

**GHANAIAN TAX REGIME**

**AS IT**

**AFFECTS LISTED SECURITIES**

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## **GHANAIAN TAX REGIME AS IT AFFECTS LISTED SECURITIES**

i. **(CORPORATE TAX)**

Companies are generally liable to pay Ghanaian income tax on their profits at the current rate of 35%. Payment of the tax is based on Internal Revenue Service assessed figures which includes certain adjustments (for example, capital allowances for corporate depreciation charges).

However, certain categories of companies pay tax at lower rates. For example :-

- companies engaged in non-traditional export - 8% ; and
- companies in the hotel industry - 25% .

In addition, manufacturing companies that are located outside Accra/Tema do enjoy a further corporate tax rebate.

Also, certain categories of companies under the law enjoy periods of tax holidays ranging from 3 to 10 years. They include farming enterprises, rural banks, real estate businesses engaged in the construction for sale or letting of residential premises, and manufacturing companies engaged in the processing of crops, fish or livestock produced in Ghana.

ii. **(TAX ON DIVIDENDS AND INTEREST)**

Every person who receives or is entitled to receive any dividend declared in any year of assessment shall pay a tax on the dividend at the rate of 10% and such payment shall not be taken into account in computing his assessable income or for arriving at his tax liability for the year of assessment. Hence, the 10% withholding tax on dividends is final [Ref. Section 55c(1) of Income Tax Decree SMCD5 of 1975 as amended.] On the other hand, the following incomes attract no tax:

- Interest on savings accounts and other interest and discounts earned by individuals.
- Interest on bonds held by non-resident persons and issued by the Government.
- Interest on dividends payable under any approved unit trust scheme or mutual fund to a holder or member of that scheme or fund.

iii. **(STAMP DUTY)**

On March 20, 1996, stamp duty in respect of transfers of listed securities was abolished by the Stamp (Amendment) Act, 1996 (Act 510). Hence, citizens and non-citizens of Ghana can make transfers in listed securities without having to pay stamp duty.

iv. **(CAPITAL GAINS TAX)**

Initially, capital gains arising on a disposal made from November 12, 1990 to November 11, 1995 of securities listed on the Ghana Stock Exchange, were exempted from Ghanaian capital gains tax. Subsequently, the exemption has been extended to November 11, 2000 by the Capital Gains Tax (Amendment) Act, 1996 (Act 513).

v. **(GIFT TAX)**

Liability to gift tax may arise on the transfer by gift of shares if the open market value of

the shares at the time of the gifts exceeds fifty thousand cedis (¢50,000), subject to certain exemptions. The tax is payable by the person receiving the gift (donee). The applicable rate of tax varies from 5% to 15% depending on the value of the gift.

vi. **(DOUBLE TAXATION ARRANGEMENT)**

Shareholders not resident in Ghana may be entitled to a reduced level of tax withheld if there is an appropriate provision granting such entitlement in a double taxation agreement between the country where they are resident and Ghana. In order to obtain a reduced or nil rate of withholding tax in advance of the payment of a dividend under an applicable double taxation agreement, the non-Ghanaian resident shareholder must submit to the Registrar of the security in which he owns shares prior to the dividend payment date, such evidence of tax residence as the Ghanaian tax authorities require in order to establish the non-Ghanaian resident's entitlements to the benefit to the applicable double taxation agreement. In the absence of sufficient proof in advance that a non-Ghanaian resident shareholder qualifies for the benefit of a double taxation agreement, the Registrar concerned will withhold tax at the rate of 10% and a claim for repayment of the tax withheld must be submitted to the Ghanaian tax authorities.

In 1993, a Double Taxation Convention between Ghana and the United Kingdom was signed to replace the 1947 Double Taxation Agreement between the Government of United Kingdom and the Government of Ghana, then Gold Coast. Under the Convention, a UK resident shareholder, being an individual or a company holding less than 10% of the voting power of a Ghanaian company will be liable to Ghanaian tax at the domestic rate of 10%. (the Convention merely provides for a maximum level of Ghanaian tax of 15%). Where the shareholder is a company holding at least 10% of the voting power of the company paying the dividend, the rate of Ghanaian tax is reduced to 7.5%. The Convention has since been ratified in June 1994 and took effect in June 1995.

A double taxation agreement was entered into between Ghana and France in April 1993 but this has not yet been ratified. In addition to these, there are double taxation agreement between Ghana and the Gambia, Sierra Leone, Nigeria and Sweden.

vii. **(REGISTRATION OF NOTICE OF ANY INCREASE IN STATED CAPITAL)**

For registering notice of any raising of stated capital to an amount exceeding ¢5000 and for each ¢5000, or part thereof, of stated capital in excess of ¢5000, a registration fee of 0.2% of the value is payable.