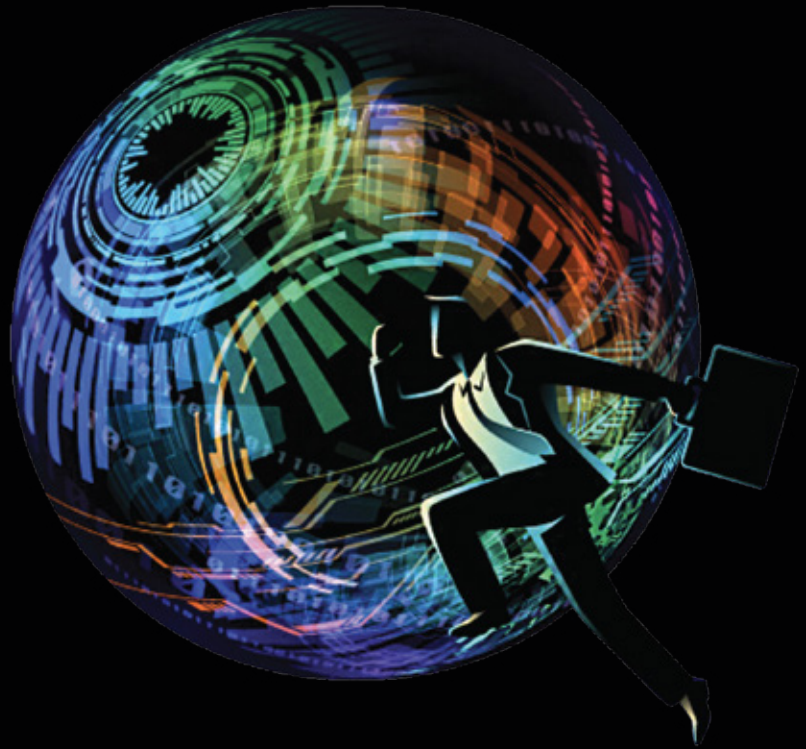


2022 Tax Amendments Take Effect

In line with the tax policy proposals in the 2022 Budget Statement, Parliament of Ghana has passed into law Amendment Acts to bring various tax policy proposals into effect.

The new Acts passed into law are the Income Tax (Amendment) (No.2) Act, 2021 (Act 1071), Value Added Tax (Amendment) Act, 2021 (Act 1072) and Penalty and Interest Waiver (Amendment) Act, 2021 (Act 1073). The Acts have a gazette date of 31 December 2021 and accordingly take effect from this date.

In this tax update, we provide a summary of the provisions of these Acts and how they will affect taxpayers.



Income Tax (Amendment) (No.2) Act, 2021 (Act 1071)

Parliament has passed the Income Tax (Amendment) (No.2) Act, 2021 (Act 1071) into law. Act 1071 mainly revises the personal income tax bands and rates for resident individuals, amends the withholding tax rate on payment for unprocessed precious minerals, revises the threshold for presumptive taxation, and extends certain COVID-19 concessions to businesses and persons in 2021.



Revision of personal income tax bands and rates

Act 1071 amends the Income Tax Act, 2015 (Act 896) to revise the income tax bands for personal income tax of resident individuals. The revision aligns the tax-free income threshold with the current minimum wage of GHS 4,380 per annum (GHS 365 per month). The new graduated tax schedule for resident individuals, which takes effect from 1 January 2022, is as follows:

Annual Income Tax Bands				
	Annual Chargeable Income (GHS)	Cumulative Annual Chargeable Income (GHS)	Tax Rate	
First	4,380	4,380	NIL	
Next	1,320	5,700	5%	
Next	1,560	7,260	10%	
Next	36,000	43,260	17.5%	
Next	196,740	240,000	25%	
Exceeding	240,000		30%	

Monthly Income Tax Bands

	Monthly Chargeable Income (GHS)	Cumulative Monthly Chargeable Income (GHS)	Tax Rate
First	365	365	NIL
Next	110	475	5%
Next	130	605	10%
Next	3,000	3,605	17.5%
Next	16,395	20,000	25%
Exceeding	20,000		30%



Amendment of withholding tax rate on payment for unprocessed precious minerals

Act 1071 amends the withholding tax rate on payment for unprocessed precious minerals located in Ghana or won from Ghana from 3% to 1.5%. The reduction in the withholding tax rate is expected to help minimize smuggling of unprocessed minerals out of the country while allowing government to rake in the needed revenue from the production and export of these minerals.



Revision of threshold for presumptive tax

Act 1071 revises the qualifying revenue threshold for application of presumptive tax from a maximum of GHS 200,000 to a maximum of GHS 500,000 annual turnover.

Presumptive tax applies to resident individuals whose chargeable income for a year of assessment consists exclusively of income from a business and the income is exclusively from sources within Ghana. The applicable income tax is 3% of the turnover of the business.

With the amendment, individuals running businesses other than specifically excluded individuals can apply a 3% presumptive tax on revenue to the extent that their annual turnover does not exceed GHS 500,000.

The following individuals are excluded from applying presumptive tax:

- an individual who has a professional qualification;
- an individual engaged in a business prescribed by regulations as having a high profit to turnover ratio;
- an individual who has more than one business or a business with more than one outlet;
- an individual in a partnership; and
- an individual who elects not to apply presumptive taxation.



Extension of COVID-19 concessions

The government suspended payment of tax stamp for specified small businesses and Vehicle Income Tax (VIT) on "trotros" and taxis for the 2nd to 4th quarters of 2021. This suspension has now been extended to include the 1st and 2nd quarters of 2022.

This means that small businesses covered under quarterly tax stamp payment scheme will not be required to purchase quarterly tax stamps for the 1st and 2nd quarters of 2022. Also, vehicle owners with vehicles falling within the specified categories will not be required to purchase quarterly VIT stickers for the 1st and 2nd quarters of 2022.

In addition to the extension, Act 1071 also includes the following additional vehicle types (buses and mini-buses) to the exempted vehicles:

Class of Vehicle	Description
C1	Commuter (up to 15 persons)
C2	Commuter (16 to 19 persons)
C3	Ford Buses and Commuter (up to 23 persons)
C5	Commuter (up to 38 persons)
C7	Commuter (39 up to 45 persons)
C9	Commuter (46 persons and above)

To qualify for these tax concessions, eligible businesses or persons should satisfy the following conditions:

- the person should be registered with the GRA;
- the person should have made instalment payment for the first quarter of 2021; and
- the person continues to discharge any other obligation required under any enactment administered by the Commissioner-General of the GRA.

Value Added Tax (Amendment) Act, 2021 (Act 1072)

The Value Added Tax Act, 2013 (Act 870) has been amended by the Value Added Tax (Amendment) Act, 2021 (Act 1072) to revise the application of the VAT flat rate scheme (VFRS) and to extend the period for VAT zero-rating on supply of locally manufactured textiles.



Revision of VAT flat rate scheme

Until this amendment, all wholesalers and retailers of goods in Ghana operated under the VFRS. Act 1072 has now revised the application of VFRS to only cover retailers of goods with value of taxable supply not less than GHS 200,000 but not more than GHS 500,000 at the end of any period of 12 months. Retailers who meet the new threshold will continue to account for VAT at the flat rate of 3% on the value of the taxable supplies as well as charge the COVID-19 Health Recovery Levy (COVID-19 Levy) of 1%.

On the other hand, retailers whose annual taxable supplies exceed GHS 500,000 and wholesalers will now account for VAT under the standard VAT rate regime. Such retailers and wholesalers will be required to charge VAT at the standard rate of 12.5% charged on the value of taxable supply plus National Health Insurance Levy (NHIL) at 2.5%, Ghana Education Trust Fund Levy (GETFL) at 2.5% and COVID-19 Levy at 1% of the value of the taxable supply. These suppliers will also qualify to claim VAT incurred on their purchases as input VAT deduction against output VAT. The 6% levies (NHIL, GETFL and COVID-19 Levy) paid on purchases will be treated as part of business expense.

We recommend that retailers of goods conduct an assessment to ascertain whether they meet the new threshold for the revised VFRS. Retailers that no longer fall within the VFRS threshold must migrate to the standard rate VAT scheme. Similarly, all wholesalers are to migrate to the standard rate scheme.



Extension of VAT zero-rating on locally manufactured textiles for 2 years

The supply of locally manufactured textiles by local manufacturers approved by the Minister of Trade and Industry was made zero-rated for VAT purposes for three years up to 31 December 2021. Act 1072 has extended the period for two more years up to 31 December 2023.

Accordingly, locally manufactured textiles supplied by local manufacturers approved by the Minister of Trade and Industry will continue to be subject to VAT at the rate of 0% up to 31 December 2023. The manufacturers are also allowed to apply for refunds of excess VAT credit directly attributable to sale of the locally manufactured textiles.

Penalty and Interest Waiver (Amendment) Act, 2021 (Act 1073)

The Government, in its effort to cushion the effect of COVID-19 on individuals and businesses, introduced a penalty and interest waiver scheme under the Penalty and Interest Waiver Act, 2021 (Act 1065). As a pre-condition to enjoy the waiver, defaulting taxpayers were required to put in an application by 30 September 2021 and ensure that any tax arrears were settled on or before 31 December 2021.

Following appeals for extension, Parliament has passed the Penalty and Interest Waiver (Amendment) Act, 2021 (Act 1073) to extend both the application and payment period to 30 June 2022. This provides a window for all taxpayers who are yet to put in an application to regularize their tax status with the Ghana Revenue Authority (GRA) by end of June 2022.

Given the opportunity for savings on tax penalties and interest, we recommend that taxpayers undertake a comprehensive tax health review of their prior year tax compliance status to take advantage of the opportunity for waiver of penalties and interest.



How can we help?

- Assess the impact of the recent tax legislations for businesses;
- Apply and obtain approval from the Commissioner-General to issue system-generated invoices;
- Review customer invoices and advice on the correctness of the VAT and levies computation;
- Conduct comprehensive tax health checks to assess the tax compliance status of your organization;
- Assist with application for waiver of interest and penalties accumulated on any outstanding tax liabilities; and
- Assist with filing of any outstanding tax returns and negotiating with the GRA for favourable payment plans for businesses.

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