenure not exceeding 12 months.
- iii) Aggregate amount of the loan and any similar loans outstanding at any time during the previous twelve (12) months should not exceed the employee's three (3) month's basic salary.

Tax Treatment

- No benefit will be assessed on the employee as employment income where the conditions above are satisfied
- In any other case interest benefit is computed for the year as:
a quarter of the interest imputed at the Bank of Ghana rediscount rate ("BOGR") minus interest paid by the employee during the year.

(i.e. $\frac{1}{4} \times (\text{Interest imputed BOGR} - \text{Interest paid during the year})$)

TaxData Cards 2017

Double Tax Treaties

| Country | Dividends | Interests | Royalties | Management and Technical fees |
|---------------------|---|----------------------|--------------|-------------------------------------|
| United Kingdom | 7.5 [^] / 15 ^{^^} | 12.5 | 12.5 | 10 |
| France | 5* / 7.5** /15 ^{^^} | 10* / 12.5** | 10* / 12.5** | 10 |
| The Netherlands | 5 [^] /10 ^{^^} | 8 | 8 | 8 |
| Germany | 5 [^] /15 ^{^^} | 10 | 8 | 8 |
| Italy | 5 [^] /15 ^{^^} | 10 | 10 | 10 |
| South Africa | 5 [^] /15 ^{^^} | 5# /10 ^{^^} | 10 | 10 |
| Belgium | 5 [^] /15 ^{^^} | 10 | 10 | 10 |
| Swiss Confederation | 5 [^] /15 ^{^^} | 10 | 8 | 8 |
| Denmark | 5 [^] / 5 [∞] / 5 ^α 15 ^{^^} | 8 | 8 | 8 |

TaxData Cards 2017

O

Double Tax Treaties (Continued)

- * 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 the interest is derived by a Bank which is a resident of the other contracting state
If the beneficial owner is the other contracting state or the central bank of the other state or any state owned agency or any agency (including a financial institution) owned or controlled by the government of that other state.
- a 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 law of that other state.

TaxData Cards 2017

O

Double Tax Treaties (Continued)

By virtue of Act 896 and the Non-Discrimination clause under the Double Taxation Treaties, where the tax rates above exceed the domestic tax rate under "Payments to Non-Residents" the domestic tax rate applies.

NOTE

There has been recent publications in the dailies indicating that Ghana has signed double taxation agreements with Mauritius and Czech Republic the details of these agreements are yet to be made public and also these agreements are yet to be ratified by the Parliament of Ghana.

TaxData Cards 2017

P

Value Added Tax (VAT)

Taxable Supplies - Standard Rate 15%

Taxable Supplies - Exports 0%

The VAT Act also provides for a flat rate of 3% for retailers or wholesalers of goods, as well as, Exempt Supplies and Relief Supplies.

Q

National Health Insurance Levy (NHIL)

Taxable Supplies - Standard Rate 2.5%

Taxable Supplies - Exports 0%

Tax Data Cards 2017

| R Overtime | | |
|-------------------------------------|---|--|
| Qualifying Annual Employment Income | | GH¢18,000 |
| Limit of Benefit | | 50% of Qualifying Income |
| Up to | Monthly Overtime (GH¢) 50% of basic salary | Rate 5% of the overtime that qualifies |
| More Than | 50% of basic salary | Tax excess at 10% |
| S Bonus | | |
| Up to | Annual Bonus(GH¢) 15% of annual basic salary* | Rate 5% of the bonus that qualifies |
| More than | 15% of annual basic salary* | (add excess payments to employment income) |

* Annual basic salary in the year to which the bonus relates

TaxDataCards



TaxCalendar

1. Corporate Taxes

| Instalment Tax Payment | Due Date |
|---|---|
| 1st Instalment(25%) | By end of 3rd month of accounting year |
| 2nd Instalment(25%) | By end of 6th month of accounting year |
| 3rd Instalment(25%) | By end of 9th month of accounting year |
| 4th Instalment(25%) | By last working day of accounting year |
| Top-up | By fourth (4th) month following end of accounting year |
| 2. Others | |
| Description | Due Date |
| Withholding Taxes: Payment to Resident and Non-Resident | By 15th of the month following month in which deductions occurred |
| Value Added Tax | By end of the following month |
| National Health Insurance Levy | By end of the following month |

TaxData Cards 2017

U

Royalties

Mining

- 5% of TotalRevenue

V

Special Taxes

National Fiscal Stabilization Levy
(On Selected Enterprises)

- 5% of ProfitbeforeTax

Caveat

Kindly note that this tax data card cannot be used as a substitute for tax advice. Do contact us using the details below for clarifications when in doubt.



Contact

KPMG
13 Yiyiwa Drive Abelenkpe
P.O. Box GP 242 Accra

Tel: +233 302 (0)770454, 770618
770712

email: info@kpmg.com.gh web: www.kpmg.com.gh

kpmg.com/socialmedia



kpmg.com/app



© 2018 KPMG, a partnership registered in Ghana and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Ghana.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.