

GMS Flash Alert

2019-009 | January 23, 2019



Ghana - Reduction in Top Rate of Personal Income Tax, Income Threshold Raised

Recent changes to Ghana's personal income tax regime have brought about a reduction in the highest marginal personal income tax rate for resident individuals.¹

A key measure is the reduction in the 35-percent maximum income tax rate – which was introduced on 1 August 2018² – to 30 percent. The annual maximum tax band on which the rate of 30 percent applies has also been expanded to chargeable income exceeding GHS 240,000 (previously, income exceeding GHS 120,000).

The revised personal income tax regime took effect from 1 January 2019.

WHY THIS MATTERS

With the lowering of the maximum tax rate and the expansion of the annual maximum tax band, employees who have been subject to the maximum rate will now potentially experience savings of an estimated GHS 12,396 per annum plus 5 percent on additional chargeable income exceeding the GHS 240,000.

There will be a reduction in assignment-related tax costs in respect of assignees into and out of Ghana, subject to Ghanaian tax law.

Employers may need to consider their budget projections for assignments due to the changes.

Furthermore, employers may need to make the necessary payroll adjustments and update hypothetical taxes for tax equalized assignees.

Residents: Rates and Bands

The revised graduated tax rates and bands effective from January 1. 2019, are shown below:

| Chargeable Income Tax | Annual (GHS) | Rates |
|-----------------------|--------------|-------|
| First | 3,456 | Nil |
| Next | 1,200 | 5% |
| Next | 1,680 | 10% |
| Next | 36,000 | 17.5% |
| Next | 197,664 | 25% |
| Exceeding | 240,000 | 30% |

Source: KPMG, Ghana

Nonresidents: Rates and Bands

The tax rate applicable to nonresident individuals has however been maintained at 25 percent from the last revision in August 2018.

Changes in Income Tax Bands/Rates Yield Incentives and Savings:

The new rules give rise to the following tax incentives and savings:

1. Total tax exemption/relief for minimum wage earners*.
2. Increase in the annual maximum tax band from GHS 120,000 to GHS 240,000 and a reduction in the maximum tax rate from 35 percent to 30 percent.
3. Marginal decrease in taxes for the respective tax bands. This presents the below tax savings:

| Tax Band | Tax Savings per annum GHS |
|----------|--|
| 5% | 16.20 |
| 10% | 50.40 |
| 17.5% | 137.70 |
| 25% | 396.00 |
| 30% | 12,396 plus 5% on additional income exceeding GHS 240,000 |

Source: KPMG, Ghana

* Minimum wage earners are individuals who earn GHS 10.65 a day

Recap of Current Rules: Who Is Resident?

An individual is deemed resident for a year of assessment if that individual is:

- a citizen of Ghana (other than one with a permanent residence outside Ghana and lives in that home for the whole year of assessment);
- present in Ghana for a period or periods amounting in total to 183 days or more in any 12-month period that commences or ends during the year of assessment;
- an employee or official of the Ghanaian government on posting abroad;
- a citizen who is temporarily absent from Ghana for not more than 365 continuous days (where the individual has a permanent home in Ghana).

FOOTNOTES:

1 The Tax (Amendment) (No.2) Act, 2018 (Act 979), which amends the graduated tax rates for resident individuals in the First Schedule of the Income Tax Act, 2015 (Act 896).

2 For coverage of the changes in August 2018, see GMS [Flash Alert 2018-108](#) (21 August 2018).

* * * *

GHS 1 = USD 0.203

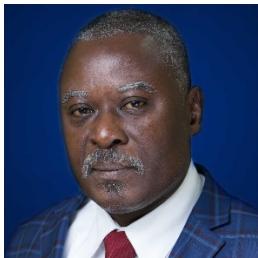
GHS 1 = EUR 0.178

GHS 1 = GBP 0.155

GHS 1 = NGN 73.38

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Ghana:



Emmanuel Obeng Asiedu

Head of Tax

Tel. +233 302 770 618

easiedu@kpmg.com

The information contained in this newsletter was submitted by the KPMG International member firm in Ghana.

© 2019 KPMG, a partnership incorporated 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.

www.kpmg.com

kpmg.com/socialmedia



© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. 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 the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in 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.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.

© 2019 KPMG, a partnership incorporated 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. Printed in the U.S.A. NDPPS 530159

2019-009 | January 23, 2019