

INCOME TAX (AMENDMENT) BILL, 2020

MEMORANDUM

The object of the Bill is to amend the Income Tax Act, 2015 (Act 896) to exempt withdrawals from provident funds and personal pension schemes as a result of loss of employment or capital due to the Coronavirus (COVID-19) Pandemic.

The COVID-19 Pandemic has resulted in some economic challenges for businesses. Some sectors of the economy may suffer losses which may lead to some employees being laid off permanently and the folding up of the businesses of some self-employed individuals. Such persons will require funds to sustain them. One ready source of funds will be their contributions to the third tier provident funds and personal pension schemes.

Withdrawals from the third tier provident funds and personal pension schemes before retirement are, however, subject to tax if withdrawn before ten years by contributors in the formal sector and before five years in the case of contributors in the informal sector.

Government has decided to exempt such withdrawals from tax for employees who lose their jobs permanently or whose businesses collapse due to the COVID-19 Pandemic.

The exemption will be equivalent to fifteen percent of the withdrawals.


KEN OFORI-ATTA

Minister responsible for Finance

Date:

INCOME TAX (AMENDMENT) BILL, 2020

ARRANGEMENT OF SECTIONS

Section

Section 94 of Act 896 amended

A

BILL

ENTITLED

INCOME TAX (AMENDMENT) ACT, 2020

AN ACT to amend the Income Tax Act, 2015 (Act 896) to exempt withdrawals from provident funds and personal pension schemes as a result of loss of employment or capital due to the COVID-19 Pandemic and to provide for related matters.

PASSED by Parliament and assented to by the President:

Section 94 of Act 896 amended

The Income Tax Act, 2015 (Act 896) is amended in section 94 by the insertion after subsection (3), of

“(4) A withdrawal from a provident fund or personal pension scheme before the retirement age by reason of the COVID-19 Pandemic, by

(a) an employee due to loss of permanent employment; or

(b) a self-employed person from the personal savings account provided for under paragraph (a) of subsection (2) of section 109 of the National Pensions Act, 2008 (Act 766),

is exempt from income tax.”.

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