

UPCOMING DEADLINES

- VALUE ADDED TAX(VAT), OCTOBER - GHANA REVENUE AUTHORITY - 30th NOVEMBER, 2024
- TIER 1 PENSIONS, NOVEMBER - SOCIAL SECURITY AND NATIONAL INSURANCE TRUST (SSNIT) - 14th DECEMBER, 2024
- PAY AS YOU EARN(PAYE), NOVEMBER - GHANA REVENUE AUTHORITY - 15th DECEMBER, 2024.
- WITHHOLDING TAX (WHT), NOVEMBER - GHANA REVENUE AUTHORITY - 15th DECEMBER, 2024.

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SCAN ME



Foreign Tax Credit Regime In Ghana.

Section 112 of the Income Tax Act 2015 (Act 896) provides a mechanism for Ghanaian residents (excluding partnerships) to claim a foreign tax credit for income taxes paid to foreign countries. This credit applies to assessable foreign income—income earned outside Ghana that is included in the resident's taxable income for the year of assessment. The aim of this provision is to prevent double taxation, where income earned abroad would otherwise be taxed both by the foreign country and by Ghana.

Eligibility for Foreign Tax Credit:

1. **Claiming the Foreign Tax Credit:** A resident person may claim a foreign tax credit for any income tax paid to a foreign country, but only to the extent that this tax applies to the resident person's assessable foreign income for the year.
2. **Calculation of the Foreign Tax Credit:** The foreign tax credit must be calculated separately for each year of assessment, and for each category of foreign income (such as income from employment, business, or investment).

The amount of credit cannot exceed the average rate of Ghanaian income tax applied to the foreign income. This ensures that the credit does not exceed the amount of Ghanaian tax that would have been charged on the foreign income.
3. **Option to Relinquish the Credit:** A taxpayer may choose to forgo the foreign tax credit and instead claim a deduction for the amount of income tax paid to the foreign country. This option, once exercised, replaces the foreign tax credit. Otherwise, no deduction is allowed for foreign taxes paid.
4. **Definitions:**
 - The average rate of Ghanaian income tax is calculated as the percentage of total tax payable in Ghana on a taxpayer's chargeable income, excluding any foreign tax credit.
 - Assessable foreign income includes any foreign source income that is taxable in Ghana from employment, business, or investment activities.

Double Taxation Agreements (DTA) and Article 25: Foreign Tax Credits

In addition to Section 112, Ghana has entered into Double Taxation Agreements (DTA) with various countries to further ease the burden of double taxation. These DTAs contain specific provisions on foreign tax credits, notably in Article 25, which outlines how residents can claim foreign tax credits on income taxed abroad.

THE LIMA DIGEST

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LIMA PARTNERS

Under Article 25 of Ghana's DTAs signed with most contracting states, a resident taxpayer can claim a tax credit for taxes paid to a foreign country, subject to the limitations specified in the agreement. The credit is generally limited to the portion of Ghanaian tax that would otherwise be payable on the foreign income. This is intended to prevent the taxpayer from paying more than what would have been paid if the income had been earned solely in Ghana.

DTAs typically provide additional details and procedural guidelines on how to claim these credits, ensuring that taxpayers avoid double taxation in both Ghana and the foreign country.

Procedure to claim a foreign tax credit

A foreign tax credit will be granted upon submission to the Commissioner-General a tax credit certificate, an official receipt or a functional equivalent of a tax credit certificate from the tax department of a foreign country.

Time Allowed to Claim Tax Credit

In line with the relevant provisions of Act 896, a claim for tax credit can only be made at the end of the year of assessment in which the foreign tax was paid. For example, foreign tax paid in the 2014 year of assessment cannot be claimed after the 2015 year of assessment (YOA). The taxpayer may elect to relinquish a foreign tax credit available for a YOA and instead claim a deduction for income tax paid abroad.

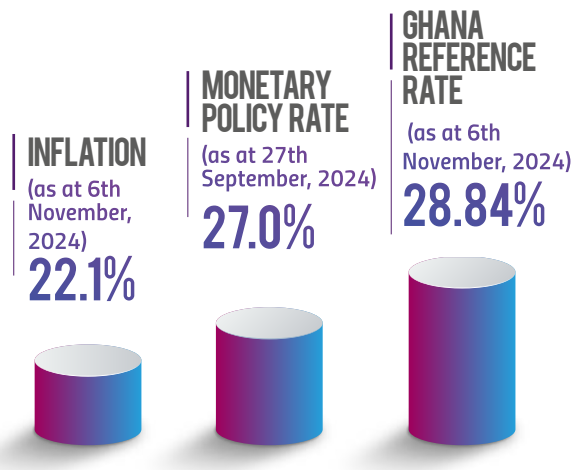
Conclusion

The foreign tax credit regime under Section 112 of the Income Tax Act, 2015 (Act 896), along with the provisions outlined in Ghana's Double Taxation Agreements (DTAs), effectively prevents double taxation for Ghanaian residents earning foreign income. By allowing residents to claim a credit for taxes paid to foreign countries, the system ensures that residents are not taxed excessively on the same income in both Ghana and abroad. The flexibility to choose between a credit or a deduction, along with clear procedural guidelines, further enhances the practicality of this regime. Ultimately, these provisions aim to promote fairness, encourage international business, and uphold Ghana's position in the global economy.

EXCHANGE RATE AS AT 21ST NOVEMBER, 2024

GHS - USD	BUYING	SELLING
BANK OF GHANA	15.89	15.91
ABSA BANK	15.65	16.10
ZENITH BANK	15.62	16.10
STANBIC BANK	15.60	16.10
ECOBANK	15.50	16.10
GCB BANK	15.80	15.95

SNAPSHOT OF THE ECONOMY OF GHANA



QUOTES

I am in favor of cutting taxes under any circumstances and for any excuse, for any reason, whenever it's possible.

— Milton Friedman

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- 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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