

Tax Alert

3 March 2017

On 2 March 2017 the Finance Minister of the Republic of Ghana, Ken Ofori-Atta read the first budget of President Nana Addo Dankwa Akufo-Addo.

This Tax Alert highlights the key tax issues in the Budget presented to the Parliament of Ghana on 2 March 2017.

- Establishment of Airport Free Zone with the view of driving capital inflows and job creation.
- The government indicated its plan to abolish certain taxes. These have been set out below:
 - a) 1% Special Import Levy on the Cost, Insurance and Freight (CIF) value on some imported goods. However, it is unclear whether or not the abolition extends to the 2% Special Import Levy on all other goods imported into the country;
 - b) 17.5% VAT/NHIL on fees-based financial services rendered by financial institutions;
 - c) 17.5% VAT/NHIL on selected imported medicines which are not produced locally;
 - d) 17.5% VAT/NHIL on domestic airline tickets;
 - e) 5% VAT/NHIL on real estate sales;
 - f) excise duty on petroleum; and
 - g) import duty on the importation of spare parts.
- Furthermore, some taxes or levies will have a reduction on their rates. These taxes are:
 - a) special petroleum tax rate will be reduced from 17.5% to 15%;
 - b) national electrification scheme Levy will be reduced from 5% to 3%;
 - c) public lighting levy to be reduced from 5% to 2%; and
 - d) traders to account for VAT at a flat rate of 3% on taxable supplies.
- Tax credits and other incentives for persons that employ young graduates. It is not clear what form the tax credits and incentives may take. There are similar tax incentives in existing tax

law for persons who employ fresh graduates. The current incentive allows the companies additional tax deductions for the salaries and wages paid during the year to fresh graduates from a recognised Ghanaian tertiary institution.

- Elimination of import duties on raw materials and machinery which are for production within the context of the ECOWAS Common External Tariff (CET) Protocol.
- Capital gains on sale or transfer of securities listed on the Ghana Stock Exchange to be exempt once again. It is not clear whether or not the exemption shall be for a specific period subject to review by the Minister of Finance, as it was done under the repealed Internal Revenue Act, 2000, Act 592.
- There are plans by the government to review the regime on import duty exemptions and tax reliefs given to stated persons. Stated persons eligible for import duty exemptions and tax reliefs shall be required to pay fully all applicable import duties and taxes and subsequently apply for a refund.

The tax measures announced by the Minister of Finance do not take effect until Parliament of Ghana amends the relevant tax laws. In the coming weeks, it is expected that amendment bills will be initiated through Parliament so that these fiscal measures will have the force of law.

For a comprehensive discussion of how these tax issues might affect your business, please get in touch with us.

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We maintain local excellence coupled with global standards to our deliverables to clients. Our responsive teams offer excellent client service. We recruit and maintain the best people.

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