

**IN THE SECOND SESSION OF THE FIFTH  
PARLIAMENT OF THE FOURTH REPUBLIC**

**REPORT OF THE COMMITTEE**

**ON SUBSIDIARY LEGISLATION**

**ON**

**THE INCOME TAX RATES (AMENDMENT)  
REGULATIONS, 2010  
(L.I 1965)**

***JUNE, 2010***

## **1.0 INTRODUCTION**

The Income Tax Rates (Amendment) Regulations, 2010 (L.I 1965) was laid before Parliament on **Friday, 12<sup>th</sup> March, 2010** and referred to the Committee on Subsidiary Legislation for consideration and report in accordance with Article 11(7) of the Constitution and Orders 77 (a) and 166 of the Standing Orders of the House.

## **2.0 DELIBERATIONS**

The Committee met with Officials from both the Ministry of Finance and Economic Planning and the Internal Revenue Service to discuss the Instrument. In attendance were Officials from the Drafting Division of the Attorney-General's Department.

The Committee is grateful to all the Officials for their attendance and for assisting in the deliberations.

## **3.0 REFERENCE DOCUMENTS**

The Committee made reference to the following documents during its deliberations:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Internal Revenue Act, 2000 (Act 592); and
- iv. Income Tax Rates (Amendment) (No. 2) Regulations, 2007 (L.I 1830)

## **4.0 BACKGROUND INFORMATION**

The current personal income tax rates regime has been in operation since 2006. However, salaries and wages have gone up by about 95% since 2006. As a result, many income earners have suffered a higher income tax rate than originally anticipated.

In 2006, labour groups also proposed tax exemption for workers earning below the minimum wage. The Government in an attempt to meet the demands of labour, granted concessionary tax rates to workers who earned salaries not more than 5% above the minimum wage. Computation of Personal Income Tax has therefore become difficult because of the complexities involved in the determination of the category of workers entitled to the concessionary tax rates.

## 5.0 OBJECT OF THE INSTRUMENT

The Instrument seeks to amend the Income Tax Rate (Amendment) (No. 2) Regulations, 2007 (L.I. 1830) and to introduce new Personal Income Tax Rates. The new Rates are provided in the table below:

<b>Chargeable Income</b>	<b>Rate of Tax</b>
First GH¢1,008.00	Nil
Next GH¢240.00	5%
Next GH¢720.00	10%
Next GH¢14,232.00	17.5%
Exceeding GH¢16,200.00	25%

## 6.0 OBSERVATIONS

- 6.1 The Committee noted that the Instrument seeks to make the minimum wage tax free. The Committee was informed that the eventual implementation of the Instrument would result in an increase in the incomes of low income workers to enhance their living conditions. It is also expected that an increase in the incomes of workers would lead to an increase in productivity in the public sector.
- 6.2 The Committee observed that the Instrument intends to eliminate the complexities encountered in the assessment of personal income tax payable by workers to the state. The Committee was informed that it



is simpler and easier to compute income taxes of workers using the same rates. The application of the new rate would therefore lead to effective and efficient administration of income tax in the country.

- 6.3 It was also observed by the Committee that the application of the new tax rates would bring respite to workers whose salaries had fallen within a higher tax bracket in the current tax regime. It was noted that salary increments over the past three years had resulted in an increase in the minimum wage. The continuous use of the current income tax rates would therefore defeat the intention of government to make the minimum wage tax free.

## 7.0 RECOMMENDATION & CONCLUSION

The Committee was satisfied that the Instrument meets the requirements of the provisions of the Constitution and the Internal Revenue Act, 2000 (Act 592).

The Committee accordingly recommends to the House to adopt its Report and allow the Income Tax Rates (Amendment) Regulations, 2010 (L.I 1965) to come into force in accordance with Article 11(7) (c) of the Constitution.

Respectfully submitted.



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**HON. KWAME OSEI-PREMPEH**  
*CHAIRMAN, COMMITTEE ON*  
*SUBSIDIARY LEGISLATION*



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**ERIC OWUSU-MENSAH**  
*CLERK TO THE COMMITTEE*