FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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BASIC FACTS

Full name: Republic of Ghana
Capital: Accra
Main languages: English, African languages including Akan, Ewe
Population: 26.1 million (2013 PRB)
Major religion: Christianity, indigenous beliefs, Islam
Monetary unit: Ghanaian New Cedi (GHS)
Internet domain: .gh
Int. dialling code: +233

KEY TAX POINTS

- All resident and non-resident companies must pay corporate income tax on income relating to business and investment, derived from, accrued, brought into, and received, in Ghana.
- The standard rate of corporate income tax is 25%, although rates vary according to the status of the company, the location of its business activities and the business sector in which it is involved.
- Value Added Tax (VAT) is payable on imports and the supply of goods and services. The standard rate is 15%. In addition to VAT, a new law Act 870 concurrently imposes the National Health Insurance Levy (NHIL) to be levied alongside VAT at a rate of 2½% of the taxable value of supplies. This in effect amounts to a total charge of 17½% of the taxable value of the supply.
- Withholding taxes are chargeable on various types of payment to residents and non-residents at various rates. The tax authorities can deem certain small companies to have paid dividends where profits have not been repatriated over a certain length of time.
- Foreign tax credits are available to relieve double taxation on overseas income. Credits are calculated separately for each source of business, employment and investment income and may not exceed the average rate of Ghanaian income tax of that person for the year of assessment applied to that person's taxable foreign income for the year.
- Resident individuals are taxed on income accruing in, derived from, brought into, or received in Ghana. Non-residents are taxed on income accruing in, and derived from, Ghana.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

National taxes and levies apply in all ten regions of the country. A new tax law, Income Tax Act, 2015 (Act 896) was passed in September 2015 to administer Direct Taxes. This replaces the Internal Revenue Act 2000 (Act 592), which was passed in 2001 and the various amendments to it. A new Regulation is also to be passed to replace the Internal Revenue Regulations, 2001 (L. I. 1675).

A summary of the new Income Tax Act are as follows:
- The Income Tax Act, 2015 (Act 896) comes into effect on 1st January 2016 to replace the Internal Revenue Act, 2000, (Act 592)
- Capital Gains Tax and Gifts Tax are now abolished. Capital Gains and Gifts received by business and/or employees are now treated as business income and employment income respectively.
- The scope for assessing Resident Persons has been widened to include incomes derived from foreign source.
- Deductions allowed, (relating to losses, capital allowance, repairs and improvements, financial
cost and foreign currency translation) have been modified
- Thin capitalization ratio has been changed from 2:1 to 3:1
- Capital allowance computations relating to additions and disposals have been modified
- Capital allowance cannot be deferred
- Presumptive Tax has been introduced as another form of assessment
- Limit for Car Element as benefit-in-kind has been widened
- Hoteliers to pay tax at 22%
- Except Free Zone Enterprises, Companies enjoying “Tax Holidays” to pay tax at 1%
- Individuals to suffer Withholding Tax of 1% on interest earned
- Individuals operating as business enterprises are to withhold tax from the payment of Investment income as corporate entities.
- Locational tax incentives in the form of reduced tax rates for Agro-Processing and Cocoa By-Product businesses after their 5 year Tax Holiday is now abolished.
- Individual tax rates remain unchanged.
- Changes in administrative sanctions for non-compliance of tax laws.
- Exchange gains are taxable whether realized or not realized.
- Individual tax rates has been revised.

Assessable Income
These are made of income from Business, Investment and Employment.
- Business Income includes: income from a trade, profession, vocation or isolated arrangement with a business character; gains from the realisation of capital assets; and, gifts received in respect of the business.
- Investment income includes gains on realization of investment asset; gifts received in respect of an investment; winning from the lottery; and, consideration for accepting a restriction to conduct investment.
- Employment income includes payments or benefits received by an employee from employer by way of remuneration, fees, overtime, bonuses, personal allowances, commissions, other payments, including gifts in respect of the employment and lump sum payments. Payments or benefits received also includes retirement contributions made to a retirement fund on behalf of an employee (subject to the National Pensions Act, 2008 Act 766), retirement payments received in respect of an employment (subject to the National Pensions Act, 2008 Act 766) and gratuities.

Resident Person
For a Resident Person, income derived from within Ghana and from a foreign source is assessable to tax. However the income of a resident individual from employment exercised in a foreign country is exempt if:
  a) The employer is non-resident;
  b) The employer is resident but the employee is present in the foreign country for 183 days or more during the year of assessment

Non-Resident Person
For a Non-resident Person only incomes which have its source from Ghana are assessable to tax. However where the person has a Ghanaian Permanent Establishment (P/E), income for the year that is connected with the P/E, irrespective of the source is assessable to tax. The definition of a P/E now includes the provision of service in Ghana. The Minister of Finance may by legislative instrument, make Regulations to prescribe the following:
- Criteria for exempting from tax, the income of a foreign Permanent Establishment (P/E);
- Criteria for exempting from tax, the foreign income of a resident person;
- Circumstances in which the income of a foreign P/E is not exempt, but is taxable in the hands of the resident owner with a foreign tax credit;
- Circumstances in which the income of a foreign trust or company that is controlled by residents is attributed and taxed to the members of the trust or company.

Assessable Persons
Assessable persons include individuals, partnership, trust, beneficiary of a trust, companies, and shareholders.
- Individuals
  Individuals are required to pay tax on gains or profit from employment, business or investment. For a resident individual, both incomes derived from within Ghana and from foreign sources are assessable to tax. However the income of a resident individual from employment exercised in a
foreign country is exempt if
a) The employer is non-resident;
b) The employer is resident but the employee is present in the foreign country for 183 days or more during the year of assessment.

For a Non-resident individual only incomes which have its source from Ghana are assessable to tax. Aside deductions allowed, individuals are entitled to personal relief.

- **Partnership**
  A partnership is liable to pay income tax only with respect to final withholding payments.

- **Trust**
  A Trust is liable to pay tax separately from its beneficiaries at a rate of 25%. However, in the case of a trust of an incapacitated individual, the individual tax rate shall apply.

- **Beneficiaries of a Trust**
  A distribution of a resident trust is exempt from taxation if the distribution is in the hands of a beneficiary of the trust. A distribution of a non-resident trust is included in calculating the income of the beneficiary of the trust. A gain on the disposal of the interest of a beneficiary in a trust is included in calculating the income of the beneficiary.

- **Companies**
  A Company is liable to tax separately from its shareholders. For tax purposes a company is defined to include the following:
  - A Partnership with 20 or more partners having a limited liability;
  - A Trust with 20 or more beneficiaries whose entitlement to participate in the income or capital of the trust are divided into trusts.

- **Shareholders**
  A Shareholder earning dividend from a resident company is to suffer a final withholding tax at the rate of 8%. Other incomes subject to tax include;
  - Dividend received from a non-resident company;
  - Gains in the disposal of shares.
  Exemption clause: A dividend paid to a resident company by another resident company where the company that received the dividend controls directly or indirectly at least 25% of the voting power of the company paying the dividend. However the above exemption does not apply where;
  - The dividend is in respect of a redeemable share;
  - The dividend arose out of restructuring under arrangement between persons in a controlled relationship.

### Tax rates

<table>
<thead>
<tr>
<th>Taxable unit</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Graduated</td>
</tr>
<tr>
<td>Company in hotel industry</td>
<td>22%</td>
</tr>
<tr>
<td>Company income from export of non-traditional goods</td>
<td>8%</td>
</tr>
<tr>
<td>Financial Institution income from loans granted to farming enterprise</td>
<td>20%</td>
</tr>
<tr>
<td>Financial Institution income from loans granted to leasing company</td>
<td>20%</td>
</tr>
<tr>
<td>Manufacturing business located in regional capitals of Ghana</td>
<td>75% of applicable rate</td>
</tr>
<tr>
<td>Manufacturing business located in elsewhere in Ghana</td>
<td>50% of applicable rate</td>
</tr>
<tr>
<td>Free Zone enterprise after Tax Holidays</td>
<td>15%</td>
</tr>
<tr>
<td>Other Companies after Tax Holidays</td>
<td>25%</td>
</tr>
<tr>
<td>Company income from petroleum operation</td>
<td>35%</td>
</tr>
<tr>
<td>Company income from Mineral operation</td>
<td>35%</td>
</tr>
</tbody>
</table>

### Administrative sanctions and penalties

| Failure to maintain records       | Where the failure is deliberate or reckless, 75% of the tax attributable to the period. In any other case, the lesser of 75% or 250 currency points |
| Failure to pay tax on due date    | Interest of 125% of the statutory rate, compounded monthly on the amount outstanding |
| Underestimating tax               | Interest of 125% of statutory rate, compounded monthly, and applied to the difference between 90% of the Actual Tax and Tax paid in instalment |
| Failure to file Returns (Individual) | 2 currency points and prosecution after 4 months |
**Failure to file Returns (Entity)**
- 4 currency points and prosecution after 4 months

**Failure to comply with the Act**
- Where the failure may result in an underpayment of tax exceeding GHS 200, the fine is, if convicted, between GHS 2,400 - GHS 4,800. For any other case GHS 120 - GHS 2,400

**Making false or misleading statements**
- a. where the statement/omission is made without reasonable excuse—a fine of 200% the tax underpaid
- b. where the statement/omission is made knowingly or recklessly – a fine of 300% of the tax underpaid or a fine of GHS 600 – GHS 2,400 or a term of imprisonment between 6 months and 1 year or both
- c. any other case: a fine between GHS 600 - GHS 2,400 or a term of imprisonment of 1 month - 3 months or both

**Impeding Tax Administration**
- A fine of between GHS 1,200 – GHS 12,000 or a term of imprisonment between 6 months and 1 year or both.

### PRESUMPTIVE TAXATION

This imposes a presumptive tax on only individuals who only have income from the following businesses:
- An individual who has a professional qualification;
- An individual who is engaged in a business prescribed by regulations that has a high profit to turnover ratio;
- An individual who has more than one business;
- An individual who has a business with more than one business outlet;
- An individual in a partnership;

The tax rate applicable is 3% of turnover where the turnover is between GHS 20,000 and GHS 120,000.

An individual under the Presumptive Tax System is to apply a modified cash basis in calculating his income from the business.

### BRANCH PROFITS TAX

A non-resident person who carries on business in Ghana through a permanent establishment (P/E) and who earns repatriated profits is to pay a final tax on the repatriated profit at the prescribed rate within 30 days after the end of the basis period.

### VALUE ADDED TAX (VAT)

These are indirect taxes paid by consumers on some goods and services to the state through registered individuals or businesses. The rate is 15% for businesses and individuals whose turnover for a 12 month period is GHS 120,000 or above on the value of goods and services. This excludes the National Health Insurance Levy of 2.5%. A new law Act 870 has replaced the Value Added Tax Act, 546 bringing into effect the following:

#### VAT Rate

All persons registered for the Value Added Tax (VAT) and are currently operating the standard rate scheme are required to charge and account for VAT and the National Health Insurance Levy (NHIL) simultaneously at the rates of 15% and 2½% respectively of the taxable value of their supplies. This in effect amounts to a total charge of 17½% of the taxable value of the supply.

#### Credit for Deductible Input Tax

By the provisions of the VAT Act 2013, (Act 870), allowable period for deducting input tax has been reduced from three (3) years to six (6) months. Accordingly all registered persons who are in possession of valid VAT/NHIL invoices for input tax claims which are more than six (6) months (i.e. before 31 July 2013) are to claim them on the December 2013 returns. This must be submitted not later than the last working day of January 2014 (i.e. 31 January 2014).
Scope and Coverage of the Value Added Tax
The Value Added Tax 2013, (Act 870) extends the coverage of the tax to some business activities which were hitherto outside the tax net. These include the following business activities:

i) The sale of immovable property by an estate developer. The flat rate is 5%. (“Estate developer” means a commercial establishment engaged in the business of the construction and sale of immovable property)

ii) The supply of financial services that are rendered for a fee, commission or a similar charge. “Financial services” means provision of insurance; issue, transfer, receipt of, or dealing with money whether in domestic or foreign currency or any note or order of payment of money; provision of credit; or operation of a bank account or an account of a similar institution. Life insurance and reinsurance services are however exempt from the tax whether or not such services are rendered for a fee, commission or a similar charge.

iii) A supply of domestic transportation of passengers by air; and the supply of haulage as well as the rental or hiring of passenger and other vehicles.

iv) The business activities of auctioneers and promoters of public entertainment

v) The business of gymnasium and spa

vi) The manufacture or supply of pharmaceuticals listed under Chapter 30 of the Harmonized Systems Commodities Classification Code, 1999 other than supplies at the retail stage.

Threshold
The current threshold for registration of VAT is GHS 120,000 for a 12 month period or GHS 30,000 for a period of 3 months. However the following entities are not bound by the threshold and are required to apply for registration upon operation:

- Promoters of public entertainment;
- An auctioneer;
- A national, regional, local or other authority or body.

Taxpayers Registered under the VAT Flat Rate Scheme
All persons registered for VAT/NHIL are authorized to operate under the VAT Flat Rate Scheme (VFRS) are required to continue to charge and account for the tax at the rate of 3% of the taxable value of their supplies until 31st December 2015. Such registered persons are to issue the VFRS VAT/NHIL invoices. Exempt supplies include postal services, transportation, machinery, electricity, water and transfer of going concern. The following changes were made in 2015

- A Special Petroleum Tax (VAT) of 17.5%;
- A reversal of excise tax on petroleum from Ad Valorem to Specific.

There are exemptions specified in the VAT law. Exempt supplies include agricultural products and inputs, printed matter, approved medical and pharmaceutical supplies, transport, financial services, land, building and construction. Imports are taxable. Exports are zero rated.

LOCAL TAXES
Taxes are collected by the District, Municipal and Metropolitan Assemblies (authorities) from persons doing business within their localities. They also are responsible for the collection of property taxes.

STAMP DUTY
Stamp duty is paid at various rates by a person who undertakes certain transactions including the following:

a) Conveyance or transfer on the sale of any property;
b) Appointment of a new trustee;
c) Natural resource lease or license (e.g. mining and timber);
d) Agreement or memorandum of agreement;
e) Award of cost in a matter of dispute;
f) Bill of exchange (e.g. issue of cheques);
g) Bill of lading;
h) Insurance policy.
MINERAL ROYALTIES

Holders of mining leases are required to pay royalties at specified rates to the Government on a monthly basis.

COMMUNICATION SERVICE TAX

This is a tax on communication service providers based on turnover. The coverage of this tax has been extended to include the following:
- Public/corporate data operators;
- Providers of radio (FM) broadcasting services;
- Providers of free-to-air television services.

TAX STAMP

This a tax imposed on operators in the informal sector. The amount paid is based on turnover and nature of product but not on profit.

VEHICLE INCOME TAX

This is a tax imposed on commercial vehicles. It is paid quarterly.

AIRPORT TAX

This is imposed on both domestic and international travels. It varies depending on the passenger class and the place of destination. The current rates are:
- Domestic travel $5
- Regional travel within West Africa $60
- International travel:
  a) Economy class travel outside West Africa $100.
  b) Business class travel outside West Africa $150.
  c) First class travel outside West Africa $200.

THE NATIONAL HEALTH INSURANCE LEVY

The National Health Insurance Levy of 2.5% imposed on certain goods and services. The National Health Insurance Levy is administered on the lines of Value Added Tax

NATIONAL FISCAL STABILISATION LEVY (NFSL)

The NFSL was introduced in 2009 but was abolished in January 2012. It has been reintroduced by ACT 862, effective 30 September 2013. The rate of levy is 5% on the profits before tax, payable on quarterly basis and covers the following entities:
- Banks (excluding Rural and Community banks);
- Non-Bank Financial Institutions;
- Insurance Companies;
- Telecommunication companies liable to collect and pay Communication Service Tax under Act 754 of 2008;
- Breweries;
- Inspection and Valuation Companies;
- Shipping lines, Maritime and Airport Terminals;
- The levy is collected upfront by the Ghana Revenue Authority.

It is not an allowable deduction for the purpose of ascertaining the chargeable income of an entity under the Income Tax Act, 2015, ACT 896.
SPECIAL IMPORT LEVY

A Special Import Levy of 1.2% was extended in 2015 to end in 2017. Taxes consist of income taxes, sales and service taxes administered by the Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority (GRA) and customs and excise duties administered by the Customs Division (CD) of the GRA.

FRINGE BENEFITS TAX

With the exception of dental, medical, and health insurance expenses, all fringe benefits derived from employment are taxable. Benefits relating to accommodation and cars have their own treatment specified in the Tax Law.

<table>
<thead>
<tr>
<th>Car Element</th>
<th>Driver and Vehicle with fuel</th>
<th>12.5% of TCE</th>
<th>Limit GHS 600 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle with fuel</td>
<td>10% of TCE</td>
<td>Limit GHS 500 per month</td>
<td></td>
</tr>
<tr>
<td>Vehicle Only</td>
<td>5% of TCE</td>
<td>Limit GHS 250 per month</td>
<td></td>
</tr>
<tr>
<td>Fuel Only</td>
<td>5% of TCE</td>
<td>Limit GHS 250 per month</td>
<td></td>
</tr>
</tbody>
</table>

| Rent Element                 | Accommodation with furnishing | 10% of TCE | No Limit |
|------------------------------| Accommodation Only           | 7.5% of TCE | No Limit |
| Furnishing Only              | 2.5% of TCE                  | No Limit |
| Shared Accommodation         | 2.5% of TCE                  | No Limit |

For all other benefits, the open market value or a reasonable value is added to taxable income and subject to tax. For some services provided to employees (e.g. food offered in a canteen, office outings, transportation of employees, accident insurances and payments to retirement funds), the employer has the option to pay the income tax on account for the employee.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

Capital allowance is granted in respect of fixed assets (depreciable assets), both tangible and intangible, acquired by persons in businesses for each year of assessment. To qualify for these allowances, the following conditions must be met:

a) The assets should be capital in nature;
b) The asset should be owned by the business;
c) The asset should be in the business up to the end of the year;
d) The asset should be used in carrying on business during the period.

<table>
<thead>
<tr>
<th>Class</th>
<th>Comments</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Computers and data-handling equipment.</td>
<td>40%</td>
</tr>
<tr>
<td>2</td>
<td>Automobiles, buses, minibuses, construction and earth-moving equipment, trailers and trailer-mounted containers, plant and machinery used in manufacturing. Assets resulting from expenses relating to timber concern or large scale rubber, oil palm or other long term crop plantation</td>
<td>30%</td>
</tr>
<tr>
<td>3</td>
<td>Railroad cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, specialized public utility plants, equipment, machinery office equipment and fixtures, and any other depreciable asset not included in another class</td>
<td>20%</td>
</tr>
<tr>
<td>4</td>
<td>Buildings, structures and similar works of a permanent nature</td>
<td>10%</td>
</tr>
</tbody>
</table>
There are 5 classes of Depreciable Assets with the removal of the Mining and Petroleum Class

All classes operate under the Pooling System

A Class 4 or 5 assets is to be placed in a pool of its own separately from other assets of that Class or any other assets. Additions to that asset are to be added to the Pool. Disposal of the asset amounts to disposal of all the assets in the pool

Capital allowance cannot be deferred

An additional capital allowance is to be granted where a written down value (WDV) of a Pool falls below GHS 500 and the Pool emptied

Disposal of depreciable assets in a pool will result in additional income or additional allowance.

For Class 1, 2 or 3 pool, the additional income is arrived at by taking the consideration received less the depreciation basis of each pool at the end of the year

For Class 4 and 5 pool, the additional income is arrived at by taking the consideration received less the WDV of pool at the end of the year and the capital allowance granted.

For Petroleum Operations, the additional income is the total consideration received

For Mining Operations, the computation is as follows:

- Reduce the total WDV of the pool by the total WDV of the asset disposed (X)
- Where the consideration received is higher than X the excess is treated as income
- Where the consideration received is lower than X, additional depreciation allowance is granted.

DEPRECIATION

Depreciation of any fixed asset is not an allowable deduction in arriving at the assessable income. This is compensated for by the granting of capital allowance.

STOCK / INVENTORY

For the purpose of tax, the closing stock and work in progress are valued at the lower of cost or market value. Where the market value is used, the person ascertaining the income shall reset the trading stock to that value.

CAPITAL GAINS AND LOSSES

Gains or Losses on disposal of assets, as reported in financial statements, are not taxable or allowable respectively. Gains are deducted from profits and losses added to profits. This is in line with the Income Tax Law that does not recognize depreciation policies set out by businesses. The pool system adopted by the Income Tax Law for capital allowance purposes makes it almost impossible to ascertain whether a loss or gain was made on the disposal of a particular asset. However, there are adequate provisions for recovery of full cost of fixed assets disposed of (refer to disposal of fixed assets under ‘Capital allowance’). Assets disposed of are subject to VAT.

DIVIDENDS

A tax is paid by a resident or non-resident person or partnership who or which is paid a dividend by a resident company, other than exempt dividends, at 8%. A capitalization of profit is treated as dividend paid to each of the company’s shareholders in proportion to their respective interest in the company and is taxed at 8%. Where a company (controlled by not more than five persons) records profit over a reasonable period but does not declare dividends, the Commissioner has the authority to treat part of the company income as distributed and demand tax on dividends.

Exemption: Dividends paid by a resident company to another resident company where the recipient company controls directly or indirectly 25% of the voting power of the company paying the dividend
are exempt. This exemption does not apply if the dividend paid is intended as a profit or dividend stripping arrangement.

**INTEREST DEDUCTIONS**

Interest incurred in respect of a borrowing employed by a business entity in the production of income is a deduction allowed for the purpose of ascertaining the assessable income of the person.

**LOSSES**

Tax losses are arrived at after adjusting losses reported in financial statements in line with tax principles
All businesses can carry forward losses but with the following distinctions
- Special industries, namely Petroleum Operations, Minerals and Mining Operations, Banking Business, General Insurance Business and Life Insurance Business can carry forward losses for 5 years.
- All other businesses can carry forward losses for 3 years

**FOREIGN CURRENCY AND FINANCIAL INSTRUMENTS**

Gains on foreign currency and financial instruments are taxable whether realised or unrealised. Losses on foreign currency and financial instruments are deductible whether realised or unrealised (subject to the rules under Financial Cost above)

**TAX INCENTIVES**

There are a number of incentives provided for in the Income Tax Act, 2015 (ACT 896) geared towards the development of certain sectors of industry and of certain parts of the country. These incentives include reduced rate of taxes, exemption from the payment of duties and other taxes for specified periods, higher rate of capital allowance, among others. These cannot be exhaustibly dealt with but below are a few of such concessions granted.

**LOCATIONAL INCENTIVES FOR MANUFACTURING BUSINESS**

A summary of the tax rates before Act 896 (under Act 592) and under the present Act 896 is shown below:

<table>
<thead>
<tr>
<th>Location</th>
<th>Under Act 592</th>
<th>Under Act 896</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accra/Tema</td>
<td>25.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td>Other Regional Capitals (except Northern, Upper East and Upper West Regions)</td>
<td>18.75%</td>
<td>18.75%</td>
</tr>
<tr>
<td>Northern, Upper East and Upper</td>
<td>0%</td>
<td>25.00%</td>
</tr>
<tr>
<td>Free Zone Enclave</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Outside other Regional Capitals</td>
<td>12.50%</td>
<td>12.50%</td>
</tr>
</tbody>
</table>

**SECTORIAL AND INDUSTRIAL INCENTIVES (REDUCED TAX RATES)**

Tax rates vary depending upon the area (sector or industry) from which the income is derived from as shown below:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Period of Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tree Crop Farming</td>
<td>10 years of assessment from year of first harvest</td>
</tr>
<tr>
<td>Livestock Farming</td>
<td>5 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Cattle Farming</td>
<td>5 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Agro-Processing Business</td>
<td>5 years of assessment from year of commencement of</td>
</tr>
</tbody>
</table>
commercial production

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Years of Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa By-product Business</td>
<td>5 years of assessment from year of commencement of commercial production</td>
</tr>
<tr>
<td>Rural Banking</td>
<td>10 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Waste Processing</td>
<td>7 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Low Cost Housing Business by a Certified Company</td>
<td>5 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Approved Unit Trust Scheme And Mutual Fund</td>
<td>10 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Venture Capital Financing Company</td>
<td>10 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Free Zone Company</td>
<td>10 years of assessment from year of commencement of business</td>
</tr>
<tr>
<td>Free Zone enterprise after Tax Holidays</td>
<td>15%</td>
</tr>
</tbody>
</table>

Exemptions
- A person is not entitled to a concession if an associate person has benefited or is benefiting from that concession.
- The concession shall not apply as between two associated individuals who are residents.
- The concession shall not apply “where the Government of Ghana has concluded, whether before or after the commencement of this Act, a binding agreement with a person that purports to modify the manner in which tax is imposed, including by reason of a fiscal stability clause”

C. FOREIGN TAX RELIEF

Foreign tax credits are available to relieve double taxation on overseas income. Credits are calculated separately for each source of business, employment and investment income and may not exceed the average rate of Ghanaian income tax of that person for the year of assessment applied to that person’s taxable foreign income for the year.

D. CORPORATE GROUPS

Corporate groups, irrespective of their affiliations, prepare accounts separately and are taxed separately. Capital allowance is not transferable.

E. RELATED PARTY TRANSACTIONS

Although nothing in the law disallows related party transactions, the Commissioner has authority to disregard or reverse any transaction that is geared towards tax avoidance.

F. WITHHOLDING TAX

Withholding agents now includes individuals conducting business.

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate %</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest earned by individual from resident financial institutions GOG bonds, or Mutual Fund</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Interest earned by Person other than Individual</td>
<td>8</td>
<td>Final tax</td>
</tr>
<tr>
<td>Dividend</td>
<td>8</td>
<td>Final tax</td>
</tr>
<tr>
<td>Rent (for residential property)</td>
<td>8</td>
<td>Final tax</td>
</tr>
<tr>
<td>Rent (for non-residential property)</td>
<td>15</td>
<td>Final tax</td>
</tr>
<tr>
<td>Royalty</td>
<td>5</td>
<td>Final Tax</td>
</tr>
<tr>
<td>Fees to lecturers, invigilators, examiners, part-time teachers and endorsement fees</td>
<td>10</td>
<td>Final tax</td>
</tr>
</tbody>
</table>
Ghana

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate %</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees and Allowance to resident directors, managers, trustees, board members etc.</td>
<td>20</td>
<td>Not final tax</td>
</tr>
<tr>
<td>Endorsement Fees</td>
<td>10</td>
<td>Final tax</td>
</tr>
<tr>
<td>Commission to resident lotto receiver or agent</td>
<td>7.5</td>
<td></td>
</tr>
<tr>
<td>Commission to resident insurance, sales or canvassing agents</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Supply or use of goods exceeding GHS 2,000</td>
<td>3</td>
<td>Not final tax</td>
</tr>
<tr>
<td>Supply of any works exceeding GHS 2,000</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Supply of services exceeding GHS 2,000</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Any amount due a local sub-contractor in respect of works or services under a Petroleum Agreement</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Payment for unprocessed precious minerals located or won in Ghana</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Lottery Winning</td>
<td>5</td>
<td>Final</td>
</tr>
</tbody>
</table>

Non-resident persons:

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate %</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>8</td>
<td>Final tax</td>
</tr>
<tr>
<td>Royalties, natural resources payments and rents</td>
<td>15</td>
<td>Final tax</td>
</tr>
<tr>
<td>Management, consulting, technical service and endorsement fees</td>
<td>20</td>
<td>Final tax</td>
</tr>
<tr>
<td>Repatriated branch after tax profits</td>
<td>10</td>
<td>Final tax</td>
</tr>
<tr>
<td>Interest earned by individual from resident financial institutions, GOG bonds, or Mutual Fund)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Interest earned by Person other than an individual</td>
<td>8</td>
<td>Final tax</td>
</tr>
<tr>
<td>Short-term insurance premium</td>
<td>5</td>
<td>Final tax</td>
</tr>
<tr>
<td>Royalty</td>
<td>15</td>
<td>Final tax</td>
</tr>
<tr>
<td>Income from transport, shipping and air transport</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Income from Communication Business</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Income under a contract for the supply of goods, works or service where the contract gives rise to income in Ghana</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Lottery Winning</td>
<td>5</td>
<td>Final</td>
</tr>
<tr>
<td>Any amount due a non-resident sub-contractor in respect of works or services under a Petroleum Agreement</td>
<td>15</td>
<td>Final tax</td>
</tr>
</tbody>
</table>

G. EXCHANGE CONTROL

Ghana has an Exchange Control Act that regulates, among other things, the following:

- Use of foreign exchange among residents;
- Trading in gold (coins and/or bullion);
- Exports and import on bank notes;
- Exports and export proceeds;
- Capital and money market instruments.

The Internal Revenue Regulation set a formula for calculating the amount of profits that a foreign company may repatriate to its home country at every point in time. There are restrictions to the amount allowed to be repatriated determined by the Bank of Ghana under Act 723. The restrictions relate to Sections 15, 16, 18, 19 and 20 of Act 723 which among others require that each payment in foreign currency to or from Ghana between a resident and a non-resident, or between non-residents, shall be made through a bank. Where the Bank of Ghana has reason to believe that an offence in contravention of Act 723 is likely to be committed or has been committed, the Bank of Ghana may require a bank to obtain its permission prior to the execution of any payment in foreign currency. Sections of the Act are as follows:

Subject to the Foreign Exchange Act, 2006 (Act 723) and the Regulations and Notices issued under the Foreign Exchange Act, an entity shall, through an authorized dealer bank be guaranteed unconditional transfer in freely convertible currency of the following:

- Dividends or net profits attributable to the investment made in the entity;
• Payments in respect of loan servicing where a foreign loan has been obtained;
• Fees and charges in respect of a technology transfer agreement registered under the Ghana Investment Promotion Centre Act 2013 (Act 865);
• The remittance of proceeds, net of all taxes and other obligations, in respect of sale or liquidation of the entity or any interest attributable to the investment in the entity.

H. PERSONAL TAX

Chargeable income is defined by the Income Tax Act 2015, (ACT 896):
“(1) The chargeable income of a person for a year of assessment is the total of the assessable income of that person for the year from each employment, business or investment less the total amount of deduction allowed that person under this Act.
(2) A person who determines the chargeable income of that person or of another person shall, determine chargeable income from each source separately.”

<table>
<thead>
<tr>
<th>Individual Tax Rates:</th>
<th>Rate</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Chargeable Income GHS</td>
<td>%</td>
<td>GHS</td>
</tr>
<tr>
<td>First 2,592</td>
<td>0</td>
<td>NIL</td>
</tr>
<tr>
<td>Next 1,296</td>
<td>5</td>
<td>64.80</td>
</tr>
<tr>
<td>Next 1,812</td>
<td>10</td>
<td>181.20</td>
</tr>
<tr>
<td>Next 33,180</td>
<td>17.5</td>
<td>5,806.50</td>
</tr>
<tr>
<td>Exceeding 38,880</td>
<td>25</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual Tax Rates:</th>
<th>Rate</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Chargeable Income GHS</td>
<td>%</td>
<td>GHS</td>
</tr>
<tr>
<td>First 216</td>
<td>0</td>
<td>NIL</td>
</tr>
<tr>
<td>Next 108</td>
<td>5</td>
<td>5.40</td>
</tr>
<tr>
<td>Next 151</td>
<td>10</td>
<td>15.10</td>
</tr>
<tr>
<td>Next 2,765</td>
<td>17.5</td>
<td>483.88</td>
</tr>
<tr>
<td>Exceeding 3,240</td>
<td>25</td>
<td>-</td>
</tr>
</tbody>
</table>

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

In the absence of any treaty with the Government of Ghana, the provisions of the income tax law applies for the treatment of all tax matters. Thus, tax rates applicable on various incomes apply. Where there is a treaty with the Government of Ghana, the terms of the treaty prevail over all provisions of the income tax law. However, where the rates of taxes set out in a treaty are higher than those of the laws of Ghana, the lower rates are used.

Currently, notable double taxation treaties Ghana has are with the United Kingdom, France, Italy, South Africa, Belgium and Germany.

Tax Rates in percentages are as follows:

<table>
<thead>
<tr>
<th>Dividends (Where recipient holds at least 10% shares)</th>
<th>Dividends (In any other case)</th>
<th>Royalties</th>
<th>Technical/management service fees</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>France</td>
<td>7.5</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7.5</td>
<td>15</td>
<td>12.5</td>
<td>10</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
<td>15</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>
### Ghana

<table>
<thead>
<tr>
<th></th>
<th>Dividends (Where recipient holds at least 10% shares)</th>
<th>Dividends (In any other case)</th>
<th>Royalties</th>
<th>Technical/management service fees</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>10 (5% for non-resident banks)</td>
</tr>
<tr>
<td>Belgium</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5</td>
<td>10</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5</td>
<td>15</td>
<td>8</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>