



Ghana

# Fiscal Guide 2015/2016

**Tax**





INTRODUCTION

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## Income tax

### Business income

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

Resident companies	
<b>Corporation tax</b>	
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 markets (After the first 10 years of operation where the rate of tax is 0%)	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	15%
Unprocessed precious minerals located and won in Ghana	3%
Supply of goods	3%
Supply of services	7.5%
Supply of works	5%

\* Tax is withheld at source and the tax is final

\*\* Tax is withheld at source 8% on Residential property and 15% on Non-Residential



## 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	
• Tree Crop	First ten years from 1 <sup>st</sup> harvest
• Livestock (other than cattle and fish) and cash crops	First five years from commencement
• Cattle	First ten years from commencement
Agro-processing business	First five years of commercial production
Company producing cocoa by-products from cocoa waste	First five years
Processing of waste for agricultural or commercial purpose	First seven years
Rural banking	First ten years
Approved unit trust scheme and mutual fund	First ten years
Venture capital financing company	First ten years after company first qualifies

### Unrelieved Losses from Business or Investment

- Specified priority sectors can utilize unrelieved losses for any of the previous five years of assessment
- 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

#### NOTE

The tax authorities are yet to come out with the list of companies in priority sectors

Unrelieved losses means the amount of a loss that has not been deducted in calculating the income of a person

### Resident individuals

Income tax	0 – 25% **
Dividends	8% *
Directors Remuneration	20%
Interest	8% or exempt if paid to individuals by resident financial institutions and on Government of Ghana Bonds or approved unit trust scheme or mutual fund***
Royalties	15%
Rent on properties	8%-15% **

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

\*\* Individual's income tax table

\*\*\* A company, other than a resident financial institution, the Government of Ghana or approved unit trust scheme or mutual fund, is required to withhold 8% on interest paid to individuals. This is not a final tax and will be considered as a tax credit against taxes payable for the year.

**Resident individuals (continued)**

Commission for insurance, sales and canvassing agent	10%
Endorsement fees	10%*
Any other services	15%
Lottery winnings exceeding GH¢2,592	5%*

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

\*\* Individual's income tax table

\*\*\* A company, other than a resident financial institution, the Government of Ghana or approved unit trust scheme or mutual fund, is required to withhold 8% on interest paid to individuals. This is not a final tax and will be considered as a tax credit against taxes payable for the year.

The general withholding tax(WHT) rates on 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. However, payment to resident individuals for services attract WHT rate of 15%.

**Non-resident**

Persons doing business in Ghana (on supply of goods and works)	20%*
Branch-repatriated profits tax	8%*
Transport business for carrying passengers, cargo, mail or movable tangible assets which embark in Ghana	15%*
Rentals of containers and related equipment incidental to the transport business above	15%*
Tax on payment for transmitting or receiving messages by cable, radio, optical fibre, satellite or electronic communications operations	15%*
Petroleum subcontractors	15%*
Unprocessed precious minerals located and won in Ghana	3%*
Service fee with a source in Ghana	20%*
Dividends	8%*
Interest	8%* or exempt if paid to individuals by resident financial institutions or approved unit trust scheme or mutual fund; or to persons on Bonds issued by Government of Ghana
Royalties	15%*
Management and technical service fees	20%*
Natural resource payments	15%*
Rent	8%-15%*
Lottery winnings exceeding GH¢2,592	5%*
Insurance premium with a source in Ghana	5%*
Individuals	20%*

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

\*\* Individual's income tax table

\*\*\* A company, other than a resident financial institution, the Government of Ghana or approved unit trust scheme or mutual fund, is required to withhold tax at 8% on interest paid to individuals.

Below are the individual income tax rates, effective from 1 January 2016:

Chargeable income (GH¢)	Rate of tax (%)
First – 2 592	0%
Next – 1 296	5%
Next – 1 812	10%
Next – 33 180	17.5%
Exceeding 38 880	25%

#### Location incentive (restricted to manufacturing companies)

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

#### Gains on Realisation of Asset or Liability

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

#### 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.

#### Transfer Pricing

Effective from September 2012, Ghana began to enforce a transfer pricing regulation. 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 Stabilisation 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 2017.

#### 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.

#### Transaction taxes

Value-added tax ("VAT") is levied on the supply of goods and services made in Ghana, on every importation of goods and on the supply of imported services. The rate of VAT is 15%.

In addition, a National Health Insurance Levy of 2.5% is imposed on the supply of goods and services in Ghana and the importation of goods and supply of imported services.

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 and transfer 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.

## Other taxes

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

### Double tax treaties and reduced rates

Country	Dividends (%)	Interest (%)	Royalties (%)	Management & technical/service fees (%)
United Kingdom	7.5 <sup>^</sup> /15 <sup>^^</sup>	12.5	12.5	10
France	5 <sup>*</sup> /7.5 <sup>**</sup> /15 <sup>^^</sup>	10 <sup>*</sup> /12.5 <sup>**</sup>	10 <sup>*</sup> /12.5 <sup>**</sup>	10
Netherland	5 <sup>^</sup> /10 <sup>^^</sup>	8	8	8
Swiss Confederation	5 <sup>^</sup> /15 <sup>^^</sup>	10	8	-20 <sup>**</sup>
Belgium	5 <sup>^</sup> /15 <sup>^^</sup>	10	10	10
Germany	5 <sup>^</sup> /15 <sup>^^</sup>	10	8	8
Italy	5 <sup>^</sup> /15 <sup>^^</sup>	10	10	10
South Africa	5 <sup>^</sup> /15 <sup>^^</sup>	5 <sup>#</sup> /10 <sup>^^</sup>	10	10
Denmark	5 <sup>^</sup> /5 <sup>∞</sup> /5 <sup>α</sup> /15 <sup>^^</sup>	8	8	8

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

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

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

<sup>^^</sup> In all other cases

<sup>#</sup> If interest is derived by a Bank which is a resident of the contracting state

<sup>∞</sup> 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.

<sup>α</sup> 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.

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.

### 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 of dividends from tax
- 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.

### 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

Policy(Prime interest) rate (February 2016)	26%
US\$ exchange rate (February 2016)	GH¢3.8871
Inflation (January 2016)	19%
GDP ( Provisional 2015)	US\$36.657billion

### Travel information

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

### 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)
- 6 March (Independence Day)
- 1 May (May Day)
- 25 May (Africa Union Day)
- 1 July (Republic Day)
- 21 September (Founder's 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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