

THE LIMA DIGEST

APRIL 2023 / VOL. 4



UPCOMING DEADLINES

ANNUAL INCOME TAX RETURNS - GRA	30TH APRIL 2023
VALUE ADDED TAX, MARCH - GRA	30TH APRIL 2023
ANNUAL RETURNS – OFFICE OF THE REGISTRAR OF COMPANIES - GRA	30TH APRIL 2023
TRANSFER PRICING RETURNS AND DOCUMENTATION FILING - GRA	30TH APRIL 2023
EMPLOYERS' ANNUAL PAYE RETURN - GRA	30TH APRIL 2023
PAY AS YOU EARN (PAYE), APRIL - GRA	15TH MAY 2023
WITHHOLDING TAX, APRIL - GRA	15TH MAY 2023

OTHER AVAILABLE DOCUMENTS



On Friday, March 31, 2023, three revenue bills were introduced in parliament. The President signed the legislation into law on April 3, 2023, and they went into effect on that date. The Act's goal is to generate additional revenue to fund government expenditure. This month's Lima Digest focuses on amendments to the Income Tax Act and Excise Duty Act, as well as the introduction of the Growth and Sustainability Levy.

UPDATES ON THE NEW TAX ACTS

Income Tax Amendments Act, 2023 Act 1094

1. Minimum chargeable income: amendment to section 2 of Act 896

The minimum chargeable income regime attempts to levy minimum taxes where taxpayers declare tax losses for the previous five years of assessment excluding losses incurred in the first five (5) operational years, and taxpayers engaged in farming. The minimum chargeable income shall be determined as 5% of gross turnover of taxpayers, and resultant taxes charged shall be in accordance with standard rules under Income Tax Act, 2015 (for instance, the general 25% on the minimum Chargeable Income of resident corporate entities).

2. Lottery operations & Winnings from lottery: amendment to section 6 and section 119 of Act 896

The amendment reintroduces final withholding taxes on lottery winnings, at a rate of 10%, at the end of each lottery/gaming occasion. Taxes on lottery winnings by persons, other than business or professional gamblers, were previously scrapped off in 2017. The Act defines lottery as any scheme in which rights are sold to take part in draw by a lot for a prize including betting, gaming and any game of chance.

3. Lottery Operations: insertion of section 100A amendment to Act 896

Act 1094 imposes a 20% income tax on gross gaming revenue of persons engaged in lottery operations for a year of assessment. Gross gaming revenue is defined as the total amount staked or wagered less prizes or winnings paid or payable. The new amendment has effectively redefined the taxation of lottery income earned by lottery/betting operators seeing as they would previously fall under the general corporate income tax regime of 25% after considering all other allowable expenses.

4. Carry forward of losses: amendment to section 17 of Act 896

Prior to the amendment, taxpayers were entitled to carry forward tax losses for 3 or 5 years depending on the sector in which a taxpayer operates. The amendment unifies the eligible years, entitling taxpayers to carry forward tax losses, incurred during a year of assessment, for 5 subsequent years of assessment.

5. Foreign exchange loss: amendments to section 25 of Act 896

The Income Tax amendment provides clarity on the deductibility of foreign exchange losses incurred by taxpayers. The deductibility of foreign exchange losses against taxable income shall be limited to realized losses incurred on debt obligations or debt claims and foreign currency holdings of taxable persons. However, taxpayers may capitalize foreign exchange losses of a capital nature and claim capital allowance thereof under section 14 of the Income Tax Act. Also, foreign exchange loss arising from a transaction between two resident persons shall not be allowed as a deduction.

6. Taxation of retirement funds: amendments to section 94 of Act 896

Withdrawals from a private personal pension fund or provident fund (tier 3) before retirement is subject to income taxes where withdrawals occur within 10 and 5 years of contributions for persons in the formal and informal sector respectively. The amendment purports to exempt taxes for 2023 on tier 3 withdrawals by employees due to loss of permanent employment or self-employed persons from the personal savings account created under section 109 of the National Pensions Act, all on account of the current economic hardship and/or the Covid-19 Pandemic.

7. Withholding from consideration on realization of assets and liabilities: insertion of section 39A and amendment to section 115 and 116 of Act 896

The amendment imposes withholding taxes on consideration transferred upon realisation of assets and liabilities qualifying under either investment or business

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income. Withholding taxes shall be levied at 3% and 10% for resident and non-resident transferees respectively. Also, a person who realizes an asset or liability shall be required to file returns in a prescribed form with the Commission-General within 30 days of realization.

8. Increase in Preferential tax rate on investment assets: amendment to the first schedule of Act 896

The preferential tax rate applicable on gains from the realization of investment assets and gifts received, other than in respect of business or employment is increased from 15% to 25%.

9. Persons in a controlled relationship: amendment to section 128 of act 896

The amendment broadens the scope of association between persons in a controlled relationship. The minimum control threshold in establishing association between an entity and a person has been reduced from 50% to 25% direct or indirect control. In effect, a person is an associate of an entity and deemed to be in a controlled relationship where the person has significant influence (i.e., 25% voting rights) on the entity, whether directly or indirectly through one or more interposed entities.

10. Rate of tax on persons entitled to temporary concession: amendment to the 6th schedule of Act 896

Income tax rate applicable to taxpayers enjoying temporary concessions has been increased from 1% to 5%.

11. Revision of upper limits of quantifiable motor vehicle benefits: amendment to the 4th schedule of Act 896

The upper limit of motor vehicle benefits has been increased to GHS 1,500, GHS 1,250, GHS 625, and GHS 625 for Driver and Vehicle with fuel benefit, Vehicle with fuel benefit, Vehicle only benefit, and Fuel only benefit respectively.

12. Revision of individual income tax rate: amendment to 1st schedule of Act 896.

Individual personal income tax rates have been revised to align with the minimum daily wage set for 2023. The amendment Act introduces an additional tax band, requiring income exceeding GHS 600,000.00 to be

taxed at 35%, as part of Government's high net worth tax policy.

Growth and Sustainability levy Act, 2023 Act 1095

The Growth and Sustainability Act imposes a special levy on the profits before tax (PBT) or the percentage of production of some specified companies and institutions listed under the Act. The entities have been compartmentalized into three categories, with category A and C liable to the levy at 5% and 2.5% of profit before tax respectively. Category B includes mining and upstream oil and gas companies liable to the levy at 1% of gross production. A critical examination of the Act reveals that the Act shall apply to all entities in Ghana since any entity shall fall within a category under the Act. Barring any future amendments, the Growth and Sustainability Act is intended to be transient seeing as the levy is applicable to profits before tax or on production for 2023, 2024 and 2025 years of assessment. The Act also repeals the National Fiscal Stabilisation Levy Act, 2013 (Act 862).

Excise Duty (Amendment) Act, 2023 Act 1093

- The purpose of the act is to revise the excise tax rates for cigarettes and other tobacco products to conform with the ECOWAS protocols and raise revenue to mitigate the harmful effects of these exercisable products.
- There has been an increase in the use of electronic cigarette and other smoking devices over the last decade. Currently, these products do not attract exercise duty. The act imposes excise duty on these products as the nicotine and other chemicals used as additive are also harmful.
- The excise duty on wine and spirit has been reviewed upwards.
- The act increases excise duty in respect of cigarette and tobacco products, wine, malt drinks and spirits.
- The act also imposes exercise duty on sweetened beverages, including fruit juices and on electronic cigarette liquids, electronic cigarettes and electronic smoking devices.



SNAPSHOT OF THE ECONOMY OF GHANA

INFLATION (as at 31st March, 2023)

45.0%

MONETARY POLICY RATE (27th March, 2023)

29.5%

GHANA REFERENCE RATE (1st April, 2023)

25.76%

EXCHANGE RATE AS AT 19TH APRIL, 2023

	BUYING	SELLING
BANK OF GHANA	10.93	10.94
ABSA BANK	11.10	12.15
ZENITH BANK	10.90	12.50
STANBIC BANK	11.00	12.30
CAL BANK	10.85	12.31
GCB BANK	10.90	12.10

QUOTES

"Taxes are the lifeblood of government and no taxpayer should be permitted to escape the payment of his JUST SHARE of the burden of contributing thereto."

Arthur Vanderbilt

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We offer the following tax advisory and tax compliance services;

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- Client Tax Audit and dispute resolution representation;
- Tax reliefs, incentives and exemptions processing, utilization and renewal of approvals;
- Tax health checks/due diligence/audits

- Direct and indirect tax registration and de-registration;
- Filing of monthly tax returns (VAT, WHT, PAYE);
- Filing of individual/ Expatriates/ Directors tax returns;
- Filing of annual corporate income tax returns;
- Filing of transfer pricing returns;
- Obtaining tax clearance certificates.

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