Ghana

Contacts

George Ankomah
Partner
gankomah@deloitte.com.gh
+233501320895

Gloria Boye-Doku
Partner
gboyedoku@deloitte.com.gh
+233501320915

Wisdom Kpano
Manager
wkpano@deloitte.com.gh
+233501320969

What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

In May 2019, the government of Ghana established a tax incentive framework for its industrialization policy known as "One District One Factory" (1D1F). The 1D1F policy is targeted at accelerating industrial growth across the country.

To stimulate investment in the automobile industry, the government has provided incentives for motor manufacturers and assemblers.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Free zones	Companies registered to operate as free zone developers or enterprises are entitled to a 10-year tax holiday, followed by a reduced 15% corporate income tax rate on exports Companies also are exempt from other direct and indirect taxes, and benefit from limited customs formalities	100% corporate income tax exemption/other tax exemptions	Not applicable	Enterprises must be licensed by the Ghana Free Zones Board (GFZB) At least 70% of annual production of goods and services must be exported
Export of non-traditional goods	Income earned by companies from the export of non-traditional goods is taxed at a reduced rate	8% corporate income tax rate	Not applicable	Benefit is restricted to non-traditional goods including horticultural products, handicrafts, etc.
Automobile industry	Manufacturers or assemblers of semi-knocked down vehicles and complete-knocked down vehicles are entitled to a three-year or 10-year income tax exemption, respectively, from the date of commencement of business Importers of plant and machinery, and knocked down components for use in the automobile industry are exempt from import VAT on importation	100% corporate income tax exemption/VAT exemption	Not applicable	Limited to manufacturers or assemblers in the automobile industry

Industries most often affected by government incentives in country

	Technology, Media & Telecom		**Financial Services**
	Telecom, Media & Entertainment		Banking & Capital Markets
	Technology		Insurance
	Consumer		Investment Management
●	Consumer Products		Real Estate
●	Retail, Wholesale & Distribution		**Life Sciences & Health Care**
●	Automotive		Health Care
●	Transportation, Hospitality & Services		Life Sciences
	Energy, Resources & Industrial		**Government & Public Services**
	Power & Utilities		Health & Social Care
	Mining & Metals		Defense, Security & Justice
●	Oil, Gas, & Chemicals		Civil Government
●	Industrial Products & Construction		International Donor Organizations
			Transport

Ghana

Contacts

George Ankomah
Partner
gankomah@deloitte.com.gh
+233501320895

Gloria Boye-Doku
Partner
gboyedoku@deloitte.com.gh
+233501320915

Wisdom Kpano
Manager
wkpano@deloitte.com.gh
+233501320969

Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Investment							
Capex: Manufacturing businesses	NO	PERMANENT INCENTIVE	NOT APPLICABLE NOT APPLICABLE	National: Not applicable Local: Arrears	Reduced corporate income tax rate for manufacturing businesses Manufacturing businesses licensed as free zone entities are entitled to a 10-year tax holiday	Reduced corporate income tax rate (12.5% or 18.75%); 10-year tax holiday for licensed free zone entities	Reduced corporate income tax rate (12.5% or 18.75%); 10-year tax holiday for licensed free zone entities
Capex: Agricultural sector	NO	PERMANENT INCENTIVE	NOT APPLICABLE NOT APPLICABLE	National: Not applicable Local: Arrears	Reduced corporate income tax rate for entities involved in production of livestock, fish, and other cash crops for five years from commencement date (10 years for entities investing in the production of cattle). Locational incentives may be available for a further five years after the end of the concessionary rate period	1% corporate income tax rate for five or 10 years; possible 5%-20% rate for further five years	1% corporate income tax rate for five or 10 years; possible 5%-20% rate for further five years
Capex: One District One Factory (1D1F) tax incentive framework	PERMANENT INCENTIVE	NO	NOT APPLICABLE NOT APPLICABLE	National: Arrears Local: Not applicable	1D1F tax incentive framework provides a five-year corporate income tax holiday; waiver of import duties and taxes on equipment, machinery and parts; waiver of duties and levies on raw materials; exemption from withholding taxes on payments received; assurance for the repatriation of dividends; guarantee against nationalization; and expatriate worker quotas	Various tax reductions and exemptions, and non-tax incentives. Corporate income tax holiday capped at five years	Various tax reductions and exemptions, and non-tax incentives. Corporate income tax holiday capped at five years
Capex: Automobile industry	PERMANENT INCENTIVE	NO	NOT APPLICABLE NOT APPLICABLE	National: Arrears Local: Not applicable	Three-year corporate income tax exemption for manufacturers or assemblers of semi-knocked down vehicles (10 years for complete-knocked down vehicles) Exemption from import VAT for importers of plant and machinery, and knocked down components for use in the automobile industry	Three-year or 10-year corporate income tax exemption; 100% VAT exemption	Three-year or 10-year corporate income tax exemption; 100% VAT exemption
Capex: Hotel industry	PERMANENT INCENTIVE	NO	NOT APPLICABLE NOT APPLICABLE	National: Arrears Local: Not applicable	Reduced corporate income tax rate on income of entities principally engaged in the hotel industry	22% corporate income tax rate	22% corporate income tax rate

Key: = PERMANENT INCENTIVE = TEMPORARY INCENTIVE = NEGOTIABLE = NO = LIMITED APPLICABILITY = NOT APPLICABLE

Notes:
1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

Ghana

Contacts

George Ankomah
Partner
gankomah@deloitte.com.gh
+233501320895

Gloria Boye-Doku
Partner
gboyedoku@deloitte.com.gh
+233501320915

Wisdom Kpano
Manager
wkpano@deloitte.com.gh
+233501320969

Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Investment (continued)							
Training: Fresh graduates	Permanent incentive	No	Not applicable Not applicable	National: Arrears Local: Not applicable	Additional deduction for salaries paid to new graduates from recognizead Ghanaian tertiary institutions in computing companies' taxable income	Deduction of 50% of new graduates' salaries and wages where such graduates comprise more than 5% of the workforce	Deduction of 50% of new graduates' salaries and wages where such graduates comprise more than 5% of the workforce
Training: Non-graduate training	Permanent incentive	No	Not applicable Not applicable	National: Arrears Local: Not applicable	Corporate income tax deduction for training expenses where the training obtained by the individual is relevant to the business or organization, and does not lead to a diploma or a degree	Deduction of 100% of training expenses	Deduction of 100% of training expenses
Young entrepreneurs	Permanent incentive	Permanent incentive	Not applicable Not applicable	National: Arrears Local: Not applicable	Income tax holiday followed by reduced tax rates based on location for young entrepreneurs operating in certain industries. Incentive is available only to individuals and sole proprietors, not companies	N/A	N/A
Free zones	Permanent incentive	No	Not applicable Not applicable	National: Arrears Local: Not applicable	Corporate income tax holiday followed by reduced corporate income tax rate on income from exports for companies licensed by the GFZB to operate as free zone developers or enterprises	10-year corporate income tax holiday, then reduced 15% tax rate on income from exports	10-year corporate income tax holiday, then reduced 15% tax rate on income from exports
Export of non-traditional goods	Permanent incentive	No	Not applicable Not applicable	National: Arrears Local: Not applicable	Reduced corporate income tax rate on income earned by companies from the export of non-traditional goods	8% corporate income tax rate	8% corporate income tax rate
Customs duties	Permanent incentive	No	Not applicable Not applicable	National: Arrears Local: Not applicable	Exemption from customs duty on imports of plant, machinery, and equipment. Reduced customs duty rate on certain imported raw materials	0%/5% customs duty rate	0%/5% customs duty rate
Environmental sustainability							
Sustainability	Permanent incentive	No	Not applicable Not applicable	National: Arrears Local: Not applicable	Reduced corporate income tax rate for (i) seven years from commencement of business for waste processing businesses, and (ii) 10 years from date of first harvest for entities engaged in the farming of tree crops	1% corporate income tax rate for seven or 10 years	1% corporate income tax rate for seven or 10 years

Key: ● = PERMANENT INCENTIVE ● = TEMPORARY INCENTIVE ● = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

Ghana

Contacts

George Ankomah
Partner
gankomah@deloitte.com.gh
+233501320895

Gloria Boye-Doku
Partner
gboyedoku@deloitte.com.gh
+233501320915

Wisdom Kpano
Manager
wkpano@deloitte.com.gh
+233501320969

Country background

The general corporate income tax rate in Ghana is 25%, although a reduced rate of 8% applies to income from the export of non-traditional goods (including horticultural products and handicrafts); reduced rates of 12.5% or 18.75% apply to manufacturing businesses, depending on their location; and a reduced rate of 22% applies to entities principally engaged in the hotel industry. A 35% rate applies to mining and petroleum companies.

Nature of incentives

The government has focused on improving the business environment through a variety of policies and national infrastructure projects, with an emphasis on boosting exports and attracting investment as an integral part of the economic development strategy.

The Ghana Investment Promotion Centre (GIPC) Act, 2013 and the Free Zones Act, 2003 enacted the GIPC and the Ghana Free Zones Board (GFZB), respectively, to promote economic development and regulate the activities of investors. The GIPC governs investment in all sectors of the economy except oil and gas, minerals and mining, and within the free zones enclave. All foreign companies must register with the GIPC.

In some cases, foreign investors may enjoy certain tax benefits under the law, with additional incentives where the project is deemed critical to the country's development. The incentives are granted by the GIPC in conjunction with the Commissioner General of the Ghana Revenue Authority.

Investment incentives

Agricultural sector

A 1% corporate income tax rate applies to entities investing in the production of livestock, fish, and other cash crops for five years from the date of commencement of business (10 years for entities investing in the production of cattle). This incentive applies to agro-processing and cocoa by-product businesses for five years beginning from the year in which commercial production commences. Qualifying agricultural businesses are taxed at a reduced rate for a further five years after the end of the temporary concessionary period as follows: 20% for Accra and Tema, 15% for other regional capitals outside the Northern Savannah Ecological Zone, 10% outside other regional capitals, and 5% for the Northern Savannah Ecological Zone.

Exemption from customs import duties for plant, machinery, equipment, and parts

Imports of plant, machinery, equipment, and parts are zero-rated for customs purposes under the GIPC Act. An enterprise whose plant, machinery, equipment, and parts are not zero-rated under the Customs Act 2015 may apply to register with the GIPC, and then apply for exemption from import duties and related charges under the GIPC Act.

Members of the Association of Ghana Industries (AGI) also may apply via the AGI to import raw materials not found in Ghana at a reduced customs duty rate of 5%.

Manufacturing

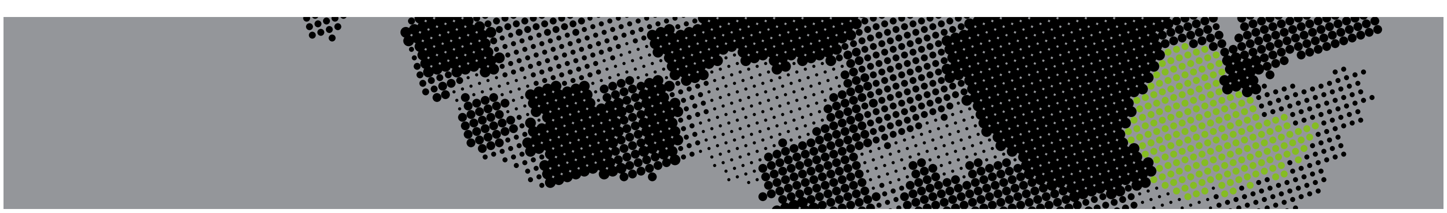
A reduced corporate income tax rate of 18.75% applies to manufacturing business located in regional capitals (except Accra and Tema), and a 12.5% rate applies to manufacturing business located elsewhere in Ghana. Agro-processing companies and companies that produce cocoa by-products are not eligible for the incentive.

Manufacturing businesses licensed as free zone entities are entitled to a 10-year corporate income tax holiday. After the expiration of the 10-year tax holiday, manufacturing firms registered as free zone entities that meet the criteria for the locational incentives are eligible for the reduced 18.75% or 12.5% rate on their domestic sales.

One District One Factory (1D1F)

Entities registered under the 1D1F tax incentive framework are entitled to:

- A five-year corporate income tax holiday;
- Waiver of import duties and taxes on imported equipment, machinery, and parts;



Ghana

Contacts

George Ankomah
Partner
gankomah@deloitte.com.gh
+233501320895

Gloria Boye-Doku
Partner
gboyedoku@deloitte.com.gh
+233501320915

Wisdom Kpano
Manager
wkpano@deloitte.com.gh
+233501320969

- Waiver of duties and levies on imports of raw materials;
- Exemption from the requirement for customers to withhold tax on payments;
- Assurances regarding the repatriation of dividends, permitting dividends that have been declared and paid to be repatriated irrespective of the currency or amount (in some cases repatriation via a licensed financial institution may be required);
- A guarantee against nationalization; and
- Expatriate worker quotas.

Automobile industry

To stimulate investment in the automobile industry in Ghana, the government has introduced the following incentives:

- Manufacturers or assemblers of semi-knocked down vehicles are entitled to a three-year corporate income tax exemption from the date of commencement of business;
- Manufacturers or assemblers of complete-knocked down vehicles are entitled to a 10-year corporate income tax exemption from the date of commencement of business; and
- Importers of plant and machinery, and knocked down components for use in the automobile industry are exempt from import VAT upon importation.

Environmental Sustainability Incentives

Waste processing businesses

Waste processing businesses are taxed at a reduced corporate income tax rate of 1% for seven years from the commencement of business.

Farming of tree crops

Entities engaged in the farming of tree crops are taxed at a reduced corporate income rate of 1% for 10 years from the first harvest.

Other incentives

Free zones

Companies licensed by the GFZB to operate as free zone developers or enterprises are entitled to a 10-year corporate income tax holiday. Following the expiration of the tax holiday period, the corporate income tax rate is 15% on income from exports outside the domestic market, and 25% for income earned from sales in the domestic market.

Companies in free zones area must export at least 70% of their annual production of goods and services.

Such companies also are exempt from other direct and indirect taxes, and benefit from limited customs formalities.

New graduates

An additional deduction is available for salaries paid to new graduates from recognized Ghanaian tertiary institutions in computing companies' taxable income. Deductions are 10%, 30%, or 50% of the new graduates' salaries and wages where such graduates comprise up to 1% of the workforce, more than 1% but less than 5% of the workforce, or more than 5% of the workforce, respectively. A new graduate is defined by the Income Tax Act, 2015 (as amended) as a person who has graduated from a tertiary institution for the first time irrespective of previous employment.

Non-graduate training

A 100% deduction is available for corporate income tax purposes for training expenses where the training obtained by the individual is relevant to the business or organization, and does not lead to a diploma or a degree.

Young entrepreneurs

Young entrepreneurs (persons aged up to 35 years) operating in certain industries (including manufacturing, information and communication technology, agro-processing, energy production, waste processing, tourism, the creative arts, horticulture, and medicinal plants) are entitled to a five-year income tax holiday, followed by reduced tax rates based on location as follows: Accra and Tema—15%, other regional capitals outside the three northern regions—12.5%, outside other regional capitals—10%, and the three northern regions—5%. The incentive is available only to individuals and sole proprietors, not companies.

Hotel industry

Entities principally engaged in the hotel industry are taxed at a reduced corporate income tax rate of 22%. Entities in other sectors of the hospitality industry are not eligible for the reduced rate.

Export of non-traditional goods

Income earned by companies from the export of non-traditional goods is taxed at a reduced corporate income tax rate of 8%.