



# GMS Flash Alert



2019-009 | January 23, 2019

## Ghana - Reduction in Top Rate of Personal Income Tax, Income Threshold Raised

Recent changes to Ghana's personal income tax regime have brought about a reduction in the highest marginal personal income tax rate for resident individuals.<sup>1</sup>

A key measure is the reduction in the 35-percent maximum income tax rate – which was introduced on 1 August 2018<sup>2</sup> – to 30 percent. The annual maximum tax band on which the rate of 30 percent applies has also been expanded to chargeable income exceeding GHS 240,000 (previously, income exceeding GHS 120,000).

The revised personal income tax regime took effect from 1 January 2019.

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### WHY THIS MATTERS

With the lowering of the maximum tax rate and the expansion of the annual maximum tax band, employees who have been subject to the maximum rate will now potentially experience savings of an estimated GHS 12,396 per annum plus 5 percent on additional chargeable income exceeding the GHS 240,000.

There will be a reduction in assignment-related tax costs in respect of assignees into and out of Ghana, subject to Ghanaian tax law.

Employers may need to consider their budget projections for assignments due to the changes.

Furthermore, employers may need to make the necessary payroll adjustments and update hypothetical taxes for tax equalized assignees.

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## Residents: Rates and Bands

The revised graduated tax rates and bands effective from January 1, 2019, are shown below:

Chargeable Income Tax	Annual (GHS)	Rates
First	3,456	Nil
Next	1,200	5%
Next	1,680	10%
Next	36,000	17.5%
Next	197,664	25%
Exceeding	240,000	30%

Source: KPMG, Ghana

## Nonresidents: Rates and Bands

The tax rate applicable to nonresident individuals has however been maintained at 25 percent from the last revision in August 2018.

## Changes in Income Tax Bands/Rates Yield Incentives and Savings:

The new rules give rise to the following tax incentives and savings:

1. Total tax exemption/relief for minimum wage earners\*.
2. Increase in the annual maximum tax band from GHS 120,000 to GHS 240,000 and a reduction in the maximum tax rate from 35 percent to 30 percent.
3. Marginal decrease in taxes for the respective tax bands. This presents the below tax savings:

Tax Band	Tax Savings per annum GHS
5%	16.20
10%	50.40
17.5%	137.70
25%	396.00
30%	12,396 plus 5% on additional income exceeding GHS 240,000

Source: KPMG, Ghana

\* Minimum wage earners are individuals who earn GHS 10.65 a day

## Recap of Current Rules: Who Is Resident?

An individual is deemed resident for a year of assessment if that individual is:

- a citizen of Ghana (other than one with a permanent residence outside Ghana and lives in that home for the whole year of assessment);
- present in Ghana for a period or periods amounting in total to 183 days or more in any 12-month period that commences or ends during the year of assessment;
- an employee or official of the Ghanaian government on posting abroad;
- a citizen who is temporarily absent from Ghana for not more than 365 continuous days (where the individual has a permanent home in Ghana).

### FOOTNOTES:

1 The Tax (Amendment) (No.2) Act, 2018 (Act 979), which amends the graduated tax rates for resident individuals in the First Schedule of the Income Tax Act, 2015 (Act 896).

2 For coverage of the changes in August 2018, see GMS [Flash Alert 2018-108](#) (21 August 2018).

\* \* \* \*

GHS 1 = USD 0.203

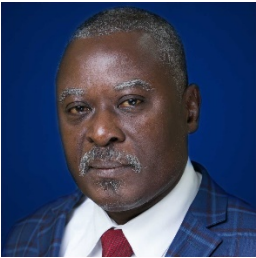
GHS 1 = EUR 0.178

GHS 1 = GBP 0.155

GHS 1 = NGN 73.38

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Ghana:



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**The information contained in this newsletter was submitted by the KPMG International member firm in Ghana.**

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