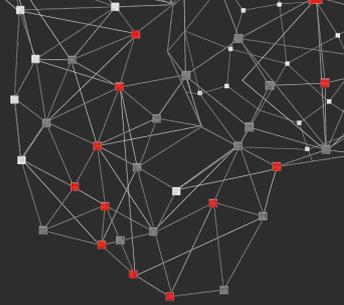


Ghana's tax measures in response to COVID-19



On 1 May 2020, the Parliament of Ghana passed the Income Tax (Amendment) Bill, 2020 to exempt from income tax, certain withdrawals from the statutory voluntary pension scheme. On that same day, Parliament designated donations of goods to the COVID-19 fight as emergency relief items for VAT purposes and granted powers to the Finance Minister, Mr. Ken Ofori-Atta, to waive taxes on the employment income of health workers.

Prior to this, on 27 April 2020, the Ghana Revenue Authority (GRA) issued a public notice to outline new measures introduced in response to the pandemic.

In this article, we will elaborate on the tax measures approved by Parliament and announced by the GRA, which aim at mitigating the impact of COVID-19.



Income tax specific measures

The approved income tax measures are explained as follows:

- Withdrawals of non-qualifying accrued benefits under a third-tier (statutory pension/provident fund) scheme usually attract income tax at 15%. Income tax will be waived for withdrawals made by employees who have lost their permanent employment and self-employed persons who have lost their business capital;
- Health workers are subject to the income tax regime in Ghana. However, to provide compensation for additional risks, the employment income of health workers for the months of April to June 2020 is exempt from income tax;
- Generally, donations made by a taxpayer will not qualify as deductions against income when determining how much of the taxpayer's income should be taxed. However, all COVID-19 donations will be considered as deductible expenses for income tax purposes and so will reduce the amount of income used to determine the taxpayer's income tax liability; and
- The deadline for filing annual income tax returns has been extended by two months. As a result, 30 June 2020 (and not 30 April 2020) will be the new filing deadline for the 2019 income tax returns for individuals and partnerships and the 2019 Annual P.A.Y.E. Deductions Return filed by employers. Companies and trusts have six (instead of four) months after the end of their financial year to file their income tax returns.



Value Added Tax (VAT) specific measure

The VAT measure is explained below:

- Under normal circumstances, supplies of goods made by VAT-registered businesses are subject to the imposition of VAT and allied levies (together referred to as VAT). Donations of goods for charitable purposes may trigger VAT liability for the donor. However, no VAT should be effectively charged by a donor and paid on goods contributed in support of efforts against COVID-19. This is because Parliament has approved such taxable donations as emergency relief items under the VAT laws.



General tax measures

For the administration of taxes in general, the following measures have been introduced:

- Penalties on principal debts will be cancelled upon payment of outstanding debts due to the GRA up to 30 June 2020; and
- The GRA has disseminated information to aid the payment of taxes by bank transfer and the filing of returns by email.



Other compliance measures

In related news, the Registrar-General's Department has extended the deadline for filing annual company returns. Companies with year-ends up to 31 December 2019 will have until 30 June 2020 to file their returns. Companies with 2020 year-ends up to 30 June 2020 should submit their returns by 31 December 2020.



The way forward

We recommend that appropriate, preferably third party, documentation should be maintained for any donations made to support the COVID-19 fight in order to benefit from the above-mentioned tax incentives and the tax exemptions on withdrawals from the voluntary pension funds. Businesses are encouraged to carry out tax health checks to assess tax exposures and settle those debts by 30 June 2020 to avoid future sanctions for non-compliance.

Connect with us for additional insights by sending an email to gh_tax@pwc.com

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