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Tax Update
August 2018

Highlights on recent tax amendments

Ghana's Minister for Finance announced a number of tax measures in the recent mid-year budget review for 2018. The measures are largely aimed at shoring up tax revenue.

Following the announcement, Parliament has passed tax amendments and made new enactments to make the proposals operational from 1 August, 2018. We provide highlights of these tax measures and how they impact individuals and businesses.

1. New personal income tax band (Act 973)

a. Resident Individual

The personal income tax bands for resident individuals have been revised to include an additional band for monthly chargeable income exceeding GHS10,000 to be taxed at a rate of 35%. This is an increase from the previous top marginal rate of 25% on monthly income exceeding GHS3,241.

The old and new graduated income tax bands effective from 1 August, 2018 are as follows:

Annual

	Old Chargeable Income (GHS)	New Chargeable Income (GHS)	Rate of Tax (%)
First	3,132	3,132	Free
Next	840	840	5
Next	1,200	1,200	10
Next	33,720	33,720	17.5
Exceeding/Next	38,892	81,108	25
Exceeding	-	120,000	35

Monthly

	Old Chargeable Income (GHS)	New Chargeable Income (GHS)	Rate of Tax (%)
First	261	261	Free
Next	70	70	5
Next	100	100	10
Next	2,810	2,810	17.5
Exceeding/Next	3,241	6,759	25
Exceeding	-	10,000	35

b. Non-resident Individual

The flat income tax rate for non-resident individuals has also been increased from 20% to 25%. Non-resident individuals who earn income from Ghana will therefore pay income tax at the rate of 25% on their gross taxable income.

2. Restructure of VAT (Acts 970, 971 & 972)

The VAT and National Health Insurance Levy (NHIL) regime, which previously allowed for input VAT claim of both VAT and NHIL, has been restructured. The restructuring revises the standard VAT rate from 15% to 12.5%. The Ghana Education Trust Fund (GetFund) levy of 2.5%, which was hitherto part of the 15% VAT, has now been made a separate straight levy on taxable supplies. The NHIL of 2.5% has also been made a straight levy on taxable supplies.

The effect of the new structure is that, whiles the total of VAT plus levies will remain at 17.5%, suppliers will only be able to deduct the 12.5% VAT component on purchases. The 5% (NHIL plus GetFund) levy paid on purchases will now be treated as part of business expense.

The new structure for standard VAT rate supplies is as follows:

Item	Tax on Supplies	Input Deduction
VAT	12.5%	12.5%
NHIL (straight levy)	2.5%	
GetFund (straight levy)	2.5%	
Total	17.5%	12.5%

Given the effective date of 1 August, 2018, the new VAT structure should be used for VAT return reporting for August, 2018 which is due by end of September, 2018.

Wholesalers and retailers of goods under the VAT flat rate system are not affected by the changes, so will continue to charge 3% VAT on their sales without input VAT claim. Standard rated suppliers such as manufacturing, services and rental businesses will be the businesses impacted by the changes. Businesses in these categories therefore need to take steps to recalibrate their accounting systems to take the changes into consideration.

3. Introduction of luxury vehicle levy (Act 969)

Government has also introduced a "luxury vehicle levy" on motor vehicles with engine capacity of 2,950cc and above. Commercial vehicles for goods transport or with capacity to transport more than 10 persons, tractors, and ambulances are exempted from the levy. The levy will be payable at first registration of covered vehicles as well as annually on renewal of road worthy certificate.

The applicable levies are:

S/N	Vehicle Engine Capacity (cc)	Levy (GHS)
1.	2,950-3,549cc	1,000
2.	3,550-4,049cc	1,500
3.	4,050cc and above	2,000

4. Implementation of Fiscal Electronic Device Act and other compliance measures

The Minister announced that implementation of the Taxation (Use of Fiscal Electronic Device) Act, 2018 (Act 966) ("FED Act") will begin in the last quarter of 2018.

The FED Act, which was passed into law on 4 May, 2018, makes it mandatory for all VAT registered businesses to install approved Fiscal Electronic Devices at their premises to track VAT sales and purchases.

Actual implementation of this Act has been on hold since the Act came into force but the Minister's budget review address gives an indication that VAT registered businesses should prepare to start using these devices later this year.

The Minister also reiterated measures to intensify tax compliance efforts in the coming months. In particular, the Minister hinted at specialized audits targeted at mining, oil and gas, telecommunications services, transfer pricing, and high net worth individuals to enhance revenue collection.

Taxpayers, especially those in the above categories, should therefore take steps to promptly conduct risk assessment of their tax status in order to take advantage of the ongoing tax amnesty scheme ending in August 2018 if need be.

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