

INCOME TAX (AMENDMENT)(NO. 2) BILL, 2018

MEMORANDUM

The object of the Bill is to amend the Income Tax Act, 2015 (Act 896) to revise the rates of income tax for individuals and clarify the withholding tax on provision of services by non-resident persons.

Government in the mid-year fiscal policy review introduced an additional income tax band of ten thousand Cedis and above per month at a rate of thirty-five percent. An interim evaluation of the policy and general feedback indicated that the policy had been regressive. To counter this effect, Government proposes to review this band to impact monthly income above twenty thousand Cedis at a rate of thirty percent in line with current reforms.

In view of the recent wage increases, wages around minimum wage levels have become partly taxable. The imposition of the tax would reduce the ability of persons who are already lowly paid to access basic social services. In keeping with Government's commitment to lighten the tax burden of wage earners at the lower levels of the wage ladder, the tax-free band will be pegged at the minimum wage.

The review in policy indicates an estimated loss in revenue of approximately four hundred and sixty million, nine hundred and ninety-four thousand Cedis.

Subsection (10) of section 116 of Act 896 provides for the taxation of supply of goods, works or services by non-residents. Paragraph 8(1)(c)(ix) of the First Schedule to Act 896 further provides a withholding tax rate for the supply of goods and works but omits the rate for the supply of services. The omission is cured under the Bill by including the rate for the supply of services which is the same as that for goods and works.

The Bill amends subparagraph (1) of paragraph 1 of the First Schedule to Act 896 by the substitution for the table specified in Act 896. It further amends paragraph 8(1)(c)(ix) of the First Schedule to Act 896 to include the rate for the supply of services.



KEN OFORI-ATTA

Minister responsible for Finance

Date: 12TH DECEMBER, 2018

ACC NO: 1893

Class No: BR/11A/18-

INCOME TAX (AMENDMENT) (NO.2) BILL, 2018

ARRANGEMENT OF SECTIONS

Section

First Schedule to Act 896 amended

INCOME TAX (AMENDMENT) (NO. 2) BILL, 2018

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BILL

ENTITLED

INCOME TAX (AMENDMENT) (NO.2) ACT, 2018

AN ACT to amend the First Schedule to the Income Tax Act, 2015 (Act 896) and to provide for related matters.

Passed by Parliament and assented to by the President:

First Schedule to Act 896 amended

The Income Tax Act, 2015 (Act 896) is amended in the First Schedule by

(a) the substitution for the table in subparagraph (1) of paragraph 1, of

NO.	CHARGEABLE INCOME	RATE OF TAX
1	FIRST GH¢ 3,456	NIL
2	NEXT GH¢1,200	5 percent
3	NEXT GH¢1,680	10 percent
4	NEXT GH¢36,000	17.5 percent
5	NEXT GH¢197,664	25 percent
6	Exceeding GH¢240,000	30 percent

(b) the substitution for paragraph 8(1) (c) (ix), of

" (ix) in the case of goods, works or services referred to in section 116(10), twenty percent."