

Revised personal income tax rates and other tax law amendments

The tax proposals made by the Government of Ghana in the 2019 budget and economic policy statement have necessitated the amendment of certain existing laws to give legal backing to the implementation of these proposals.

The Government of Ghana has therefore passed the following legislations into force to amend various tax legislations: Income Tax (Amendment) (No. 2) Act, 2018 (Act 979); Value Added Tax (Amendment) (No. 2) Act, 2018 (Act 980); and Excise Tax Stamp (Amendment) Act, 2018 (Act 981).

In this update, we provide highlights of the key issues in the various tax amendments.



1. Review of personal income tax rates

The Income Tax Act, 2015 (Act 896) has been amended to revise the rates for the taxation of income of resident individuals.

The top marginal tax rate has now been reduced from 35% to 30% on annual (monthly) taxable income exceeding GHS 240,000 (GHS 20,000). The revision also aligns the tax-free income threshold with the current minimum wage of GHS 3,456 per annum (GHS288 per month).

The new applicable graduated tax schedule for resident individuals, which took effect from 1 January, 2019, is as follows:

Annual				Monthly			
	Chargeable Income (GHS)	Cumulative Chargeable Income (GHS)	Rate of Tax (%)		Chargeable Income (GHS)	Cumulative Chargeable Income (GHS)	Rate of Tax (%)
First	3,456	3,456	Nil	First	288	288	Nil
Next	1,200	4,656	5	Next	100	388	5
Next	1,680	6,336	10	Next	140	528	10
Next	36,000	42,336	17.50	Next	3,000	3,528	17.50
Next	197,664	240,000	25	Next	16,472	20,000	25
Exceeding	240,000		30	Exceeding	20,000		30

Note that the flat rate tax applicable to income derived by non-resident individuals from Ghana remains at 25%.



2. VAT zero-rating of supply of locally manufactured textiles

The Value Added Tax Act, 2013 (Act 870) has been amended to make the supply of locally manufactured textiles zero-rated for a period of three (3) years ending 31 December, 2021.

Accordingly, textiles supplied by local manufacturers approved by the Minister of Trade and Industry will be subject to VAT at a rate of 0%. The manufacturers have also been granted a special dispensation to apply for refunds of excess VAT credit directly attributable to sale of locally manufactured textiles.



3. Extension of excise tax stamp to textiles

The Excise Tax Stamp Act, 2013 (Act 873) has also been amended to include textiles as part of goods requiring excise tax stamps.

The excise tax stamp is to be affixed on every six (6) yards of locally manufactured textiles. The overall objective of this is to protect players within the local textile industry from counterfeit textile sales and also provide assurance for government excise revenue from textile products.

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