

Ghana Revenue Authority issues guidelines for implementation of tax incentives in response to COVID-19

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Executive summary

The Ghana Revenue Authority (GRA), the entity responsible for administering tax laws, in accordance with the provisions of the *Ghana Revenue Authority Act, 2009 (Act 791)*, has set out guidelines for the implementation of tax incentives announced by the Government of Ghana (Government) in the wake of the COVID-19 pandemic.

This Alert summarizes the guidelines issued by the GRA.

Detailed discussion

The GRA has set out guidelines to provide the framework for the smooth application of the tax incentives announced by the Government to mitigate the economic burden on taxpayers during the COVID-19 pandemic. These guidelines were issued to the public on 11 May 2020. The guidelines indicate that the tax relief measures announced by the Government in support of taxpayers during the COVID-19 pandemic are not automatic. Thus, to take advantage of the tax relief measures, taxpayers must comply with the guidelines set out by the GRA.

The GRA guidelines address two topics:

- (i) Part One - Waiver of taxes
- (ii) Part Two - Allowable deductions and remission of penalties

Part One – Waiver of taxes

Waiver of Income Tax on personal emoluments of healthcare workers from April to June 2020

Categories of healthcare workers

The five categories of healthcare workers covered by the waiver are:

- i. Category 1: Staff of Public Sector Health Facilities on the centralized payroll administration administered by the Controller and Accountant-General (CAG). This information will be furnished by the CAG
- ii. Category 2: Staff of subvented Quasi-Government Health Facilities. This information will be furnished through the CAG or the Ministry of Finance and Economic Planning (MoFEP)
- iii. Category 3: Staff of Public Health Facilities paid through Internally Generated Funds (IGF)
- iv. Category 4: Staff of Self-Accounting Quasi-Government Health Facilities
- v. Category 5: Staff of Private Sector Health Facilities duly registered by the Ministry of Health (MoH)

Process for waiver

Beneficiary institutions of the waiver are to provide certain information to their respective tax offices in order to obtain certification and approval to grant the waiver.

The information should be provided in pursuance of Section 7(4) of the *Income Tax Act, 2015, Act 896* (as amended), which requires that tax liability or the exempt amount must be known prior to the grant of the tax waiver.

Scope of incentive

The incentive covers personal emoluments of healthcare workers as stated on their pay slips. Other benefits, including bonuses, sitting allowances and honoraria are not covered by the waiver.

Conditions for qualification to draw the incentives

The conditions are:

- i. The beneficiary health institutions must be registered with the GRA and discharging their tax obligations.
- ii. Qualifying employees of such institutions must have Taxpayer Identification Numbers (TINs).

- iii. Beneficiary institutions which fall under Categories (iii) through (v) are required to continue filing their Pay-As-You-Earn (PAYE) returns at their respective tax offices.

Other considerations

This appears to limit the waiver to regular income earned by the healthcare workers. However, the guidelines do not address other emoluments and in-kind benefits which may not be specifically stated on the pay slip but could qualify for the exemption.

Taxpayers who have specific challenges regarding the scope of the incentives should apply to the Commissioner-General (CG) of the GRA for guidance. This appears to limit the waiver to regular income earned by the healthcare workers. However, the guidelines do not address other emoluments and in-kind benefits which may not be specifically stated on the pay slip but could qualify for the exemption.

Waiver of Income Tax on additional allowances paid to “Frontline” healthcare workers from March to June 2020

This waiver is applicable only to healthcare workers designated as “Frontline” by the MoH. The waiver covers only the additional allowance constituting 50% of a frontline worker’s basic salary. The requirements to qualify for this incentive are the same as 1(d) above.

Although there are no express laws that define “Frontline,” the term has generally been used in practice to refer to healthcare workers helping in the fight against the COVID-19 pandemic in Ghana.

Waiver of Income Tax on withdrawals from Tier Three Provident Funds and Personal Pension Schemes before maturity as a result of permanent loss of employment or capital

This waiver covers an individual who makes withdrawals from their Tier Three Provident Funds or Personal Pension Schemes before maturity as a result of permanent loss of employment or capital due to the COVID-19 pandemic.

The eligibility criteria for this waiver, determined by the National Pensions Regulatory Authority (NPR), are:

- i. Compliance with the procedure for applying for benefits.
- ii. The last payment date for any employer who is laying off workers due to the COVID-19 pandemic should be February 2020 for January 2020 contributions.

The allowable withdrawals under this waiver are:

- i. Member withdrawals from Provident Fund Schemes shall be limited to 15% of the member's total accrued benefits in the scheme.
- ii. Members of Personal Pension Schemes can withdraw all the amounts in their savings accounts.

Applicants are therefore required to show proof of their eligibility before the waiver is granted.

Value-Added Tax (VAT), NHIL, GETFUND Levy relief on donations toward the fight against the COVID-19 pandemic

Scope of Beneficiaries

The beneficiaries of this incentive include:

- i. Businesses or persons who donate some of their stock of goods or equipment.
- ii. Businesses, persons or associations who purchase items from third parties to donate.
- iii. Businesses or persons who purchase inputs for the construction or extension of health facilities meant for the fight against the pandemic.

Requirements for giving effect to the title to relief

- i. Beneficiaries in categories (i) and (ii) are to obtain proof of donations in the form of acknowledgment of receipt of donations from the qualifying institutions listed.
- ii. Correspondence acknowledging receipt should indicate the name of the donor, the description of the items donated, the respective quantities and value donated.
- iii. Beneficiaries should attach copies of such correspondence to the monthly VAT/NHIL/GETFund levy returns when filing them.

Treatment

- i. Beneficiaries under category (i) are to take the relief so conferred on their monthly VAT/NHIL/GETFund levy returns which should be accompanied by copies of correspondence acknowledging receipt of donations as indicated.
- ii. Those in category (ii) are to take the relief as deductible expenses in filing their income tax returns.

- iii. Category (iii) beneficiaries are to obtain approvals for imports of the underlying supplies from the MoFEP on consignment basis and obtain their relief by application through the Exemptions Portal.
- iv. On the domestic front, category (iii) beneficiaries are to apply to the GRA for the one-off VAT Relief Purchase Order (VRPO) dispensation subject to MoFEP approvals.

NB: In respect of (iii) and (iv) above, the beneficiary should apply through the MoH to validate their application and forward the application to the MoFEP for approval.

Recognized donee institutions

The supplies under column A must have been donated through recognized institutions and bodies including the following:

- ▶ COVID-19 Trust Fund
- ▶ Private Sector COVID-19 Fund
- ▶ Metropolitan, Municipal and District Assemblies (MMDAs)
- ▶ Ministries, Departments and Agencies (MDAs)
- ▶ Health institutions
- ▶ Traditional Councils
- ▶ Religious bodies/institutions

Part Two – Allowable deductions and remission of penalties

Deductible expense

In general, donations and contributions made toward fighting the COVID-19 pandemic shall be allowed as deductible expense.

A person who makes a donation(s) towards the COVID-19 pandemic shall be eligible to deduct the expense upon approval by the Commissioner-General.

The process to make the claim is:

- i. Taxpayer submits annual tax return.
- ii. Evidence of such donation(s) (i.e., the acknowledgement of receipts) must be attached to the return.
- iii. Taxpayer should attach any other document deemed necessary in support of the claim.

Remission of penalties

Waiver of penalties to taxpayers as a result of COVID-19 pandemic

Persons who settle all outstanding tax liabilities on or before 30 June 2020 shall be eligible for a remission (waiver) of penalties as part of the incentives towards the COVID-19 pandemic.

Procedure for the application for the waiver

Persons who have settled all outstanding tax liabilities shall follow the steps below in applying for the waiver:

- i. Apply to the Commissioner-General in writing, stating the amount of penalties involved and the period(s) they relate to.
- ii. Attach evidence of the payment(s) made.

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