



GRA

GHANA REVENUE AUTHORITY

Practice Note on Gains or Profits from Employment under the Income Tax Act, 2015 (ACT 896)

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1.0 TAX LAW

The Commissioner-General is empowered under paragraph 2 of the Seventh Schedule of the Income Tax Act 2015, Act 896 to issue Practice Notes setting out the interpretations placed on provisions of Act 896 by the Commissioner-General. Accordingly this Practice Note is issued in respect of the taxation of income from employment of an individual.

2.0 INTERPRETATION

In this Practice Note the word “Act” means the Income Tax Act, 2015 (Act 896).

Definitions and expressions used in this Practice Note have the same meaning as they have in the Act.

3.0 THE PURPOSE OF THIS PRACTICE NOTE

The purpose of this Practice Note is to give clarity and provide direction to officers of the Ghana Revenue Authority, Tax Practitioners, Consultants, Taxpayers and the general public on the taxation of an individual’s gains or profits from employment for a year of assessment as provided under sections 4, 51, 93 and 94 of the Act and the 4th, 5th and 6th Schedules of the Act as well as Regulations 2, 4, 5, 6, 7, 9, 10 and 18 of Income Tax Regulation, 2016 (LI 2244).

It provides guidelines on the procedures and processes for calculating the individual’s income from employment to ensure consistency in the implementation of the Act.

4.0 APPLICATION OF THE LAW

4.1 General rules for taxation of income from employment

The general rules for taxation of income from employment are:

- a) The income shall be “the individual’s gains or profits from any employment for a Year of Assessment including allowances paid in cash or given in kind.

- b) The basis period for computation of income of an individual from employment for a Year of Assessment shall be the period in which the income was earned within the calendar year.
- c) In instances where employment commences on a date other than 1st January of a calendar year, the basis period for computation of the individual's income from the employment shall be the period starting from the date of commencement of the employment and ending on 31st December of the same year.
- d) The individual shall account for tax on employment income on a cash basis and calculation of the tax payable shall be based on a twelve months period ending on 31st December each year.
- e) No expenses are allowed under employment income apart from:
 - (i) mortgage interest under subparagraph(3) of paragraph 4 of the sixth Schedule
 - (ii) Contributions and donations to a worthwhile cause under Section 100 of the Act

4.2 Taxation of benefits in kind

Benefits in kind received from an employment arise where an employer makes payment for the personal needs of an employee by providing the employee with goods or services (instead of money).

Benefits in kind that are subject to tax include benefits which are for the personal use or consumption needs of the employee such as:

- (i) Employer providing accommodation for an employee
- (ii) Employer providing for the education of the employee's children
- (iii) Employer giving goods or services free or at a cost lower than the market value to the employee
- (iv) Employer providing domestic servants and security to employee
- (v) An employer absorbing the tax liability of an employee
- (vi) Payment of utility bills by employer on behalf of employee

- (vii) Share options

4.3 Quantification of taxable benefits in kind

4.3.1 Quantification according to market value

In general, the value of benefit in kind is quantified according to the market value of the benefit. That means the benefit must be valued as **the amount that an independent, reasonable person would pay on the open market to receive the same goods or services.**

The rules of quantification of benefits in kind are as prescribed in the

- (i) Fourth Schedule of the Act
- (ii) Regulations and
- (iii) In the absence of Regulations, the market value, less the part of the cost of the benefit paid by the employee to the employer.

4.3.2 Quantification of Loan Benefits

Basically an employer is not responsible for provision of loans to its employees. However as an incentive to the employees, an employer may undertake the function of providing soft term loans to its employees compared to what a free market may offer.

(a) Where quantification is Nil

A benefit consisting of a loan provided for a year of assessment in return for services, by way of employment is not quantified under the following condition

- (i) the loan is from an employer to an employee,
- (ii) the term of the loan does not exceed twelve months, and
- (iii) the aggregate amount of the loan and any similar loan outstanding at any time during the previous twelve months does not exceed three months basic salary

Where **all** the above conditions apply quantification of loan benefit is nil.

(b) Where quantification is applicable

Where

- (i) The loan is from an entity to a member or manager of the entity or from an employer to an employee;

- (ii) The loan term exceeds twelve months; and
- (iii) the aggregate amount of the loan and any similar loan outstanding at any time during the previous twelve months exceed three months basic salary;
- (iv) the loan should be quantified as follows:

The taxable loan benefit for the year of assessment is quantified as **a quarter of the difference** between the interest the employee pays (if any) and the interest that would have been paid using the statutory rate applicable at the time the loan was taken.

The Statutory rate means the Bank of Ghana rediscount rate or (the Monetary Policy Rate)

Note: The loan benefit shall be determined monthly.

Computation of Interest

$$I = (P \times R \times T)/100$$

Where

I = Interest

P = Principal

R = Rate

T = Duration of Loan (Year)

Formula for calculating the loan benefits:

$$\{C = [A-B]/4\}$$

Where

A = Interest payable at statutory rate

B = Interest paid by the employee

C = Loan benefits

Illustration

The table below shows the incomes of three employees of Done Company Limited

	GHS Kofi	GHS Ama	GHS Kojo
Basic Salary	56,520.00	40,000.00	50,000.00
Housing allowance (10% of basic salary)	5,652.00	4,000.00	5,000.00
Transport allowance (15% of basic salary)	8,478.00	6,000.00	7,500.00
Clothing allowance (20% of basic salary)	11,304.00	8,000.00	10,000.00
Total Cash emolument	81,954.00	58,000.00	72,500.00

Besides the cash emoluments stated above, the employees received loans from the employer as follows:

- (a) Kofi received a loan of GHS 8,000.00 at a rate of 8% payable within 12 months;
- (b) Ama received a loan of GHS 16,000.00 at a rate of 8% payable within 24 months;
- (c) Kojo received a loan of GHS 10,000.00 payable within 16 months. This loan is in addition to an outstanding similar loan of GHS 5,000.00 during the previous twelve months.

(Assume that the statutory rate is 22% p.a.)

Required: Determine the loan benefits applicable to the three employees

Solution

KOFI

Kofi will not be liable to tax on the loan benefit due to the fact that:

- (i) His loan repayment period does not exceed 12 months,
- (ii) He had no similar loan outstanding at any time during the previous twelve months, and

- (iii) His current loan amount of GHS8,000.00 does not exceed his three months' basic salary of GHS 14,130.00;

Workings 1

Kofi's three month's basic salary=GHS 56,520.00 x 3/12= GHS 14,130.00.

AMA

Ama will be liable to tax on the loan benefit in view of the fact that:

- (i) Her loan repayment period exceeds 12 months
- (ii) Her total loan amount of GHS 16,000.00 exceeds her three month's basic salary of GHS 10,000.00

Workings 2

Ama's three month's basic salary = GHS 40,000.00 x 3/12	=	<u>10,000.00</u>
Interest payable at statutory rate = GHS 16,000.00 x 22% x 2	=	7,040.00
Actual loan interest paid= GHS 16,000.00 x 8% x 2	=	<u>2,560.00</u>
Total loan interest benefit	=	<u>4,480.00</u>
However taxable loan benefit is limited to (4,480 x 1/4)	=	<u>1,120.00</u>

KOJO

Kojo will be liable to tax on the loan benefit in view of the fact that:

- (i) His loan repayment period exceeds 12 months
- (ii) The aggregate of the current loan (GHS 10,000.00) and the similar outstanding loan (GHS5,000.00) during the previous twelve months is GHS15,000.00 which exceeds his three month's basic salary of GHS 12,500.00.

Workings 3

Kojo's three month's basic salary = GHS50,000.00 x 3/12	=	<u>12,500.00</u>
Interest payable at statutory rate = GHS15,000.00 x 22% x 16/12=		4,400.00

Actual loan interest payable= GHS15,000.00 x 8% x 16/12 = 1,600.00

Total loan interest benefit = 2,800.00

However taxable loan benefit is limited to (2,800.00 x 1/4) = 700.00

Loan benefits applicable to each employee is as follows

NAME	TOTAL INTEREST	LOAN TERM	MONTHLY INTEREST
KOFI	NIL	12	NIL
AMA	1,120.00	24	46.67
KOJO	700.00	16	43.75

	Kofi	Ama	Kojo
	GHS	GHS	GHS
Total Cash emolument	81,954.00	58,000.00	72,500.00
Loan benefit (workings 1,2 and 3)	-	560.00	525.00
Total Employment income	81,954.00	58,560.00	73,025.00

4.4 Calculation of income from payment for Redundancy

Generally, payments on termination of employment or redundancy are not taxable because they are not in return for services rendered.

A Lump sum payment and other similar payment made to an employee on the termination of their contract of employment as a result of management decision but not through the employee's own volition is exempt from tax.

However a lump sum payment may have the attributes of a taxable remuneration and tax free compensation.

- (i) A payment that relates to the employee's entitlements under his contract of service is taxable. (examples include- restraint of employment)

NB: REVENUE OFFICERS MAY DEMAND THE CONDITIONS OF EMPLOYMENT FROM THE EMPLOYEE

- (ii) A lump sum payment made to an employee as a genuine compensation for loss of office will not be taxable

Examples of payment that are taxable include:

i. Payment in Lieu of Notice

Payment in lieu of notice received from an employer and paid in accordance with the terms of employment contract is liable to tax.

ii. Payment in Lieu of Leave

Any salary received by an employee while on leave as part of the employee's income is taxable.

If the employee's employment is terminated and any earned leave has not been taken, the employer may wish to make cash payment in lieu of leave to eliminate the accumulated leave balance. Cash in lieu of leave is similar to the salary paid when leave is taken, and this is taxable.

NB: LUMP SUM PAYMENT MADE TO EMPLOYEES WHO RESIGN ON THEIR OWN VOLITION IS TAXABLE.

4.5 Treatment of Medical & Dental benefits on equal terms

Payment for dental, medical services and payment for health insurance provided to the employee is exempt from tax if such services or payments are available to all employees on a non-discriminatory basis.

Such services or payments must be available to all employees and must be provided without discrimination. For example the same categories of employees should have access to the same medical facility.

Example

- (i) All junior staff should enjoy the same medical services and payments
- (ii) All senior staff should enjoy the same medical services and payments

- (iii) All management staff should enjoy the same medical services and payments
- (iv) All top-management staff should enjoy the same medical services and payments

4.6 Employment Gift

Gifts received in respect of an employment are taxable. Where there is a link between the payment and the employment and that the payment would never have been made but for the employment, that gift would be considered as a gift received in respect of the employment.

Below are examples of gifts received in respect of employment:

4.6.1 Tips:

Employees in certain trades receive tips which form a substantial part of their income. The payment of tips received from the employer or a third party as a reward for services rendered in the course of the employment are taxable.

4.6.2 Awards:

Under an incentive scheme, prizes may be awarded by an employer to his employees for the efficient performance of their work (for example punctuality, production, sales, etc.) Such payments are taxable.

4.6.3 Appreciation:

Gifts of any kind that is used to show appreciation are taxable.

4.6.4 End of Service Benefit and Ex-Gratia

End of service benefit and ex-gratia paid either in cash or in kind is taxable

4.7 Personal Reliefs

4.7.1 Dependant Spouse or Dependent Children, Relief

This is granted to:

- (i) An individual who provides the necessities of life for the dependant spouse.
- (ii) An individual who provides the necessities of life for two or more dependant children).

Note: If both couple are gainfully employed only one spouse may claim the relief

4.7.2 Disability Relief

This is granted to an individual who is disabled.

To qualify for this relief:

- (i) The individual must be certified by the Department of Social Welfare as a disabled person
- (ii) The relief is granted in respect of income from employment or business only.

This means that the individual will not qualify for the disability relief in respect of investment income earned.

4.7.3 Old Age Relief

This is granted to an individual who is sixty years of age and above.

4.7.4 Child Education Relief

To qualify for this relief:

- (i) The individual must sponsor the education of the child or ward in a recognised, registered educational institution approved by the Ministry of Education.
- (ii) The relief is granted in respect of a maximum of three children.
- (iii) Only one person may claim the child education relief in respect of the same child, The other spouse may claim the child education relief in respect of other children but not in respect of the same child

Thus an individual who sponsors the education of his or her ward in any recognized, registered educational institution (from kindergarten up to the tertiary level) qualifies for the relief

EXAMPLE

Kojo Bio is 59 years and single but caters for four of his sisters' children. One of the children is in Kindergarten, two are in Senior High Schools while another is in the University.

Determine the reliefs available to him

SOLUTION

The reliefs available to him are:

- (i) Dependent Children Relief (Marriage / responsibility)
- (ii) Child education relief in respect of 3 children only

4.7.5 Aged dependant relative relief

This is granted to an individual who provides for the necessities of life for the dependant relative who is sixty years of age or more.

To qualify for this relief:

- (i) The individual must provide for the necessities of life – food, clothing and shelter to the dependant relative.
- (ii) The relief is granted in respect of a maximum of two dependant relatives.
- (iii) Only one person may claim the aged dependant relative relief in respect of the same aged dependant relative,
- (iv) Other relatives may claim the aged dependant relative relief in respect of other relatives but not the same aged relative for whom another relative has already made a claim

4.7.6 Cost of Training Relief

This is granted to an individual who undergoes training to update the individual's professional, technical or vocational skills or knowledge.

NB: "KNOWLEDGE" does not include academic knowledge

4.7.7 Upfront Reliefs

Employees who apply for the reliefs listed below and satisfy all the necessary conditions may be granted the reliefs upfront on monthly basis. Such reliefs include:

- (i) Dependant Spouse or Dependent Children, Relief
- (ii) Child education relief in respect of 3 children only
- (iii) Disability Relief
- (iv) Aged Relief
- (v) Aged dependant relief

4.8 Payment providing passage to an individual in respect of first employment and termination of the employment

Payment made to an individual for passage to or from the country in respect of first employment or termination of the employment is exempt from tax in the hands of the individual.

In the case where the payment is extended to cover the family members of the individual, that payment will be taxable and treated as follows:

- (i) Where cash payment is made to cover the family members of the employee, the amount shall be treated as part of cash emolument of the employee and taxed accordingly
- (ii) Where the employer buys a ticket for the employee and family members, the payment covering the family members shall be treated as a benefit in kind and taxed in the hands of the employee.

4.9 Provision of Accommodation on Site.

Generally provision of accommodation by an employer to an employee constitutes a benefit in kind and is thus taxable.

However, provision of accommodation by an employer carrying on a timber, mining, building, construction, farming business or petroleum operations to that person at a place or site where the field operation of the business is carried out is exempt from tax.

Provision of such accommodation is exempt from tax where an employee is provided with accommodation at a place or site in proximity to the physical location used for the business or operations, taking into consideration other factors that include the safety of the employee from health hazards associated with the business or operations.

NB: DESPITE THE ABOVE, IF CASH PAYMENTS ARE MADE TO EMPLOYEES FOR RENT/ACCOMMODATION, THE PAYMENT SHALL BE ADDED TO THE EMPLOYEE'S INCOME AND TAXED

4.10 Payment made to Employee on a Non Discriminatory Basis.

A payment made to employees on a non- discriminatory basis and which by reason of the **size, type and frequency** of the payments, are unreasonable or administratively impracticable for the employer to account for or to allocate to an individual is exempt from tax.

Examples include the underlisted benefits

- (i) Free or subsidised meals provided by the employer, so long as the meals are available to staff generally and are not provided as part of a salary sacrifice

- (ii) Mobile phone usage where there is no landline phone and the mobile phone is available to all employees of similar rank or position for use in respect of the employment
- (iii) Bus services provided by the employer
- (iv) Annual staff parties and similar functions
- (v) Recreational and sports facilities available to all employees (e.g. gymnasium facilities)
- (vi) Counselling services to redundant employees and welfare counselling services available to employees generally
- (vii) Health screening and medical check-ups
- (viii) Provision of eye care tests and corrective glasses
- (ix) Provision of parking facilities for all employees

4.11 Treatment of Overtime and Bonus

4.11.1 Amount to be withheld by employers from overtime.

Where an employer makes a payment for overtime work to a qualifying junior employee during a year of assessment, the employer shall;

- (a) withhold tax from the total of that payment at the rate of five percent, where the amount paid does not exceed fifty percent of the basic salary of that employee for the month; or
- (b) withhold tax from the excess of that payment at the rate of ten percent, if the amount paid exceeds fifty percent of the basic salary of the employee for that month.

“qualifying junior employee” means

- (i) a junior staff member and
- (ii) the qualifying employment income of that employee from the employment for the year of assessment does not exceed eighteen thousand currency points.

ILLUSTRATION

(i) Mr. Andoh is a junior staff member of BIGG Company Limited. His monthly basic salary is GHS700.00. He was paid an overtime totalling GHS50.00 during the month of July, 2016. Compute his tax on overtime for the month of July, 2016.

SOLUTION

	GHS
Total basic salary for July, 2016	700.00
Over Time of GHS50.00 is $[(50/700.00) \times 100] = 7.14\%$ of basic salary.	
Therefore the overtime payment is taxed @ 5%.	
Tax on over time payment is $(5\% \times \text{GHS}50.00)$	= <u>GHS2.50</u>

(ii) Mr. Andoh was paid overtime totalling GHS500 during the month of August, 2016. Compute his tax on the overtime payments for the month of August, 2016.

SOLUTION

	GHS
Total basic salary for August, 2016.	= 700.00
Over Time of GHS500.00 is $[(500.00/700.00) \times 100] = 71.43\%$ of basic salary.	
Therefore tax overtime as follows:	
(a) $(50\% \times \text{GHS}700) = 350$ @ 5%	= GHS17.50
(b) The difference $(500 - 350) = 150$ @ 10%	= <u>GHS15.00</u>
Total tax on over time of GHS500	= <u>GHS32.50</u>

(iii) Ata Kofi is a junior staff member of Youz Ltd. His monthly basic salary is GHS2,000.00. He was paid an overtime totalling GHS500.00 during the month of July, 2016. Compute his tax on overtime for the month of July, 2016.

SOLUTION

Although Ata Kofi is a junior staff member, he is not a Qualifying Junior Employee because his monthly basic salary is GHS2,000 which exceeds the maximum limit of GHS1,500. Therefore the entire amount of overtime payments made shall be considered as part of taxable income.

	GHS
Total basic salary for July, 2016	2,000.00
Over Time allowance	<u>500.00</u>
Total Income	<u>2,500.00</u>

The entire amount of Ata Kofi’s income of GHS2,500.00 will be taxed at the Individual (graduated) tax rates using the First Schedule of the Act

(iv) Alfred Dusah is a senior staff member of GIIG Company Limited. His monthly basic salary is GHS1,490.00. He was paid an overtime totalling GHS650.00 during the month of July, 2016. Compute his tax on overtime for the month of July, 2016.

SOLUTION

Alfred Dusah is a senior staff member, therefore irrespective of the salary paid to him (GHS1,490 which is less than GHS1,500), all over time payments shall be considered as part of taxable income.

	GHS
Total basic salary for July, 2016	1,490.00
Over Time allowance	<u>650.00</u>
Total Income	<u>2,140.00</u>

The entire amount of Alfred Dusah’s income of GHS2,140.00 will be taxed at the Individual (graduated) tax rates using the First Schedule of the Act

4.11.2 Amount to be withheld by employers from Bonus payments

Where an employer pays a bonus to an employee during a year of assessment, the employer shall,

- (a) where the total of the bonus payments made by that employer to the employee during the year of assessment does not exceed fifteen percent of the annual basic salary of that employee, withhold tax from the gross amount of the payment at the rate of five percent; or
- (b) where the total bonus payments made by that employer to the employee during the year of assessment exceeds fifteen percent of the annual basic salary of that employee,
 - (i) add the excess payments to the employment income of that employee for that year; and
 - (ii) withhold tax from the total amount obtained in accordance with the First Schedule of the Act

EXAMPLE 1

AffiaKom works with ABBC company limited and on an annual Basic salary of GHS100,000.00. She was paid a bonus of GHS14,000.00 in July, 2016. Determine the tax on the bonus.

Annual basic salary = GHS100,000.00

Annual bonus paid = GHS14,000.00

Annual bonus as a percentage of annual basic salary = $\frac{\{14,000.00 \times 100\}}{\{100,000.00\}} = 14$

Annual bonus paid is less than 15% of annual basic salary therefore the bonus of GHS14,000.00 will be taxed at a concessionary rate of 5%

Tax on Bonus = (GHS14,000.00 x 5%) = **GHS700.00**

EXAMPLE 2

Kwame Fiavi works with CCD company limited and on an annual basic salary of GHS120,000.00. He was paid a bonus of GHS20,000.00 in December, 2016. Determine the tax on the bonus

Annual basic salary = GHS120,000.00

Annual bonus paid = GHS20,000.00

Annual bonus as a percentage of annual basic salary = $\frac{\{20,000.00 \times 100\}}{\{120,000.00\}} = 16.67\%$

Annual bonus paid is more than 15% of annual basic salary therefore part of the bonus (15% of annual basic salary) will be taxed at a concessionary rate of 5%.

The excess bonus will be added to the income and taxed using the rates under the first schedule

Annual bonus paid = GHS20,000.00

15% of Annual basic salary (120,000.00 x 15%) = GHS18,000.00

Excess bonus paid = GHS2,000.00

TAXATION OF BONUS

(i) GHS18,000.00 will be taxed at a concessionary rate of 5% = (GHS18,000.00 x 5%)

= GHS 900.00

(ii) The excess bonus of GHS2,000.00 will be added to Kwame's income for the year, and taxed using the rates under the First Schedule

4.12 Tax to be withheld from payment to casual workers

(1) Where a person makes payment to a casual worker, that payment shall be treated as income earned by that casual worker, and the person shall withhold

tax from the gross income paid to that casual worker at the rate of five percent (5%).

(2) The tax withheld shall be treated as a final tax

(3) A “casual worker” has the meaning assigned in section 78 of the Labour Act, 2003 (Act 651).

ILLUSTRATION

BejaminFio is a casual worker at the Tema Harbour. His total earnings for the month of July, 2016 was GHS243. Determine his tax liability for the month of July, 2016.

SOLUTION

Total income GHS243.00

Tax @ 5% (243.00 x 0.05) – GHS12.15 FINAL TAX

4.13 Payment to temporary workers

Where a person makes payment to a temporary worker as defined under section 78 of the Labour Act, 2003 (Act 651), that payment shall be treated as income earned by that temporary worker, and the person shall withhold tax from that income in accordance with section 114 of the Act and the First Schedule to the Act.

ILLUSTRATION

AduBissah is a temporary worker at the Truefriend lime processing factory. His monthly salary is GHS405. Determine his tax liability for the month of July, 2016.

SOLUTION

Income for July, 2016 GHS405.00.00

Tax on income using the graduated rates under the First Schedule

Chargeable Income	= GHS405.00
Tax payable	= GHS13.57

4.14 Payment to part-time employment

A part-time employment other than those mentioned under subsection (1)(a)(ii) of section 116 of the Act, shall be taxed

- (a) at the rate of ten percent on account, where the employee is a resident individual; and
- (b) at the rate mentioned in paragraph 2 of the First Schedule of the Act, where the employee is a non-resident individual.

ILLUSTRATION

Dr Peter Adams is a Gynaecologist specialist at the Ridge Hospital. He also serves as a visiting Gynaecologist at Safemother Clinic. He was paid an amount of GHS5,678.90 for the services he rendered to the clinic in the month of July, 2016.

Required: Determine the amount of tax required to be deducted from his income by Safemother Clinic for the month of July, 2016

SOLUTION

Income for July, 2016 GHS5,678.90

Tax @ 10% (5,678.90 x 0.10) = GHS567.89 (ON ACCOUNT)

NB: Dr. Peter Adams is required to file his return at the end of the year incorporating all the incomes that he earned for 2016 year of assessment.

AMOUNT TO BE WITHHELD BY EMPLOYERS GENERALLY (REG 4 OF LI 2244)

Regulation 4 of the LI 2244 provides that an employer should withhold sufficient tax from the income of the employee by applying the formula below:

$$\frac{A \times B}{C}$$

where

- A is the amount of the payment for a particular month;
- B is the employee's employment annual tax liability estimated using the rates under the First Schedule less tax previously withheld by the employer from prior qualifying cash payments made by the employer to the employee during the year; and
- C is the payments to be made to the employee for the year less total prior payments made by the employer to the employee during the year of assessment

In making the estimate the employer may, if satisfied, take into account:

- (a) any tax reliefs of the employee, and
- (b) any contribution made under section 112 of the National Pension Act, 2008 (Act 766)

RATE OF INCOME TAX FOR INDIVIDUALS

CHARGEABLE INCOME		RATE OF TAX
First	2,592	0%
Next	1,296	5%
Next	1,812	10%

Next	33,180	17.5%
Exceeding	38,880	25%

2016 CUMULATIVE TAX RATES

CI	RATE	TAX	CUM CI	CUM TAX
2,592	0%	0.00	2,592	0.00
1,296	5%	64.80	3,880	64.80
1,812	10%	181.20	5,700	246.00
33,180	17.5%	5,806.50	38,880	6,052.50
>38,880	25.0%			

ILLUSTRATION (a)

Mr. David Mensah's employment income for January, 2016 was GHS12,000 p.a.

Required: Compute the taxes to be withheld by his employer for the months of January – March, 2016

SOLUTION

$$\text{January, 2016 Tax} = (A \times B) / C$$

$$= (1,000 \times 1,384.50) / 12,000$$

$$= \text{GHS}115.38$$

$$\text{February, 2016 Tax} = (A \times B) / C$$

$$= \{1,000 \times (1,384.50 - 115.38)\} / (12,000 - 1,000)$$

$$= \{1,000 \times (1,269.12)\} / 11,000$$

$$= \text{GHS}115.38$$

$$\text{March, 2016 Tax} = (A \times B) / C$$

$$= \{1,000 \times (1,384.50 - 230.76)\} / (12,000 - 2,000)$$

$$= \{1,000 \times (1,153.74)\} / 10,000$$
$$= \text{GHS}115.38$$

ILLUSTRATION (b)

In July, 2016 Mr. David Mensah's salary was increased to GHS18,000 p.a. with effect from 1/7/16

Required: Compute the taxes to be withheld by his employer for the months of July– September, 2016

SOLUTION

$$\text{July, 2016 Tax} = (A \times B) / C$$
$$\{1,500 \times (2,398.50 - 692.28)\} / (18,000 - 6,000)$$
$$=\{1,500 \times (1,706.22)\} / (18,000 - 6,000)$$
$$=\{2,559,330 / 12,000$$
$$= \text{GHS}213.28$$

$$\text{August, 2016 Tax} = (A \times B) / C$$
$$=\{1,500 \times (2,398.50 - 905.50)\} / (18,000 - 7,500)$$
$$=\{1,500 \times (1,492.28)\} / 10,500$$
$$=\{2,239,410 / 10,500\}$$
$$= \text{GHS}213.28$$

$$\text{September, 2016 Tax} = (A \times B) / C$$
$$=\{1,500 \times (2,398.50 - 1,118.84)\} / (18,000 - 9,000)$$
$$=\{1,500 \times (1,137.48)\} / (18,000 - 9,000)$$
$$=\{1,919,490 / 9,000\}$$

$$= \text{GHS}213.28$$

ILLUSTRATION (c)

In July, 2016 Mr. David Mensah's salary was increased to GHS18,000 p.a. with retrospective effect from January, 2016 and he was paid the salary arrears from January to June in addition to July salary.

Required: Compute the taxes to be withheld by his employer for the months of January, July to September, 2016

SOLUTION

$$\begin{aligned} \text{January, 2016 Tax} &= (A \times B) / C \\ &= (1,000 \times 1,384.50) / 12,000 = \text{GHS}115.38 \end{aligned}$$

$$\begin{aligned} \text{July, 2007 Tax} &= (A \times B) / C \\ &= 1,500 + (500 \times 6) \times (2,398.50 - 692.28) / (18,000 - 6,000) \\ &= \{(1,500 + 3,000) \times (2,398.50 - 692.28)\} / 12,000 \\ &= \{(4,500) \times (1,706.22)\} / 12,000 \\ &= \{7,677,990\} / 12,000 \\ &= 639.83 \end{aligned}$$

$$\begin{aligned} \text{August, 2016 Tax} &= (A \times B) / C \\ &= 1,500 \times (2,398.50 - 1,332.11) / (18,000 - 10,500) \\ &= 1,500 \times (1,066.39) / (18,000 - 10,500) \\ &= 1599585 / 7,500 = \text{GHS}213.28 \end{aligned}$$

$$\text{September, 2016 Tax} = (A \times B) / C$$

$$= 1,500 \times (2,398.50 - 1,545.48) / (18,000 - 12,000)$$

$$= 1,500 \times (853.11) / 6,000$$

$$= 1279668 / 6,000 = \text{GHS}213.28$$

5.0 EMPLOYMENT INCOME ASSESSMENT FORMAT

Name of Employee:

Year of Assessment:

Basis Period:

	GHS	GHS
BASIC SALARY (Sect 4)		XXX
<u>ADD: ALL CASH ALLOWANCES</u> (Sect 4)		
➤ Cost of living allowance	XX	
➤ Subsistence allowance	XX	
➤ Entertainment allowance	XX	
➤ Travel allowance	XX	
➤ Night duty allowance, etc.	<u>XX</u>	<u>XXX</u>
<u>ADD: OTHER CASH BENEFITS</u> (Sect. 4)		
➤ Fees	XX	
➤ Commission	XX	
➤ Gratuities	XX	
➤ Leave pay	XX	
➤ Overtime pay (Sect 4 & Reg. 5)	XX	
➤ Excess Bonus(Sect 4 & Reg. 5)	XX	
A reimbursement of an expense incurred by an Individual or associate of the individual,	XX	
➤ A payment made to the Individual's Agreement to Conditions of the employment	XX	
➤ Other payments (including gifts, received		

in respect of an employment),	XX	
➤ All other taxable benefits in cash/ kind	XX	XXX
<u>INDIRECT CASH PAYMENTS</u>		
➤ A retirement Contribution made to a retirement fund on behalf of an employee (Sect. 4 & 94)(excess contribution)	XX	
➤ A discharge of an expense incurred by an Individual or associate of the individual	XX	
➤ A payment made for the Individual's Agreement to Conditions of the employment	XX	
➤ Other Personal Liabilities paid by an employer: (Income tax etc. (Sect. 4)	<u>XX</u>	<u>XXX</u>
TOTAL CASH EMOLUMENTS FROM EMPLOYMENT		XXXX
<u>ADD: NON-CASH BENEFITS</u>		
➤ Car Element	XX	
➤ Rent Element	XX	
➤ Loan Benefits	XX	
➤ Utility bills etc.	<u>XX</u>	<u>XXX</u>
QUALIFYING EMPLOYMENT INCOME		XXXX
OTHER NON-CASH BENEFITS (Sect 4 & 26)		<u>XXX</u>
ASSESSABLE INCOME FROM EMPLOYMENT		XXXX
<u>LESS: RELIEFS (If Applicable)</u>		
➤ Marriage/Responsibility	XX	
➤ Disabled Individual	XX	
➤ Old Age	XX	
➤ Child Education	XX	

➤ Aged Dependant Relative	XX	
➤ Cost of Training	<u>XX</u>	<u>XXX</u>
		XXXX

OTHER ALLOWABLE DEDUCTIONS

➤ Social Security Contribution

(Sect 91,93, 95, 96 & Application of Act

766 National Pension Act, 2008) XX

➤ Voluntary (Provident Fund) XX

➤ Mortgage Interest (Sch. 6(4&5)) XX

➤ Contributions and Donations

to a Worthwhile Cause (Sect 100) XX XXXX

CHARGEABLE INCOME XXXX

ADD: The income of a resident individual from employment

exercised in a foreign country (Sect 103 & 111) XXX

LESS: Foreign Tax Credit Allowable (Sect. 112) XX XXXX

CHARGEABLE INCOME FROM EMPLOYMENT XXXX

ADD OTHER INCOMES (FROM BUSINESS OR INVESTMENT) XXX

TOTAL CHARGEABLE INCOME XXXX

TAX THEREON @ GRADUATED RATES (1st Schedule) XXX

Less: Tax Paid On Account XX

Tax Credit (WHT) XX (xxx)

TAX OUTSTANDING/(REFUND) XXXX

Signed


Date
06/10/2016

**KWASI GYIMAH-ASANTE
COMMISSIONER – DTRD
FOR : COMMISSIONER-GENERAL**