

Sage in Ghana

Payroll Taxes 2020

1. General Information

Official currency

The official currency of Ghana is the Ghana Cedi (GHS).

Tax year end

Ghana tax year is the calendar year ending 31 December.

Revenue service

Ghana Revenue Authority:

www.gra.gov.gh

2. Employment income

Amounts to be included in the employment income are:

- payments of salary, wages, leave pay, fees, commissions, and gratuities
- overtime pay and bonuses; as provided by Regulations
- personal allowances, including cost of living allowance, subsistence, rent, entertainment or travel allowance;
- a discharge or reimbursement of an expense incurred by an individual or associate of the individual;
- a payment for the individual's agreement to conditions of the employment;

- retirement made to a retirement fund on behalf of the employee and retirement payments received in respect of the employment;
- other payments, including gifts, received in respect of the employment; and
- any other allowances or benefits paid in cash or given in kind.

3. Tax Rates

Tax tables

Annual Tax Table effective 01 January 2020

Chargeable Income (GHC)		Rate of Tax
From	To	
0,00	3 828,00	0%
3 828,01	5 028,00	5%
5 028,01	6 468,00	10%
6 468,01	42 468,00	17.5%
42 468,01	240 000,00	25%
240 000,01	and above	30%

Non-resident employee

The chargeable income of a non-resident is taxed at the rate of 25%.

Casual workers

The gross income (full earnings) of a casual worker must be taxed at a final tax rate of **5%**.

Part-time employees

In the case of part-time employment other than for examining, invigilating, supervising an examination or part-time teaching or lecturing purposes; the income from part-time employment is taxed at:

10% where the employee is a resident individual and

at **25%** where the employee is a non-resident individual.

4. Tax on Overtime

Where an employer makes a payment for overtime to a qualifying junior employee for overtime work by that employee during the year of assessment, the employer shall:

- Withhold tax from the total of that payment at the rate of **5%**, if the amount paid does not exceed 50% of the monthly basic salary; or
- Withhold tax from the excess of that payment at the rate of **10%**, if the amount paid does not exceed 50% of the monthly basic salary.

5. Tax on Bonus

Where bonus paid to an employee during the year;

- does not exceed 15% of annual basic salary, the employer shall withhold tax from the gross amount of payment at the rate of 5%
- exceeds 15% of annual basic salary of the employee, the employer shall add any excess above 15% payments to the employment income of the employee for the year and withhold tax from the payment in accordance with the income tax rates for resident individuals.

6. Benefits in Kind

Benefits in kind to, or on behalf of, an employee by his employer form part of employment income and are taxable in the hands of the individual employee. Generally, the value of the benefit in kind is the cost to the employer of providing the benefit.

Accommodation

The value of the taxable benefit is determined as follows:

- Accommodation with furniture, **10%** of the employee's total cash emoluments
- Accommodation without furniture, **7.5%** of the employee's total cash emoluments
- Furniture only, **2.5%** of the employee's total cash emoluments
- Shared accommodation, **2.5%** of the employee's total cash emoluments

Motor Vehicle

- Where a motor vehicle, driver and fuel are granted, the value of the benefit will be **12.5%** of the employee's total cash emoluments up to a maximum of **GHS 600** per month
- Where only a motor vehicle is granted, the value of the benefit will be **5%** of the employee's total cash emoluments up to a maximum of **GHS 250** per month

- Where a motor vehicle is granted with fuel, the value of the benefit will be **10%** of the employee's total cash emoluments up to a maximum of **GHS 500** per month
- Where only fuel is granted, the value of the benefit will be only **5%** of the employee's total cash emoluments up to a maximum of **GHS 250** per month

Interest on loan benefit

A benefit consisting of a loan provided for a year of assessment in return for services (whether by way of employment or otherwise) or by an entity to a member or manager of the entity is quantified as:

- where the loan is made by an employer to an employee, with the term of the loan not more than 12 and the aggregate amount of the loan and any similar loans outstanding at any time during the previous twelve months does not exceed three months basic salary, the quantity of the payment is nil; and
- in any other case, a quarter of the amount by which-
 - the interest that would have been paid by the payee during the year of assessment of the payee in which the payment is made if interest were payable under the loan at the statutory rate for the year of assessment, exceeds
 - (ii) the interest paid by the payee during the year of assessment under the loan, if any.”

7. Exempt Income

Medical, Dental, or Health Insurance

A dental, medical, and health insurance expense, where the benefit is available to all full-time employees on equal terms, is exempt from tax.

Passage In and Out

Passage in and out of Ghana for the commencement and completion of assignment (employment) is non-taxable provided the person is recruited/engaged outside of Ghana, in Ghana solely for the employment, and is not a resident of Ghana.

Certain Accommodation

Provision of accommodation by employer to employee at a site or place where the field operation of the business is carried on.

Exemption granted to employees of the following Enterprises:

- Timber
- Farming
- Mining
- Building

- Construction

Reimbursement/Discharge of Business Expenditure

Reimbursement/discharge of business expenditure incurred by the employee on behalf of the employer is not taxable.

Redundancy Pay

Severance pay and redundancy pay are tax exempt.

Pension income

The pension payable to employees is exempt from tax.

Certain payments

Payments made to employees on a non-discriminatory basis that, by reason of their size, type and frequency, are unreasonable or administratively impracticable for the employer to account for or to allocate to the individual.

8. Tax Deductions

Retirement contributions including SSNIT

Mortgage Interest

9. Personal Reliefs

Marriage / Responsibility

The relief is GHC1 200 p.a. in the case of an individual with a dependant spouse** or at least two dependent children.

Disabled

The relief is 25% of the assessable income from business and/or employment only. It is granted to a person who is certified to be disabled by the Department of Social Welfare.

Old age

The relief is GHC1 500 p.a. or the employee's assessable income, whichever is less. The relief is granted to persons who are sixty (60) years and above and are in receipt of income from business and/or employment.

Child Education

The relief is GHC600 p.a. per child up to a maximum of three (3).

It is granted to persons who have children/wards in recognized educational institutions in Ghana. Both parents cannot claim this relief in respect of the same child

Aged Dependant

A taxpayer who provides the necessaries of life for an aged relative who is 60 years and above (other than a spouse or child) qualifies for a relief of GHC1 000 p.a. per aged relative.

The relief is granted up to a maximum of two aged-dependants.

Only one person can claim this relief in respect of the same aged relative.

Cost of Training/Self-Improvement

Any individual taxpayer who undergoes training to update his professional, technical or vocational skills or knowledge is eligible for a relief of GHC2 000 per year or the cost training whichever is lesser.

10. Social Security – SSNIT

www.ssnit.org.gh

Normal employees – Act 766 Group

Employee contributes 5.5% of the basic salary every month and employer contributes 13% of the employee's basic salary to make a total of 18.5%.

Out of the 18.5% the employer should remit 13.5% to SSNIT Tier 1 after the end of each month. The remainder of 5% is paid over to the Tier 2 provident/pension fund.

Act 766 Group – 45 at first registry

The maximum age for a new entrant/member is 45 years.

Employees who were 45-year-old and above when they first registered for SSNIT are exempt under the new Act 766. They do not qualify for the Basic pension scheme Tier 1, all contributions go to Tier 2.

PDNCL 247 Group

Employees aged 50 years and above as at 01 January 2010 were previously exempted from contributing to the new pension scheme (Act 766); they continued to contribute under PNDCL 247.

Employees in this group contribute 5% of their basic salary to SSNIT, while their employers contribute 12.5%.

Minimum and Maximum contributions

The minimum amount on which the minimum SSNIT contribution shall be determined is daily minimum daily wage x 22 days.



The maximum salary amount on which the SSNIT Tier 1 contribution is based on is GHc 25 000 per month. Members who are contributing under the PNDCL 247 and those who were 45 years old at first registry are not affected by the maximum provisions.

DISCLAIMER

Although care has been taken with the preparation of this document, Sage makes no warranties or representations as to the suitability of quality of the documentation or its fitness for any purpose and the client uses this information entirely at own risk.