Basics of the Ghanaian Tax Law

Revenue Mobilisation Support(RMS), GTZ Ghana

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Contents

Chapter 1

Tax Legislation

The **Internal Revenue Service** was established by the Internal Revenue Service Law, 1986, PNDCL 143. All the three Revenue Agencies made up of the Internal Revenue Service, Customs, Excise and Preventive Service and The Value Added Tax have one Governing Board. The Revenue Agencies (Governing) Board Act, 1998, Act 558 established the Revenue Agencies Governing Board (RAGB).

The **Taxpayers Identification Numbering (TIN)** System, Act 2002, Act 632, has established a system under which one single number is assigned to each taxpayer for all tax matters. Only individuals or institutions registered under Act 632 can transact business with Internal Revenue Service, Customs, Excise and Preventive Service, Value Added Tax Service, Controller and Accountant General, The Registrar-Generals Department and District Assemblies.

List of Tax types and respective Laws and Regulations

(List is not exhaustive)

- Income Tax, Gift Tax and Capital Gains Tax
  - Internal Revenue Act, 2000 (Act 592)
  - Internal Revenue (Amendment) Act 2002 (Act 622)
  - Internal Revenue (Amendment) Act 2003 (Act 644)
  - Internal Revenue (Amendment) Act 2004 (Act 669)
  - Internal Revenue (Amendment) Act 2006 (Act 696)
  - Internal Revenue (Amendment) Act 2006 (Act 700)
  - Tax Collection (Receipts) Decree 1975 (NRCD 349)
  - Income Tax Registration of Trade etc. Law 1986 (PNDCL 154)
  - Income Tax 3 (Delivery of Returns) Law 1988 (PNDCL 201)
  - Tax Collection Receipt etc. (Amendment) Law 1991 (PNDCL 269)
  - Internal Revenue Regulations 2001 (L.I. 1675)
  - Internal Revenue (Amendment) Regulations, 2002 (L.I 1698)

  - Internal Revenue (Amendment) Regulations, 2003 (L.I. 1727)
  - Internal Revenue (Amendment) Regulations, 2004 (L.I. 1803)
  - Internal Revenue (Amendment) Regulations, 2005 (L.I. 1811)
  - Internal Revenue (Amendment) Regulations, 2006 (L.I. 1820)

- Stamp Duty
  - Stamp Act 1965 (Act 311)
  - Stamp Act (Amendment) Decree 1967 (NLCD 160)
  - Stamp Act (Amendment) Law 1988 (PNDCL 204)
  - Stamp Act (Amendment) Law 1991 (PNDCL 266)
  - Stamp (Amendment) Act 1996 (Act 510)
  - Stamp Duty Act, 2005 (Act 689)

Other laws and Decrets are: National Reconstruction Levy, Casino Tax, Gambling Tax, Airport Tax, Petroleum Income Tax, Minerals (Royalties).

Chapter 2

Overview on Taxes in Ghana

The most relevant taxes are the income tax, value added tax, capital gains tax, gift tax as well as customs and excises.

2.1 Individual Income Tax

Residents of Ghana or individuals who reside in Ghana for over six months are taxed on their worldwide income. Taxable income is the sum of all wages, benefits, capital gains, dividends, interest or discounts, or income from royalties. Tax rates range from zero to 25 percent or taxable income and are filed annually.

Income Taxation

Chargeable Income	**Rate of Tax**
Not exceeding cedi 2,400,000	0%
Exceeding cedi 2,400,000 but not exceeding cedi 4,800,000	5% of the amount by which chargeable income exceeds cedi 2,400,000
Exceeding cedi 4,800,000 but not exceeding cedi 16,800,000	cedi 120,000 plus 10% of the amount by which chargeable income exceeds cedi 4,800,000
Exceeding 16,800,000 but not exceeding cedi 96,000,000	cedi 1,320,000 plus 17.5% of the mount by which chargeable income exceeds cedi 16,800,000
Exceeding cedi 96,000,000	cedi 15,180,000 plus 25% of the amount by which chargeable income exceeds cedi 96,000,000

The income tax rate applicable to non-resident individuals is 20%.

2.2 Corporate Income Taxation

Resident corporations are taxed on their worldwide income, including income from profits, dividends, interest, royalties, rent and premiums. Residency is established by conducting any business in Ghana other that the export of goods or services to-from Ghana. The income tax rate for corporate income (including companies principally engaged in the hotel industry) is 25 percent in general. However, there are significant exceptions:

- Income from the export of non-traditional goods (i.e. horticultural products, processed and raw agricultural products grown in Ghana, other than cocoa beans, wood products, other than lumber and logs, handicrafts, and locally manufactured goods) is taxed at 8 percent where a company is not principally engaged in the hotel industry.
- The tax rate for companies fully listed on the Ghanaian Stock Exchange is 22.5 percent for the first three years.
- The income tax rate applicable to income derived by a financial institution from a loan granted to a farming enterpriser for use by that enterpriser in the production of its income is 20%.
- The income tax rate applicable to income derived by a financial institution from a loan granted to a leasing company for the use by that company for the funding of the acquisition of assets for lease is 20%.
- For domestic companies with income from agro-processing business and domestic companies that produce on a commercial basis cocoa by-products derived from substandard cocoa beans, cocoa husk and other cocoa waste as its main raw material there is an tax exemption for the first five years of commercial production (tax holiday). After the tax holiday, the rates depend on the location of the company:

Location	**Rate of Income Tax**
Accra and Tema	20%
Other Regional Capitals except Northern, Upper East and Upper West	10%
Northern, Upper East and Upper West Regions	0%
Outside other Regional Capitals	0%

- The income tax rate applicable to a companies chargeable income from a manufacturing business (other than manufacturing businesses located in Accra or Tema) is:

Stamp Tax

Location	Rate of Income Tax
Manufacturing business located 75% of the rate of income in regional capitals of Ghana	75% of the rate of income tax
Manufacturing business located elsewhere in Ghana	50% of the rate of income tax determined under paragraph 1

Stamp tax is charged from micro and lower small enterprizes from the so-called informal sector which do normally not keep records. Stamp duty is a sort of flat rate taxation system with a ranking of fees for different business segments.

Withholding Taxes

Withholding taxes are levied on interest, dividends, rent, fees, commissions to insurance agents and sales persons, commissions to lotto agents, supply of goods and services exceeding cedi 500,000 paid to resident persons and dividends, royalties and rents, management, consulting and technical services fees, branch after tax profits, interest, and short term insurance premiums paid to non-resident persons.

Other Taxes

Social Security taxes are withheld from an employee's salary. Employees contribute five percent of their salary and employers contribute 12.5 percent of the total salary paid to the employee. Social Security payments may be deducted from total income for tax purposes.

Chapter 3

Income Taxation in General

3.1 General

Any person who earns income from employment, business and investment is liable to tax for each year of assessment.

Income tax is levied under the Internal Revenue Act 2000 (Act 592) (**"IRA"**), as amended, on individuals and companies. However, different rates of tax apply to each category of taxpayer. Oil mining companies are taxed under a separate statute, the Petroleum Income Tax Act 1987.

Income is subject to Ghanaian income tax, where:

- where resident persons have income derived from, accrued in, brought into or received in Ghana; or
- where non-resident persons have income derived from accrued in Ghana.

Withholding taxes apply to certain payments made to residents and non-residents.

Special tax incentives apply to certain kinds of activities such as farming, real estate development or venture capital financing.

3.2 Tax Residency

3.2.1 Individuals

An individual qualifies as resident under the tax law if he or she is:

- a citizen of Ghana, other than a citizen who has a permanent home outside Ghana for the whole of the year;
- present in Ghana for a period or periods equal in total to 183 days or more in any twelve-month period that commences or ends during the year;

- an employee or official of the Government of Ghana posted abroad during the year;
- a Ghanaian who is temporarily absent from Ghana for a period not exceeding 365 continuous days where that Ghanaian has a permanent home in Ghana.

3.2.2 Companies

A company is resident for tax purposes if that company:

- is incorporated under the laws of Ghana;
- has its management and control exercised in Ghana at any time during the year.

3.2.3 Bodies of Persons

A body of persons is resident in Ghana if that body of persons:

- is established in Ghana
- has a resident person as a manager at any time during the year of assessment, or
- is controlled directly or indirectly by a resident person or persons at any time during the year.

3.2.4 Partnerships

A partnership is resident in Ghana if at any time during the year, any partner in the partnership is resident in Ghana.

3.3 Concept of Income

The chargeable income is the person's assessable income for that year from each business, employment and investment less allowable deductions, capital allowances and /or personal relieves.

A person's income from a business is that person's gains or profits from any business carried on for a period of time by that person. The income may include amounts accruing to or derived by that person from any investment during any basis period.

A persons income from an employment is that persons gains or profits from that employment except where exempt.

A persons income from investment is that persons gain or profits from any investment. This includes dividends from a non-resident company, interest, charge, annuity, royalties, rent, and natural resource payment.

3.4 Taxation of Individuals

3.4.1 Tax Rates

For **resident individuals** the rate of tax is, in general, the same for both employees and self employed persons. It is a progressive system of taxation and as the chargeable income increases the rate of tax also increases. There is as well equity in the system. The Income Tax rates applicable to resident individuals are:

Chargeable Income	**Rate of Tax**
First cedi 2,400,000	0%
Next cedi 2,400,000	5%
Next cedi 12,000,000	10%
Next cedi 79,200,000	17.5%
Exceeding cedi 96,000,000	25%

Please note that for resident individuals there is a modification of the tariff for income from employment.

The Income Tax Rate applicable to **non-resident** individuals is 20 percent flat on any income derived in Ghana including income from an employment exercised in Ghana.

3.4.2 Income from Employment

Tax Rates

The general income tax rates apply. For low income levels, however, there is a modification. Up to the minimum wage (currently cedi 16,000 per day) the tax rate for income earned by a resident individuals from employment is 0 percent, up to an excess of percent over the minimum wage, the tax rate is 2.5 percent. Thus in the case of a resident individual whose chargeable income from employment does not exceed cedi 4,224,000 per year, such income is tax-free.

Income in Kind/Fringe Benefits

Non-cash benefits received from employment are generally taxable as income in kind. Such benefits are to be determined as follows:

The following benefits are tax-free:

- reimbursements of medical and dental cost or health insurance expenses where the benefit is available to all employees;
- passage costs of an employee who
  - is recruited or engaged outside of Ghana
  - is a non-resident individual

Facility provided by employer	**Includible Income**
Accommodation	
Accommodation with furnishing	15% of the persons total cash emoluments
Accommodation only	10% of the persons total cash emoluments
Furnishings only	5% of the persons total cash emoluments
Shared Accommodation	5% of the persons total cash emoluments
Vehicles	
Vehicle with Fuel	15% of the persons total cash emoluments up to a maximum of cedi 300,000 per month
Vehicle only	7.5% of the persons total cash emoluments up to a maximum of cedi 150,000 per month
Fuel only	7.5% of the persons total cash emoluments up to a maximum of cedi 150,000 per month

  – solely serving the employer in Ghana;

- accommodation provided by employer to employee on an timber, mining, building, construction or farming business at site or place where field operation of business is carried on;
- reimbursement of cost incurred on behalf of the employer;
- severance pay;
- night duty allowance (limited to 50% of salary);
- pension or lump sum payment upon retirement on account of old age, sickness or other infirmity.

Withholding of Employment Income

Income tax from employment is collected according to the PAYE (Pay As You Earn) system. The employer has to deduct the income tax from salaries including any taxable benefits and pay to the tax authorities by the 15th of the month following the month in which the deduction was made.

3.4.3 Tax Relief

A tax relief is an approved deductible allowance intended to reduce your taxable income and thereby lessen your tax burden. For example, a married person with children attending school will normally be harder pressed than a single person with no dependants. Therefore, Ghanaian tax law grants you relieves to lighten the tax burden.

The following relieves are allowed:

- Individuals with dependant spouse or at least two dependent children: cedi 300,000

- Disabled individuals: 25 percent of assessable income from any business or employment;
- Individuals aged 60 years or older deriving assessable income: the lesser of cedi 300,000 or the total of that income;
- Individuals sponsoring the education of their children or wards in recognized registered educational institutions in Ghana: cedi 240,000 per child or ward (maximum: cedi 720,000 or cedi 240,000 where two or more persons qualify with regard to the same child or ward);
- Individuals with a dependant relative other than a child or a spouse who aged 60 years or older: cedi 200,000 (maximum: cedi 400,000 or where two or more persons qualify with regard to the same relative cedi 200,000);
- Individuals with expenses for training to update professional, technical or vocational skills or knowledge: cedi 500,000;
- Persons contributing to the Social Security Scheme in Ghana: 5 percent of income from employment or 17.5 percent of income from business;
- Persons investing in life insurance schemes in Ghana: entire premium provided it does not exceed 10 percent of the capital sum assured or 10 percent of total income.

Every individual taxpayer is qualified to put in a claim for a Tax Relief. You must complete and submit your tax returns to the IRS to qualify for a tax relief.

3.5 Taxation of Corporate Income

3.5.1 Taxation on Corporation Level

The income tax rate for corporate income (including companies principally engaged in the hotel industry) is 25 percent in general. However, there are significant exceptions:

- Income from the export of non-traditional goods (i.e. horticultural products, processed and raw agricultural products grown in Ghana, other than cocoa beans, wood products, other than lumber and logs, handicrafts, and locally manufactured goods) is taxed at 8 percent where a company is not principally engaged in the hotel industry.
- The tax rate for companies fully listed on the Ghanaian Stock Exchange is 22.5 percent for the first first three years.
- The income tax rate applicable to income derived by a financial institution from a loan granted to a farming enterpriser for use by that enterpriser in the production of its income is 20 %.
- The income tax rate applicable to income derived by a financial institution from a loan granted to a leasing company for the use by that company for the funding of the acquisition of assets for lease is 20 %.

- For domestic companies with income from agro-processing business and domestic companies that produce on a commercial basis cocoa by-products derived from substandard cocoa beans, cocoa husk and other cocoa waste as its main raw material, after the tax holiday , the rates depend on the location of the company:

Location	Rate of Income Tax
Accra and Tema	20%
Other Regional Capitals except Northern, Upper East and Upper West	10%
Northern, Upper East and Upper West Regions	0%
Outside other Regional Capitals	0%

- The income tax rate applicable to a companies chargeable income from a manufacturing business is:

Location	Rate of Income Tax
Accra and Tema	25.00%
Other regional capitals	18.75%
Elsewhere in Ghana	12.50%

3.5.2 Taxation on Shareholder Level

Dividends received from an investment in Ghana is subject to a withholding tax at 10 percent. The tax is levied on residents as well as non-residents as a final tax. Capitalization of profits is deemed to be a distribution of dividends.

3.6 Deductions

Deductions can be claimed for all outgoings and expenses in general, provided they are incurred in the production of income that is subject to tax. Expenditure of a capital nature is not allowed as a deduction. The same applies to expenditure not wholly, exclusively and necessarily incurred in the production of income, including personal or domestic expenditure, interest payment and foreign exchange losses in excess of the debt-equity ration 2:1 (thin capitalization), depreciation, income tax, profit tax or similar taxes, cost recoverable under an insurance contract, non-arms length cost transfer between related parties.

3.7 Capital Allowances

Capital allowances are granted to persons who own depreciable assets and use such assets in the production of the income that is the subject of taxation.

3.8 Tax Incentives

Tax laws in Ghana provide for several tax incentives, including tax holidays, tax exemptions reduction of tax rates and full deduction of investment income.

3.8.1 Tax Holiday

- **Venture Capital Financing Companies:** 5 years on corporate income, dividends earned and on capital gain
- **Real Estate Industry:** rental income from residential and commercial premises first 5 years after construction
- **Rural Banking:** 10 years from date of commencement
- **Agricultural and Agro-Industry:**
  - Tree crops (e.g. coffee, oil, palm, sheanut, rubber and coconut) 10 years from date of first harvest
  - Cash crops (e.g. cassava, yam, rice, pineapple, maize) 5 years from commencement of farming enterpriser
  - Livestock including poultry and fish farming 5 years from commencement of business
  - Cattle ranching 10 years from commencement of business
- **Agro-Processing** (i.e. the business of converting crops, fish or livestock produced in Ghana into edible canned or other packaged product other than in their raw state):
  - In general: 3 years from commencement of commercial production
  - Companies established in Ghana not before 2004: 5 years from commencement of production
  - Companies which produce on commercial basis cocoa by-products derived from substandard cocoa beans, cocoa husks and other cocoa waste as its main raw materials: 5 years commencing from commencement of production
- **Processing of Waste**: 7 years from commencement of commercial production

3.8.2 Location Incentives outside Accra and Tema (Tax Rebates)

Manufacturing industries outside Accra and Tema enjoy a reduction of the tax rate. The rebate is 25 percent for businesses located in regional capitals and 50 percent for businesses elsewhere in Ghana.

Free Zones

The Free Zones Act 504 provides tax holiday of 10 years for companies operating in areas demarcated as Free Zones. Thereafter Corporate tax is paid at the rate not above 8%.

Venture Capital Financing Companies

Banks and other financial institutions which invest in Venture Capital Financing Companies can deduct the full investment from their income in a year of assessment. Moreover, losses on the disposal of shares during the five-year tax holiday period can be carried forward for five years.

3.8.3 Tax Credit for Employees

There is a tax credit for companies employing fresh graduates to improve their access to the job market. The credit is allowed for all enterprizes irrespectively of their size of operations, as follows:

Percentage of Fresh Graduates in Workforce	Percentage of their salaries deductible
Up to 1%	10%
1% to 5%	30%
Above 5%	50%

3.9 Stamp Tax

Stamp tax is charged from micro and lower small enterprizes from the so-called informal sector which do normally not keep records. Though stamp tax payments are made on account in theory, the stamp tax practically is a final lump sum tax. The tax is paid quarterly, the amount basically depending on the size of the business premises.

3.10 Vehicle Income Tax (“VIT”)

The vehicle income tax (“VIT”) is a mode of income tax collection used for commercial vehicles. VIT payments have to be made quarterly. VIT paid is credited to the assessed income tax liability. Upon payment, the taxpayer receives a sticker which has to be displayed on the windscreen.

3.11 Procedure

3.11.1 Schedule

The Year of Assessment is from 1st January to 31st December of the same year. You may pay each year's tax liability in four equal instalments by March 31, June 30, September 30 and December 31 of every year. Individuals and partnerships are required to adopt the government's accounting date of 1st January to 31st December, of the same year as their "basis period".

3.11.2 Tax Calculation

In the case of a self-employed person or a company, income tax is paid at specified rates based on annual assessments made by the Commissioner, Internal Revenue. Some identified companies with good tax records have been given the options to self-assess. The tax payable for a year of assessment is payable in four equal instalments by the end of the third, sixth, ninth and twelve month of your 'basis period'.

You are required to complete a tax return form at the end of each year of assessment. You may receive a provisional assessment at the beginning of each year as the Commissioner of IRS, is empowered to raise provisional assessment on every person chargeable with tax.

Chapter 4

Capital Gains Tax

4.1 Imposition of Capital Gains Tax

The Internal Revenue Service imposes tax at the rate of ten percent (10%) on the gains accruing from the realization a chargeable asset if the amount realised exceeds cedi 500,000.

Chargeable assets are:

- Buildings of a permanent or temporary nature situated in Ghana
- Business and business assets, including goodwill of a permanent establishment situated in Ghana
- Land situated in Ghana
- Shares of a resident company
- Part of, or any right or interest in, to or over any of the assets listed above.

Where any of the above assets is situated outside Ghana, Capital Gains shall only be imposed if the gains are brought into or received in Ghana.

The sale or disposal of any of the following assets would not attract Capital Gains Tax:

- Securities of a company listed on the Ghana Stock Exchange during the fifteen years after the establishment of the Ghana Stock Exchange.
- Agricultural land situated in Ghana.
- Trading stock or certain classes of depreciable asset (ie. assets in the pool).

The following are exempt from Capital Gains Tax:

- Capital Gains accruing to or derived by a company upon a merger, amalgamation or re-organization if there is continuity of underlying ownership of at least twenty percent.

- Capital Gains resulting from transfer of ownership of an asset by a person to that persons spouse, child, parent, brother, sister, aunt, uncle, nephew or niece.
- Capital Gains resulting from a transfer of ownership of the asset by a person to a spouse as part of a divorce settlement or a genuine separation agreement.
- Capital Gains, where the amount received on realization, is within one year of realization used to acquire a chargeable asset of the same nature.

4.2 Procedure

Any person who derives a capital gain from the realization of a chargeable asset has a duty to furnish the Commissioner with the following information within 30 days:

- Description and location of asset;
- cost base of the asset before the realization and how that cost base is calculated;
- consideration received from the realization
- amount of any capital gain and tax payable with respect to that capital gain and tax;
- full name and address of the new owner of the asset.

Chapter 5

Value Added Tax/National Health Insurance Levy

5.1 Scope

A Value Added Tax (VAT) and a National Health Insurance Levy (NHIL) are imposed on every supply of goods and services made in Ghana, on every importation of goods, and on the supply of any imported service (other than exempt goods and services).

A taxable person is a person registered under the Act. A person is registrable as a taxable person if he makes taxable supplies of goods or services (i.e. any supply for consideration in the course of businesses) and, in the case of a retailer of goods, has a turnover exceeding:

- cedi 100,000,000 over a 12-month period; or
- cedi 75,000,000 over a 9-month period; or
- cedi 50,000,000 over a 6-month period; or
- cedi 25,000,000 over a 3-month period,

whichever is achieved the earliest.

5.2 Exempt Supply

There are several exempt supplies, including:

- animals, livestock and poultry raised in Ghana and the same imported for breeding purposes;
- animal products, agricultural and aquatic food in a raw state produced in Ghana;
- seeds, bulbs, rootings of edible fruits, nuts and vegetables;

- agricultural inputs;
- fishing equipment
- the supply of water excluding bottled and distilled water;
- the supply of domestic electricity and compact fluorescent lamps;
- printed matter;
- educational services and laboratory equipment and fully assembled computers, imported and or procured locally, for educational purposes and library equipment;
- medical services and essential drugs, active ingredients for essential drugs and imported special drugs;
- transportation by bus, train, boat and air;
- machinery for industrial, mining, agricultural, veterinary, fishing, horticultural, railway and tramway use;
- crude oil and hydrocarbon products;
- land, buildings and construction;
- financial services;
- goods designed exclusively for use by the disabled;
- the supply of goods as part of the transfer of a business as a going concern; and
- the supply of postage stamps.

5.3 Tax Rates

In general, the VAT rate is 12.5 percent of the value of the taxable supply of goods, services or imports. However, there are also goods and services which are zero-rated. Import goods are subject to VAT at the rate of 10 percent. NHIL rate is 2.5 percent.

5.4 Procedure

Taxable persons have to file monthly returns showing VAT/NHIL charged on sales as well as VAT/NHIL incurred on purchase of goods and services and net VAT and NHIL payable or reclaimable. VAT/NHIL returns are due for submission and VAT/NHIL are payable by the last working day of the month following the month of the transaction.

Chapter 6

Customs and Excises

6.1 Customs Tariff

Most goods being imported into Ghana do not require government licensing. However, the limited supply of foreign currency has caused the Bank of Ghana to auction foreign currency allocations to importers. Importers must sign and submit an Import Declaration Form (IDF) to confirm that their import transactions have been concluded (and will be executed) in line with existing Ghanaian law. The importation of pharmaceuticals, arms and armaments, telecommunications equipment, and explosives require special import licenses.

Import Duties

Ghana subscribes to the Harmonized System (HS) for classification of imports and maintains a single tariff. Preferential duties for other members of the Economic Community of West African States (ECOWAS) are determined on a case-by-case basis.

Import duties are levied on the cost, insurance, and freight (c.i.f) value of the imported goods and range from 15 to 200 percent. Duty rates are 15 percent of c.i.f value for consumer goods, and 30 percent of the c.i.f. value for luxury goods. Restrictive tariffs are levied on the following goods; ale/stout, cigarettes, cement pipes, roofing sheets, and asbestos/fibers.

Documentation

Two copies of the Ghanaian Customs Invoice must be presented to customs officials for import processing. The manufacturer or producer of the goods must sign the form. If the actual exporter is not the manufacturer, the form must be signed by a notary or banker and contain a declaration that the goods are being sold at (or above) their home country market value.

Moreover, customs officials require one copy of the bill of lading or air waybill. Packing lists are generally not required, but they may facilitate clearance of goods for importation. Sanitary and health certificates are required for the import of live animals or meat products, plants seeds, liquor, and used clothing.

Generally duty rates are 0% for raw materials and capital goods; 10% for intermediate goods; and 25% for consumer goods.

6.2 Excise Taxes

There is an excise tax on certain commodities, including tobacco products, beer, table waters, malt drinks and spirits. For beer, other than indigenous beer, the rate is 50 percent of the ex-factory price, for tobacco products 140 percent of the ex-factory price, for soft drinks including mineral waters 20 percent, for malt drinks 5 percent of the ex-factory price and for spirits 25 percent of the ex-factory price.

Chapter 7

Gift Tax

7.1 General

A person who receives a taxable gift the value of which exceeds cedi 500,000 is required to pay tax at the rate of 10% of excess over cedi 500,000. A taxable gift is any of the following assets situated in Ghana

- Building of a permanent or temporary nature and land
- Shares, bonds and other securities;
- Money including foreign currency;
- Business and business assets; and
- Part of, or any right or interest in, to or over any of the above assets.

An asset whether situated in Ghana or outside received by a person resident in Ghana as a gift, where the asset has been credited in an account, has been invested, accumulated or capitalized in the name of or on behalf of or at the direction of that person. Any monetary consideration or consideration in any other form aimed at ensuring the performance of an act or an omission which goes to the benefit of a resident person.

The following do not attract the gift tax

- Any gift received under a will or upon intestacy
- A gift received from a spouse, child, parent, sister, brother, aunt, uncle, nephew or niece
- A gift received by a religious body in so far as the gift would go to the benefit of the public or a section of the public
- A gift for charitable purposes

7.2 Returns

A person who receives a taxable gift has an obligation to furnish the Commissioner with the following information within 30 days

- The description and location of the taxable gift
- The total value of the gift, how it is calculated and tax payable with respect to that gift
- The full name and address of the donor of the gift
- Any other information required by the Commissioner

Chapter 8

Other Taxes

8.1 Service Tax

There is a tax of 15 percent on accommodation in hotels and guest houses, food in restaurants, hotels and snack bars, as well as advertising, betting and entertainment.

8.2 Wealth Tax

A commercial or industrial business is subjected to a property tax of 0.05 percent on assessed value. This tax is levied by the local government.

8.3 National Reconstruction Levy

The national construction levy (NRL) is a levy on companies and institutions in the financial services sector (i.e. banks and insurance companies). Companies in the financial service sector are subject to a 2.5 percent to 5.5 percent levy on the net profit before tax. Rural or community banks are exempt from the levy. The levy is supposed to be repealed for all companies in 2007.

8.4 Vehicle Purchase Tax

A tax is levied on purchases and imports of motor cars and vehicles. The tax rate is 10 percent. The tax is triggered by each of the following events:

- purchase of any new motor car or commercial vehicle payable by the purchaser
- importation of a new motor car or commercial vehicle for the importers private use payable by the importer;
- importation of a used vehicle by a person entering Ghana for the personal use of such person payable by the importer;

- importation of a used car in any other manner.

8.5 Taxes on Petroleum Products

In addition to excise duties, Ghana levies a number of taxes on petroleum products.

Chapter 9

International Taxation

9.1 Branch Profit Tax

Repatriated branch profit attracts tax at 10 percent. This is in addition to the corporate tax that the branch entity pays.

9.2 Relief from Double Taxation under Domestic Law

In ascertaining the income of a person accruing in or derived from outside Ghana, any foreign tax paid entitles the taxpayer to a tax credit with respect to the domestic tax on such income.

9.3 Tax Treaties

Ghana has signed double tax treaties with France, Italy, Germany, the United Kingdom, South Africa and Belgium. The treaties with South Africa and Belgium are not yet in force.

Chapter 10

Taxation Procedures

10.1 TIN Registration

Taxpayers Identification Number (TIN) is given to taxpayers for official transactions with:

- the Internal Revenue Service
- the Customs, Excise and Preventive Service
- the Value Added Tax Service
- the Controller and Accountant General
- the Registrar General's Department
- District, Metropolitan and Municipal Assemblies
- any other public institution the Minister of Finance may prescribe.

Any person liable to tax or required to withhold tax at source is enjoined to register with the TIN Secretariat for this unique number. The registration is done upon application to any IRS Office throughout the country.

- clear any goods in commercial quantities from any port or factory
- register any title to land, interest in land or any document affecting land
- obtain any Tax Clearance Certificate from the IRS, CEPS or VAT Service
- receive payment for the supply of goods or service from the Accountant General or any District Assembly.

10.2 Record Keeping

The most important thing is to keep accurate records of all your business transactions, and the receipt, bills, bank statements, cheque stubs etc. to back them up. You can get various sorts of accounts books for recording the figures. It may also be helpful to have an accountant or accounts clerk for your books.

At the end of each year of trading, your tax office will want a copy of your accounts showing the amount of profit you have made. To work out the profit you will need to know the details of everything paid in or owed to the business, and everything paid or owed out of it. This will include all your business expenses and any money or items you have taken out of the business for your private use.

If some of your expenses are partly business and partly private eg. rates, lighting, telephone, (where your office is in the same building as your home) or motor expenses in the case where the car is for both business and private use, you have to state so. You and your Tax Office will have to agree on the part which represents business use.

The Tax Office will need to be satisfied that your accounts give a true picture of your business. If you are self-employed, you will normally rely on your business accounts to make a correct return of your income. If you are the owner or director of a Limited Liability Company you will rely on the business accounts to ensure that the Company's profits are correctly returned.

The IRS has a responsibility to ensure that returns are correct. If the returns are not acceptable then the Tax Office will want to look into your tax affairs, examine your books of accounts and interview you. If your records are not good enough to produce proper accounts, your tax assessment might then be based on an estimate of your business activity and the tax could be higher.

It is therefore advisable to keep full and accurate records of your business not only for your own use and your accountant, but also for the Tax Office, so that they can be sure your tax returns are correct.

10.3 Tax Clearance Certificate (TCC)

An all purpose TCC valid for a period of not less than three (3) months or for the subsequent quarter, as the case may be, will be issued only to taxpayers who:

- Have discharged their tax obligations up to the end of the fiscal year or the relevant quarter of the year.
- Are current in their PAYE payments and other withholding taxes.
- Have submitted all returns and accounts up to date and
- Have paid their wholesalers/retailers registration fees up to the respective year.