



GMS Flash Alert

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Ghana - COVID-19: Update on Implementation Guidelines for Tax Incentives, Pension Relief

The Commissioner-General (C-G) of the Ghana Revenue Authority (GRA) on Tuesday, 12 May 2020, issued directives concerning certain tax incentives related to the taxation of withdrawals from Personal Pensions and Provident Funds – Tier Three, the remuneration of selected health workers, and deductions for COVID-19-related donations.¹

The Minister for Finance, in his statement to Parliament on Monday, 30 March 2020, on the economic impact of COVID-19 on the Ghanaian economy, had outlined several tax incentives for taxpayers in Ghana.² However, to operationalise most of these incentives, a written directive from the Commissioner-General (C-G) of the GRA or the passage of a legislative instrument was required.

This GMS *Flash Alert* provides an update on the guidelines adopted by the GRA and the implementation of the tax incentives.

WHY THIS MATTERS

The impact of the novel coronavirus (COVID-19) has been wide-ranging, with dire consequences at both the “micro” and “macro” levels for economies around the world. The situation in Ghana is no exception.

At the micro level, the potential impact of COVID-19 could lead to a significant decline in profits of private businesses, erosion of individual disposable income, and high propensity of employment losses, amongst other impacts. Hence, at the micro level, the negative effects on individuals of the virus may be considerable.

In response to the adverse effects of the pandemic, the government has implemented various reliefs, which should help with cash-flow difficulties and incentivise individuals.

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1. Waiver of Income Tax on Withdrawals from Provident Funds and Personal Pension Schemes – Tier Three

Contributions to the Provident Fund or Personal Pension Schemes must be managed under a National Pensions Regulatory Authority (NPRA) approved scheme in order to be exempt from tax. This notwithstanding, the National Pensions Act, 2008 (Act 766) specifies that withdrawals from the Provident Fund or Personal Pension Schemes on or before, respectively, the tenth or fifth anniversaries of the fund by contributors in the formal and informal sectors³ and before retirement, should be subject to tax at the appropriate income tax rate.

In view of the above, the Income Tax Regulations, 2016 (L.I 2244) specifies a rate of 15 percent tax on such withdrawals.

With the introduction of the new incentive, funds drawn from the Provident Fund or Personal Pension Schemes before maturity consequent to a permanent loss of employment or capital, due to the COVID-19 pandemic, shall be exempted from income tax.

Eligibility for the waiver will, however, be determined by the NPRA in the form of a certification covering qualification for such withdrawals.

The NPRA on 13 May 2020, issued the following directives in response to the above:

- Self-employed individuals who are members of Personal Pension Schemes can withdraw all amounts in their personal savings accounts.
- Withdrawals can also be made from Provident Fund Schemes by members who have permanently lost their employment.
- NPRA has spelt out the procedure for applying for the above benefits, which includes the employer submitting a letter to the Trustees stating its inability to pay its workers as a result of the COVID-19 pandemic. The applicant must also complete a prescribed form and attach the relevant documents in support of the relief application.

KPMG NOTE

Provident Fund and Personal Pension Schemes – Tier Three are voluntary, fully-funded, and privately-managed pensions.

The total eligible amount to be drawn from the Provident Fund upon loss of permanent employment has not been specified.

2. Waiver of Income Tax on Personal Emoluments of Selected Health Workers and Additional Allowance for Frontline Health Workers

- Personal emoluments of health workers for the months of **April 2020 to June 2020** have been exempted from tax. The categories of health workers to benefit from this waiver are: staff of public sector health facilities paid by the Controller and Accountant General (CAG), staff of quasi-governmental health facilities, staff of public health facilities paid through Internally Generated Fund (IGF), staff of self-accounting quasi-governmental health facilities, and staff of private sector health facilities duly registered by the Ministry of Health.

- Additional allowances up to 50 percent of the basic salaries received by frontline health workers for the period **March 2020 to June 2020** shall also be treated as non-taxable earnings. It is worth noting that this incentive is applicable to only health workers designated specifically by the Ministry of Health.

3. Tax Deductions for Donations in Support of COVID-19

Donations and contributions made towards combating the COVID-19 pandemic shall be allowed as a deductible expense in calculating individuals' taxable earnings. Eligibility for this incentive shall, however, be upon the approval of the Commissioner-General of the GRA.

The necessary criteria to qualify for this incentive are:

- submission of annual personal income tax returns;
- evidence of such donation(s) (i.e., the acknowledgement of receipts);
- any other document that may be deemed necessary in support of the claim.

4. Waiver of Penalties to Taxpayers

The government has waived tax penalties on outstanding tax liabilities if payments of principal taxes are made by 30 June 2020.

In order to benefit from this relief, taxpayers are required to apply to the Commissioner-General in writing, stating the amount of penalties involved and the period(s) they relate to, and attach evidence of the payment made.

FOOTNOTES:

1 This announcement appeared on page 14 of the *Daily Graphic* newspaper of 12 May 2020, which is a Ghanaian state-owned daily newspaper published in Accra, Ghana.

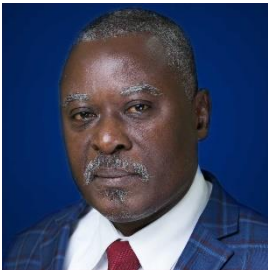
2 For the minister's statement on Monday, 30 March 2020, to Parliament on the economic impact of the COVID-19 pandemic on the economy of Ghana, see the website for the president of Ghana at: <https://www.mofep.gov.gh/news-and-events/2020-03-30/statement-to-parliament-on-economic-impact-of-the-covid-19-pandemic-on-the-economy-of-ghana> .

3 The informal sector is the "shadow economy" and those who work in it. Provident Fund is for the formal sector, which goes for a minimum of 10 years, whereas the Personal Pension Scheme is for the informal sector and goes for a minimum of 5 years to be exempt from tax.

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Contact us

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