

Regulatory Alert

GHANA HAS AMENDED THE INCOME TAX ACT, 2015 (ACT 896)

Parliament of Ghana has passed the Income Tax (Amendment) Act, 2023 (Act 1111). The object of this amendment is to revise the rates of income tax for individuals. Act 1111 was assented by the President on 29th December 2023.

In this alert, we highlight the key areas of the law below:

The Rate of Income Tax for Individuals

The chargeable income of a resident individual for a year of assessment is taxed at the following annual rates.



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ANNUAL PAYE RATES

Year 2024	Chargeable Income GH¢	Rate %	Tax Payable GH¢	Cumulative Income GH¢	Cumulative Tax GH¢
First	5,880	-	-	5,880	-
Next	1,320	5	66	7,200	66
Next	1,560	10	156	8,760	222
Next	38,000	18	6,650	46,760	6,872
Next	192,000	25	48,000	238,760	54,872
Next	366,240	30	109,872	605,000	164,744
Exceeding	605,000	35	211,750		

Note: In the Act, it is not exceeding GHS600,000.00. However, it is arithmetically incorrect and inconsistent with the amounts at each level of the scale.

The act originally provides annual rates. Below is the monthly rates deduced from the annual rate

MONTHLY RATES

Year 2024	Chargeable Income GH¢	Rate %	Tax Payable GH¢	Cumulative Income GH¢	Cumulative Tax GH¢
First	490.00	0	-	490.00	-
Next	110.00	5	5.50	600.00	5.50
Next	130.00	10	13.00	730.00	18.50
Next	3,166.67	17.5	554.17	3,896.67	572.67
Next	16,000.00	25	4,000.00	19,896.67	4,572.67
Next	30,520.00	30	9,156.00	50,416.67	13,728.67
Exceeding	50,416.67	35	17,645.83		

Note: In the Act, it is to be "not exceeding GHS50,000.00". However, it is arithmetically incorrect and inconsistent with the amounts at each level of the scale.

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Takeaways

- Although the Act sets the Maximum cap at GHS600,000.00 per annum, adding each level add up to GHS605,000.00. It will be helpful for GRA to provide guidance on this.
- It also appears that persons within the highest tax band would have a much more reduction in tax than the persons in the lower tax bank. For instance, a person earning above GHS50,000.00 may have a reduction up to GHS145.00 compared to a maximum of GHS34.00 if he was earning an amount lower than GHS50,000.00.
- The highest tax rate of 35% has been maintained.
- The first tax band of an individual has been increased from GHS 4,824 to GHS 5,880. Thus, a monthly increase from GHS402.00 to GHS490.00.
- **However, the fourth tax band of an individual has been increased from annual amount of GHS 36,000 to GHS 38,000.** Thus, from GHS3,000.00 to GHS3,166.67
- Also, the fifth tax band of an individual has been decreased from GHS 196,740 to GHS 192,000.
- The sixth tax band of an individual has been increased from GHS 359,556 to GHS 366,240.
- Measures to improve the efficient collection of tax revenue should be considered by the GRA to achieve the expected revenue.

If you have any questions on the matters referred to in this Alert, please do not hesitate to contact the authors below.

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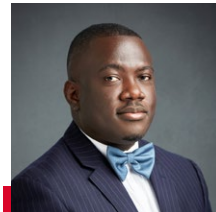
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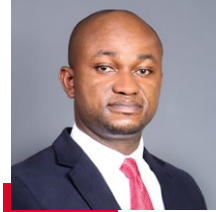
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