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International tax

Ghana Highlights 2012

Investment basics:

Currency – Ghana Cedi (GHS)

Foreign exchange control – Exchange control exists for imports/exports and also applies to outward transfers of capital, profits, royalties, interest, fees and income of expatriate personnel. Investors under the Ghana Investment Promotion Center Act 1994 are guaranteed free transfer of profits, interest, fees, charges, loan repayments and liquidation proceeds, while expatriate personnel are allowed to transfer a certain quota of their annual earnings. Nonresident companies are, in principle, free to transfer abroad their net after-tax profits, provided the transfer is carried out through persons approved by the Bank of Ghana.

Accounting principles/financial statements – Ghana National Accounting Standards (GNAS), IAS and IFRS. Financial statements must be prepared annually.

Principal business entities – These are the limited liability company, company limited by guarantee, unlimited company, "external company" (branch) of a foreign company, partnership and sole proprietorship.

Corporate taxation:

Residence – A company is resident in Ghana if it is incorporated under the laws of Ghana or its management and control are exercised in Ghana at any time during a year of assessment.

Basis – Resident companies are taxed on their worldwide income; however, income sourced outside Ghana is taxed in Ghana only if it is brought into or received in Ghana. Nonresident companies are taxed only on Ghana-source income.

Taxable income – Taxable income is based on the operating profit stated in the company's annual financial statements prepared in accordance with accounting standards, as adjusted by any differences between accounting requirements and the tax law. Such differences normally include disallowed expenses, exempt income and special reliefs granted under the tax law.

Taxation of dividends – Dividends paid to resident and nonresident shareholders are taxed at a rate of 8%.

Capital gains – Capital gains are taxed separately from business income at a rate of 15%. Gains arising from trading on the Ghana stock exchange are exempt from tax for 30 years as from November 1990.

Losses – Losses may be carried forward for 5 years following the year in which the losses were incurred. This applies to mining, farming, agro-processing, tourism, information communications technology (that develop software locally) and manufacturing companies that manufacture mainly for export. All others are not allowed to carry forward losses.

Rate – 25%

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Companies can claim a foreign tax credit for taxes imposed on their income in countries that have concluded a tax treaty with Ghana.

Participation exemption – No

Holding company regime – No

Incentives – Tax incentives include a reduced tax rate of 20% for financial institutions on loans granted to farming enterprises and leasing companies, and 8% for nontraditional export companies. Rural banks and free zone companies pay tax not exceeding 8% after a 10-year exemption period, while agro-processing companies pay tax of between 0% and 20%, depending on their location. A rebate is granted to manufacturing and waste processing companies located outside Accra and Tema. In regional capitals other than Accra and Tema, the rebate is 25% of the tax liability, and in other places it is 50% of the tax liability. Agricultural enterprises, agro and waste processing companies, rural banks, venture capital financing companies, companies in the free zone enclave and manufacturing companies engaged in the processing of crops, fish or livestock produced in Ghana are exempt from corporate tax for periods ranging from 3 to 10 years. Companies building affordable housing are exempt from tax for 5 years. Employers receive a tax credit for employing new graduates as part of their workforce. This incentive ranges from 1% to 5% of the salaries or wages of such employees.

Withholding tax:

Dividends – Dividends paid to a resident or nonresident are subject to a withholding tax of 8%.

Interest – Interest paid to a resident or nonresident is subject to an 8% withholding tax. Withholding tax is not levied on interest paid to resident financial institutions.

Royalties – A final withholding tax of 10% is levied on the payment of royalties to nonresidents. Royalties paid to a resident is subject to 5% withholding tax.

Technical service fees – Management and technical service fees paid to a nonresident is subject to a 15% withholding tax, with a 10% rate applying to rental payments.

Branch remittance tax – A 10% tax is imposed on the repatriated profits of branches of nonresident persons operating in Ghana.

Other – Payments for goods and services to a resident in excess of GHS 500 generally attract a 5% withholding tax.

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – The municipal authorities levy "rates" on the occupation of real property. The rates are deductible in calculating corporate tax liability.

Social security – The employer must contribute 13% of an employee's basic salary to the Social Security and National Insurance Trust, with the employee contributing 5.5%.

Stamp duty – Stamp duty is charged at the rate of 0.5% on the issue of shares. Stamp duty also applies on the transfer of certain property.

Transfer tax – No

Other – Gift tax at the rate of 5% applies to specified assets received as gifts exceeding a threshold in a year of assessment.

Anti-avoidance rules:

Transfer pricing – The Commissioner of Internal Revenue Service has authority to adjust income in transactions between related persons to reflect the chargeable income and/or tax payable that would have arisen had the transaction been conducted at arm's length.

Thin capitalization – A nonresident person, other than a financial institution, is deemed to be thinly capitalized if the ratio of interest-bearing debt (from its shareholders) to equity exceeds 2:1. Interest deductions or exchanges of losses arising on debt in excess of the 2:1 ratio are disallowed.

Controlled foreign companies – No

Other – Income splitting, which involves the transfer of income and or property to associates with a view to reducing tax liability, is not allowed.

Disclosure requirements – No

Administration and compliance:

Tax year – The government's fiscal year is from 1 January to 31 December, although companies are allowed to choose their own accounting year.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Taxpayers must submit an annual return within 4 months of the end of the tax year.

Penalties – Offences liable to penalties include failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold taxes and impeding tax administration. Penalties range from fines to imprisonment, or both.

Rulings – No

Personal taxation:

Basis – An individual is liable for taxes on the gains or profits derived from gainful employment in Ghana, regardless of where payment is made.

Residence – An individual is resident in Ghana for tax purposes if: (1) he/she is a citizen of Ghana other than a citizen who has a permanent home outside Ghana from 1 January to 31 December in any calendar year; (2) present in Ghana for 183 days in a 12-month period; or (3) a citizen who is temporarily absent from Ghana for a period not exceeding 365 continuous days where that citizen has a permanent home in Ghana. All other individuals are considered nonresidents.

Filing status – The employer is required to furnish a return for each employee by 31 March following the end of a tax year. Individuals who earn taxable income from non-employment activities also are required to file an annual tax return.

Taxable income – An individual is liable to tax on gains from employment exercised in Ghana regardless of where the payment is made. Gains include allowances or benefits paid in cash or in kind to, or on behalf of, that person from the employment, except for exempt income.

Capital gains – Gains arising from trading on the Ghana stock exchange are exempt from tax for 30 years of assessment as from November 1990. A 15% capital gains tax is imposed on chargeable assets.

Deductions and allowances – A resident individual may deduct various personal reliefs from gross income in arriving at his/her annual taxable income. These reliefs include a basic allowance of GHs 100 for a married taxpayer supporting a spouse or an unmarried taxpayer supporting at least 2 children or an employed or self-employed taxpayer over the age of 60; tuition relief of GHs 100 for the education of a child (maximum 3 children); and additional relief of GHs 50 for taxpayers supporting an elderly relative (a maximum of 2 relatives). Professional, vocational or technical skill training relief is GHs 200. Social security contributions and life insurance premiums also are deductible within certain limits.

Rates – Resident individuals are taxed at progressive rates with the top marginal rate at 25%. Nonresident individuals pay taxes on their employment income at a rate of 15.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is payable on the registration of certain legal documents and on the transfer of certain property.

Capital acquisitions tax – No

Real property tax – District and Metropolitan assembly property rates apply.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employer must contribute 13% of an employee's basic salary to the Social Security and National Insurance Trust, with the employee contributing 5%.

Administration and compliance:

Tax year – Calendar year

Filing and payment – It is the responsibility of the employer to withhold and remit taxes from an employee's monthly wages and file a tax return on behalf of the employee by 31 March. Where an individual earns income during a year of assessment other than income from employment, the individual is required to file an annual personal tax return by 30 April following the end of the tax year.

Penalties – Offences liable to penalties include failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold taxes and impeding tax administration. Penalties range from fines to imprisonment, or both.

Value added tax:

Taxable transactions – VAT is imposed on the supply of goods or services in Ghana and on the import of goods or services. The tax base is generally the amount paid, plus any duties and taxes (excluding VAT). For imports, the tax base is the customs value, plus any import duties and taxes, except VAT.

Rates – A standard VAT rate of 12.5% and the National Health Insurance Levy (NHIL) of 2.5% apply, bringing the total to 15%. Retailers operate under a flat rate scheme at a rate of 3%.

Registration – A business making taxable supplies of goods in excess of GHS 10,000 over a 12-month period or has annual turnover of GHS 90,000 or less is required to register for VAT purposes. There is no registration threshold for the supply of taxable services. Businesses with annual turnover of more than GHS 10,000, but less than GHS 90,000 pay a presumptive tax of 3% of turnover.

Filing and payment – A VAT return must be submitted by the last working day of the month immediately following the accounting period to which the return relates.

Source of tax law: Internal Revenue Act, 2000 (Act 592) as amended, Internal Revenue Regulations (L.I. 1675), Value Added Tax Act, 1998 (Act 546), the Value Added Tax regulations (L.I. 1646) and Amendments and Petroleum Income Tax Law 1987 P.N.D.C.L. 188

Tax treaties: Ghana has concluded 8 tax treaties.

Tax authorities: Ghana Revenue Authority, Tax Revenue Division; Customs, Excise and Preventive Service. These authorities are governed by the Revenue Agencies Governing Board (RAGB).

International organizations: WTO, OECD

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