

Ghana enacts various tax amendments

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Executive summary

The Parliament of Ghana has enacted the following laws:

- ▶ The *Income Tax (Amendment)(No. 2) Act, 2018, Act 979*
- ▶ The *Value Added Tax (Amendment)(No. 2) Act, 2018, Act 980*
- ▶ The *Excise Tax Stamp (Amendment) Act, 2018, Act 981*

The Acts were assented to by the President on 28 December 2018 and gazetted on 31 December 2018. None of the Acts sets forth an effective date. Consequently, the Acts came into force on 31 December 2018. The Ghana Revenue Authority subsequently issued a public notice that the Acts should commence from 1 January 2019 though this is at variance with the provision of the law.

This Alert outlines the key provisions of these laws.

Detailed discussion

The Income Tax (Amendment) (No. 2) Act, 2018, Act 979

1. Paragraph 1 of the First Schedule to the *Income Tax Act, 2015, Act 896* (as amended) has been amended as follows:
 - a) Annual Income Tax Rates applicable to Resident Individuals

Chargeable Income (GHS)	Rate (%)	Tax (GHS)	Cumulative Chargeable Income (GHS)	Cumulative Tax (GHS)
First 3,456	Nil	–	3,456	–
Next 1,200	5	60	4,656	60
Next 1,680	10	168	6,336	228
Next 36,000	17.5	6,300	42,336	6,528
Next 197,664	25	49,416	240,000	55,944
Exceeding 240,000	30			

b) Monthly Income Tax Rates applicable to Resident Individuals

Chargeable Income (GHS)	Rate (%)	Tax (GHS)	Cumulative Chargeable Income (GHS)	Cumulative Tax (GHS)
First 288	Nil	–	288	–
Next 100	5	5	388	5
Next 140	10	14	528	19
Next 3,000	17.5	525	3,528	544
Next 16,472	25	4,118	20,000	4,662
Exceeding 20,000	30			

2. Section 116(10) of the *Income Tax Act, 2015, Act 896* (as amended) provides for the taxation of the supply of goods, works or services by nonresident persons. The Act does not provide for the withholding tax rate for the income of nonresident persons whose income has a source in Ghana under Section 116(10). The amendment requires that resident persons withhold 20% tax from payments under a contract with nonresidents for the supply of goods, works or services, where the contract gives rise to income from Ghana.

The Value Added Tax (Amendment) Act, 2018, Act 970

- Section 50 of the *VAT Act, 2013, Act 870* has been amended to allow registered taxpayers to apply for a refund of their excess credit directly attributable to locally manufactured textiles which are subject to zero rate as provided in the Second Schedule of the Act. The Commissioner-General may refund the excess credit attributable to the period upon the receipt of an application for refund of the excess credit.
- The zero-rated supplies under the Second Schedule to the *Value Added Tax Act, 2013, Act 870* (as amended) has been expanded to include a supply of locally manufactured textiles by a local manufacturer, who has been approved by the Minister responsible for Trade and Industry, up to 31 December 2021.

The Excise Tax Stamp (Amendment) Act, 2018, Act 981

- Section 2 of the *Excise Tax Stamp Act, 2013, Act 873* has been amended to include locally manufactured textiles among the class of goods for which an excise tax stamp is to be affixed.

A product unit has been defined to mean the smallest package in which a product is usually presented and retailed except for the following:

- Cigarettes are “the pack”
- Textiles are “six yards”

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