Ghana

ey.com/GlobalTaxGuides
ey.com/TaxGuidesApp

Accra **GMT**

EY
Mail address:
P.O. Box KA 16009
KIA – Accra
Ghana

Street address:
G15 White Avenue
Airport Residential Area
Accra
Ghana

+233 (302) 779-868, 779-223
Fax: +233 (302) 778-894

Principal Tax Contact

Wilfred Okine
+233 (302) 779-742
Mobile: +233 (244) 310-646
Email: wilfred.okine@gh.ey.com

Business Tax Advisory

Isaac Sarpong
+233 (302) 779-868
Mobile: +233 (20) 811-1118
Email: isaac.sarpong@gh.ey.com

Business Tax Services

Isaac Quaye
+233 (302) 779-868
Mobile: +233 (20) 222-0388
Email: isaac.quaye@gh.ey.com

Human Capital

Peter Dodoo
+233 (302) 779-868
Mobile: +233 (20) 222-0544
Email: peter.dodoo@gh.ey.com

International Tax Services – Transfer Pricing

Amanda Layne
+233 (302) 779-868
Email: amanda.layne@gh.ey.com

A. At a glance

Corporate Income Tax Rate (%)	25
Capital Gains Tax Rate (%)	15
Branch Tax Rate (%)	25
Withholding Tax (%) (a)	
Dividends	8 (b)
Interest	8 (b)
Royalties	10 (c)
Management and Technology Transfer Fees	15 (c)
Directors' Fees	10
Technical Service Fees	15 (c)
Branch Remittance Tax	10
Net Operating Losses (Years)	
Carryback	0 (d)
Carryforward	5 (e)

(a) Applicable to payments to residents and nonresidents.
(b) This is a final tax for both residents and nonresidents without a permanent establishment in Ghana.

(c) This is a final tax for nonresidents without a permanent establishment in Ghana only.
(d) Losses incurred on completion of long-term contracts may be carried back to prior tax years.
(e) This applies to enterprises engaged in agro-processing, tourism, information and communication technology, mining, farming or manufacturing for export. For this purpose, a tourism enterprise is the operator of a tourism business registered with the Ghana Tourist Board, an information and communication technology business is a business that is engaged in software development, and a manufacturing-for-export business is a business that manufactures primarily for export. In addition, losses incurred by venture capital financing companies on the disposal of shares invested in venture capital subsidiary companies under Act 684 and losses incurred by qualifying venture capital financing companies on shares in any venture may be carried forward for five years after the disposal of the shares.

B. Taxes on corporate income and gains

Corporate income tax. Resident companies are subject to tax on their income accruing in or derived from Ghana and on their income brought into or received in Ghana. A company is resident in Ghana if it is incorporated under the laws of Ghana or if its management and control are exercised in Ghana. Nonresident companies are subject to tax only on their income accruing in or derived from Ghana.

Rates of corporate tax. The standard corporate income tax rate is 25%. However, various other tax rates apply to income derived from specified business activities.

Income derived from nontraditional exports is taxed at a rate of 8%. Income derived by banks from loans granted to farming enterprises is subject to tax at a rate of 20%. The rate of tax applicable to income derived by financial institutions from loans to leasing companies is 20%.

Rural or community banks are subject to tax at a rate of 8% after a 10-year period of exemption.

The corporate income tax rate applicable to companies principally engaged in the hotel industry is 20%.

For petroleum extracting companies, the tax rate is 50%. However, petroleum agreements signed with the government of Ghana provide for a 35% tax rate. After a company has recovered all outlays from an oil field plus a specified rate of return after deduction of tax, royalties and an inflation adjustment, the government may negotiate for an additional share of the crude oil profits.

Mining companies are subject to corporate income tax at a rate of 35%. A holder of a mining lease, restricted mining lease or small-scale mining license must pay a royalty with respect to minerals obtained from its mining operations in Ghana. The royalty is calculated at a rate of 5% of the monthly revenue earned from minerals obtained by the holder. Mining companies are also required to pay a windfall tax of 10%.

Tax incentives. Ghana offers tax exemptions and tax reductions to companies engaged in specified industrial activities.

Income derived by companies from the business of constructing affordable low-cost residential premises for lease or sale is exempt from tax for a period of five tax years (years of assessment). The tax-exemption period begins with the tax year in which the company begins its operations. If the company's accounting year differs from the calendar year, the beginning of the tax-exemption period is the tax year in which the accounting period of the first year of operations begins.

Rural banks are exempt from tax for their first 10 years of operation.

The income of a venture capital financing company is exempt for five years if the company satisfies the eligibility requirements for funding under the Venture Capital Trust Fund Act. The tax-exemption period begins with the tax year in which the company's operations begin.

Cocoa farmers are exempt from tax on income derived from cocoa. Cattle ranchers are exempt from tax for the first 10 tax years. Income derived from tree crops, such as coffee, oil palm, shea nut, rubber and coconut, is exempt from tax for 10 years following the first harvest. For a company's first five years of operation, income derived from livestock (other than cattle), fishing and cash crops, such as maize, rice, pineapple, cassava and yam, is exempt from tax.

Income of a company from an agro-processing business established in Ghana in or after the tax year beginning 1 January 2004 is exempt from tax for a period of five tax years. The tax-exemption period begins with the tax year in which the company begins commercial production. If the company's accounting year differs from the calendar year, the beginning of the tax-exemption period is the tax year in which the accounting period of the first year of production begins.

Income of a company that commercially produces cocoa by-products derived from substandard cocoa beans, cocoa husks and other cocoa waste as the principal raw materials is exempt from tax for a period of five tax years. The tax-exemption period begins with the tax year in which the company begins commercial production. If the company's accounting year differs from the calendar year, the beginning of the tax-exemption period is the tax year in which the accounting period of the first year of production begins.

The companies described in the preceding two paragraphs are also subject to a reduced tax rate after the end of the five-year tax holiday. The reduced rate varies according to the location of the business, as described in the following table.

Location	Rate (%)
Accra	20
Other regional capitals except in Northern, Upper East and Upper West regions	10
Northern, Upper East and Upper West regions, and outside capitals of other regions	0

The income of a company whose principal activity is the processing of waste, including recycling of plastic and polythene material for agricultural or commercial purposes, is exempt from tax for a period of seven tax years. The tax-exemption period begins with the tax year in which the company begins its operations. If the company's accounting year differs from the calendar year, the beginning of the tax-exemption period is the tax year in which the accounting period of the first year of operations begins.

Nonresident companies engaged in air and sea transportation are exempt from tax if the Commissioner-General of the Ghana Revenue Authority (GRA) is satisfied that the same types of companies resident in Ghana are granted an equivalent exemption by the nonresident company's country of residence.

Manufacturing enterprises other than those engaged in agro-processing and the production of cocoa by-products, as described above, located in regional capitals other than Accra and Tema are entitled to a 25% income tax rebate, while manufacturing enterprises located outside regional capitals are entitled to a 50% tax rebate.

Capital gains. Capital gains on chargeable assets are subject to tax at a rate of 15%. Capital losses do not offset capital gain and may not be carried forward.

Capital gains tax is imposed on gains derived from the disposal of the following assets:
- Buildings.
- Businesses and business assets, including goodwill. However, the following assets are excluded:
  - Assets acquired in mergers, amalgamations and reorganizations of companies if continuity of underlying ownership in the assets of at least 25% exists.
  - Trading stock.
  - Classes 1, 2, 3 and 4 depreciable assets (see Section C).
- Land other than agricultural land.
- Shares other than those publicly traded on the Ghana Stock Exchange. Shares that are traded on the Ghana Stock Exchange are exempt from capital gains tax for the first 25 years of establishment of the Ghana Stock Exchange.

To calculate capital gains, the cost basis of the asset is deducted from the proceeds received on the disposal of the asset. The cost basis of a chargeable asset is the sum of the following:
- Cost of the asset including incidental costs
- Expenditure incurred to alter or improve the asset
- Expenditure relating or incidental to the disposal of the asset

Capital gains are exempt from tax if the amount received on the disposal of an asset is wholly used to acquire a similar asset within a year of the disposal or if the gain is less than GHS50.

Administration. The Ghana Revenue Authority (GRA) is responsible for the administration and collection of all taxes, including corporate income tax, capital gains tax and gift tax.

The tax year (year of assessment) is the calendar year. If a company's accounting year differs from the calendar year, its basis period for a year of assessment is the accounting year ending within the tax year.

Companies must file their tax returns within four months after the end of their accounting year.

Assessed tax must be paid within 30 days of receipt of notice of assessment from the Commissioner-General of the GRA. The Commissioner-General may compute a provisional assessment, which is payable in quarterly installments by 31 March, 30 June, 30 September and 31 December of the tax year if the company's accounting year is the calendar year. In general, companies whose accounting year differs from the tax year must make quarterly payments at the end of the third, sixth, ninth and twelfth months of their accounting year.

Companies that fail to pay tax by the due date may be charged a penalty in addition to the tax payable. Failure to pay tax for a period of not more than three months results in a penalty of 10% of the tax payable. Failure to pay tax for a period exceeding three months results in a penalty of 20% of the tax payable.

Companies that fail to pay by the due date any tax that they are required to withhold and pay to the Commissioner-General may be liable for a penalty in addition to the tax payable. Companies that fail to pay the withheld tax for a period of not more than three months are liable to a penalty equal to 20% of the tax payable. Failure to pay the withheld tax for periods exceeding three months may result in a penalty equal to 30% of the tax payable.

To make tax collection more efficient, taxpayers are segmented into the following three categories:
- Large taxpayers: taxpayers with turnover of GHS5 million and above
- Medium taxpayers: taxpayers with turnover falling between GHS90,000 and GHS5 million
- Small taxpayers: taxpayers with turnover lower than the value-added tax (VAT) threshold of GHS90,000

Dividends. An 8% withholding tax is imposed on dividends paid to residents and nonresidents without a permanent establishment in Ghana. This is a final tax.

Foreign tax relief. Foreign tax paid on foreign income is allowed as a credit against tax payable with respect to the foreign income received in Ghana. The amount of tax chargeable with respect to the income is reduced by the amount of the credit.

C. Determination of trading income

General. Chargeable income is based on the income reported in entities' financial statements, subject to certain adjustments.

To be deductible, expenses must be wholly, exclusively and necessarily incurred in the production of income by the company during the financial year. Expenses that may be deducted include the following:
- Interest
- Rent
- Repair of plant, premises, machinery and fixtures
- Bad debts (see *Provisions*)
- Research and development expenditure
- Foreign-exchange losses (see *Foreign-exchange gains and losses*)

If the Commissioner-General of the GRA believes that profits reported by a local subsidiary of a nonresident company are unrealistic, the Commissioner-General may compute the entity's profits by applying to the consolidated profits of its group a ratio of the local entity's turnover to the group's worldwide turnover (this is an anti-avoidance rule in the income tax law; see Section E).

Foreign-exchange gains and losses. Foreign-exchange gains and losses are not taken into account in the tax computation until they are realized. Foreign-exchange gain or loss is realized when the liability under a contract in foreign currency is discharged or when the right to receive foreign currency under a contract is satisfied by actual receipt. No foreign-exchange gains or losses are recognized with respect to transactions engaged in by residents that could reasonably be expected to be conducted in local currency. Foreign-exchange losses of a capital nature may be capitalized and depreciated at a rate of 10% using the declining-balance method. A company may claim a deduction for foreign-exchange losses only if it notifies the Commissioner-General of the GRA in writing of the existence of the debt claim, debt obligation or foreign-exchange holding on which the loss was incurred. Such notification must be made by the due date for filing the income tax return for the accounting year in which the debt arose or the foreign currency was acquired (for companies whose accounting year differs from the calendar year, the tax year is the year in which their accounting year begins).

If a person enters into separate transactions that result in a foreign-exchange gain and a foreign-exchange loss and if the transaction resulting in the foreign-exchange loss would not have been entered into had the transaction resulting in the foreign-exchange loss not occurred or vice versa, the foreign-exchange loss is deductible only to the extent of the amount of the foreign-exchange gain.

Inventories. Inventories may be accounted for using the first-in, first-out (FIFO) method or the average-cost method. After a company selects one of these methods, it must use the same method consistently from period to period. A company can change the method only with the written permission of the Commissioner-General of the GRA.

Provisions. Bad debts incurred in business are deductible if the company proves to the satisfaction of the Commissioner-General of the GRA that the debts have become bad. Under the Tax Act, provisions for bad and doubtful debts are not allowed for tax purposes.

All amounts recovered with respect to bad debts that were deducted must be included in income for the accounting year of the recovery.

Capital allowances (tax depreciation). Capital allowances are granted on depreciable assets. Depreciable assets are classified into six different classes. Assets in Classes 1 2, and 4 are placed in separate pools, and capital allowances granted with respect to the pool. Capital allowances for Classes 3, 5 and 6 assets are granted on individual assets of the same class. To claim capital allowances, a company must satisfy the following conditions:
- It used the asset in the production of the income.
- It incurred cost in purchasing the asset.
- It notified the Commissioner-General of the GRA within one month after putting the asset to use.

The following table presents the various classes of assets and details for calculating their capital allowances.

Class	Assets	Rate %	Formula for calculating capital allowances
1	Computers and data handling equipment	40	(A x B x C) ÷ 365 (a)
2	Automobiles; buses and minibuses; goods vehicles; construction and earth-moving equipment, heavy general purpose or specialized trucks; trailers and trailer-mounted containers; plant and machinery used in manufacturing; and costs of a capital nature with respect to long-term crop planting costs	30	(A x B x C) ÷ 365 (a)
3	Mineral and petroleum exploration and production rights; mineral and petroleum prospecting, exploration and development costs; buildings, structures and works of a permanent nature used with respect to the assets in this category described above that are likely to be of little or no value when the rights are exhausted or the prospecting, exploration or development ends; and plant and machinery used in mining or petroleum operations	20	(A x B x C) ÷ 365 (b)(c)
4	Railroad cars, locomotives and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft; specialized public utility plant, equipment, and machinery; office furniture, fixtures and equipment; and any depreciable asset not included in another class	20	(A x B x C) ÷ 365 (a)

Class	Assets	Rate %	Formula for calculating capital allowances
5	Buildings, structures and works of a permanent nature other than those included in Class 3	10	(A x B x C) ÷ 365 (b)(c)
6	Intangible assets other than those included in Class 3	– (d)	[(A÷D) x C] ÷ 365 (c)(e)

(a) A is the written-down value of the pool at the end of a basis period, B is the depreciation rate applicable to the pool, and C is the number of days in the period.
(b) A is the cost base of the asset, B is the depreciation rate, and C is the number of days in the basis period.
(c) The total amount of capital allowances granted for a Class 3, 5 or 6 asset may not exceed the cost basis of the asset.
(d) The rate is determined by formula.
(e) A is the cost base of the asset, C is the number of days in the basis period, and D is the useful life of the asset in whole years calculated at the time the asset is acquired.

Relief for losses. Enterprises engaged in mining, farming, agro-processing, tourism, information and communication technology or manufacturing for export may carry forward their losses for five years. For this purpose, a tourism enterprise is defined as the operator of a tourism business registered with the Ghana Tourist Board, an information technology business is an ICT business that is engaged in software development, and a manufacturing-for-export business is defined as a business that manufactures primarily for export. In addition, losses incurred by venture capital financing companies on the disposal of shares invested in venture capital subsidiary companies under Act 684 and losses incurred by qualifying venture capital financing companies on shares in any venture may be carried forward for five years after the disposal of the shares.

Groups of companies. Each company within a group must file a separate tax return. No measures exist for the offsetting of losses against profits among members of the group.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax, imposed on all supplies of goods and services made in, or imported into, Ghana, except for exempt items	12.5
National Health Insurance levy; imposed on all goods and services, except those that are specifically exempt	2.5

E. Miscellaneous matters

Foreign-exchange controls. The currency in Ghana is the Ghana cedi (GHS).

The Foreign Exchange Act, 2006 (Act 723) governs foreign-exchange controls in Ghana. However, the Bank of Ghana exercises much discretion in administering the act.

Anti-avoidance legislation. A company must obtain a tax-clearance certificate to engage in certain transactions, including the purchase of goods in commercial quantities from producers, distributors, manufacturers or importers. The income tax law contains the following three specific anti-avoidance measures:

• Income splitting (see Section C)
• Transfer pricing (see *Transfer pricing*)
• Thin capitalization (exempt-debt to exempt-equity ratio; see *Debt-to-equity ratio*)

Transfer pricing. Ghana introduced transfer pricing regulations in September 2012. The Regulations follow the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines. The regulations allow the use of the transfer-pricing methods outlined in the OECD guidelines and the use of an alternative method if the methods stated are not appropriate for determining the arm's-length nature of the transaction. On the filing of a return, the Commissioner-General can use an alternative transfer-pricing method if the Commissioner-General takes the view that the method used does not properly represent the arm's-length nature of a transaction.

The regulations also require entities that enter into related-party transactions to prepare documentation to support their returns. Entities also must submit transfer-pricing returns as part of their annual income tax returns within four months after the end of the accounting year.

Debt-to-equity ratio. If an "exempt-controlled resident entity," other than a financial institution, has an "exempt debt" to "exempt equity" ratio in excess of 2:1, no deduction is allowed for interest paid or a foreign-exchange loss incurred on the portion of the debt that exceeds the 2:1 ratio. Broadly, an "exempt-controlled resident entity" is a resident entity of which at least 50% of its underlying ownership or control is held by an "exempt person," which is a nonresident person or a resident person meeting certain criteria. The law also provides detailed definitions of "exempt debt" and "exempt equity."

F. Treaty withholding tax rates

The following are the maximum withholding rates under Ghana's double tax treaties for dividends, interest, royalties, and management and technology transfer fees.

	Dividends %	Interest %	Royalties and management and technology transfer fees %
Belgium	5	10	15
Denmark*	8	10	15
France	8	10	15
Gambia*	8	10	15
Germany	8	10	15
Italy	5	10	10
Netherlands	8	10	15
Nigeria*	8	10	15
Sierra Leone*	8	10	15
South Africa	8	10	15
Sweden*	8	10	15
United Kingdom	8	10	15
Non-treaty countries	8	8	10

* These treaties were signed prior to the country's independence in March 1957, but Ghana considers them still to be in force.