The Income Tax (Amendment) Act, 2015 (Act 902), was assented to by Ghana’s President and published in the Official Gazette on 30 December 2015. Act 902 amends some provisions in Act 896 (the principal Act). As the Act did not specify any date of commencement, in accordance with the provisions of the Constitution of the Republic of Ghana (Constitution, 1992), the Act entered into force on its date of publication, 30 December 2015. Even though the Amendment was supposed to take effect from 30 December 2015, since the Minister for Finance & Economic Planning had scheduled the full implementation of the principal Act - Act 896 - to commence on 1 January 2016, Act 902 (being an amending Act) also entered into force on 1 January 2016.

The Act was enacted to:

- Provide for new rates of tax on the chargeable income of resident individuals for a year of assessment
- Introduce the withholding tax rate applicable to fees payable to an individual for services considered as any other supply of services
- Increase the monetary threshold for an individual to whom a presumptive tax applies and for related matters

This Alert highlights the changes introduced by the Income Tax (Amendment) Act, 2015, Act 902:

- Individual income tax rates
Under Paragraph 1 of the First Schedule of Act 896, the tax rates applicable to the chargeable incomes of resident individuals have been amended as follows:

<table>
<thead>
<tr>
<th>Rate %</th>
<th>2016 rate (GH¢)</th>
<th>2013 rate (GH¢)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free</td>
<td>First 2,592</td>
<td>First 1,584</td>
</tr>
<tr>
<td>5%</td>
<td>Next 1,296</td>
<td>Next 792</td>
</tr>
<tr>
<td>10%</td>
<td>Next 1,812</td>
<td>Next 1,104</td>
</tr>
<tr>
<td>17.5%</td>
<td>Next 33,180</td>
<td>Next 28,200</td>
</tr>
<tr>
<td>25%</td>
<td>Exceeding 38,880</td>
<td>Exceeding 31,680</td>
</tr>
</tbody>
</table>

- The chargeable income of a company for a year of assessment from a manufacturing business other than a Free Zones Enterprise or a company which exports non-traditional goods and which is not located in Accra or Tema is taxed as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Income tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing business located in the regional capitals of the country</td>
<td>75% of the applicable income tax rate of 25% (i.e., 18.75%)</td>
</tr>
<tr>
<td>Manufacturing business located elsewhere in the country</td>
<td>50% of the applicable income tax rate of 25% (i.e., 12.5%)</td>
</tr>
</tbody>
</table>

- A resident person who pays to an individual a service fee that has its source in the country and the rate of tax applicable to the service is not specifically provided for by law, is now required to withhold tax at a rate of 15% from the payments.

- The maximum monetary threshold for an individual to whom a presumptive tax is applied on the turnover has been increased from GH¢120,000 to GH¢200,000.1

- The maximum monetary threshold for an individual to whom a modified cash basis applies has been increased from GH¢120,000 to GH¢200,000.

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Endnote
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