

Tax Updates

August 2018

We wish to bring to your attention some changes that have taken place in the Ghanaian tax laws following the presentation of the mid-year fiscal policy review of the 2018 Budget Statement and Economic Policy of the Government of Ghana on 19 July 2018.

The relevant changes which received gazette notification on 1 August 2018 are as follows:

1. Value Added Tax (Amendment) Act, 2018 (Act 970)

The Value Added Tax (VAT) rate has been revised from the previous fifteen percent (15%) to twelve and half percent (12.5%)

This does not constitute a reduction in rate, however, a readjustment of the rates to allocate specific funds to the National Health Insurance Scheme and the Ghana Education Trust Fund (GETFund)

In all, the total rates for VAT, NHIL and GETFund remains at seventeen and half percent (17.5%)

The new amendment implies that, the National Health Insurance Levy (NHIL) and the GETFund Levy are both flat rates of 2.5% each, with both levies not subject to Input Tax deduction.

The breakdown is as follows:

1.1 Value Added Tax Rate revised to twelve and a half percent (12.5%)

The new VAT rate of 12.5% is to be calculated on the value of the taxable supply of the goods or services or the value of the import.

1.2 National Health Insurance (Amendment) Act, 2018 (Act 971) – National Health Insurance Levy

The NHIL of 2.5% is a flat rate on taxable goods or services. The levy is no longer subject to Input Tax deduction hence it will be treated as a business expense.

1.3 Ghana Education Trust Fund (Amendment) Act, 2018 (Act 972) – Ghana Education Trust Fund Levy

This levy will also be calculated on the value of the taxable supply of goods and services or on the value of imported goods or services at a rate of 2.5% and is not subject to Input Tax deduction. Hence, this will also be treated as a business expense.

Goods that are subject to the 3% Value Added Tax Flat Rate Scheme as well as exempt imports, goods and services are not affected by the 2.5% NHIL and GETFund Levy.

2. Income Tax (Amendment) Act, 2018 (Act 973)

2.1 Rates of Income Tax for Resident Individuals

The personal income tax band for resident individuals has been revised to include an additional band for persons with taxable income above GHS120,000 per annum. This will be taxed at a rate of thirty-five (35%).

EFFECTIVE 1 AUGUST 2018	Rate	MONTHLY
ANNUAL	%	GHS
First GHS3,132	Free	261
Next GHS840	5	70
Next GHS1,200	10	100
Next GHS33,720	17.5	2,810
Next GHS81,108	25	6,759
Exceeding GHS120,000	35	10,000

2.2 Rates of Income Tax for Non-Resident Individuals

The income tax rate for non-resident individuals has been increased to a flat rate of 25% from the previous 20% on the chargeable income for a year of assessment.

3. Introduction of Luxury Vehicle Levy Act, 2018 (Act 969)

3.1 Imposition and collection of Luxury Vehicle Levy

The Government has introduced a "Luxury Vehicle Levy" on motor vehicles with engine capacity of 2950cc and above

The levy shall be paid on the date of first registration and subsequently upon annual renewal of road worthy certificate

The levy is applicable to motor vehicles registered prior to the introduction of this amendment at the point of renewal of roadworthy.

3.2 Collection of Levy and Payment of Arrears

The Driver and Vehicle Licensing Authority is solely responsible for the collection of the levy

A person who fails to pay in any year will pay all arrears accrued on or before the renewal of the roadworthy certificate.

3.3 Exemption from Levy

The following motor vehicles are exempted from the luxury vehicle levy:

- Tractors
- Ambulances
- Commercial vehicles with capacity to transport more than ten (10) persons
- Commercial vehicle for the transport of goods
- Other motor vehicles that are exempted by the Minister through legislative instrument.

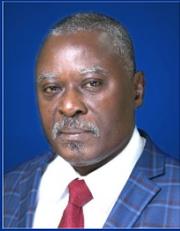
3.4 The applicable levy for qualifying motor vehicles

S/N	VEHICLE ENGINE CAPACITY (CC)	LEVY (GHC)
1.	2950cc – 3549cc	1,000.00
2.	3550cc – 4049cc	1,500.00
3.	4050cc and above	2,000.00

We will continue to update you with changes in tax and regulatory issues and how they impact your business as and when they arise.

If you have any questions, please contact us.

Contact Us



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