

# WITHHOLDING TAX

The law requires a person effecting payment to another person to deduct the exact tax at source and pay it to the Commissioner. A return or all details concerning the payment is also to be submitted.

## **Period of Payment of Tax**

The tax withheld by the “**withholding agent**” is to be paid within fifteen days after the end of the month in which the tax was withheld.

## **Failure to Withhold Tax**

A withholding agent who fails to withhold tax is personally liable to pay to the Commissioner the amount of tax which has not been withheld.

## **Type of Withholding Taxes**

1. Withholding of Tax by Employers (Pay As You Earn)
2. Payment of Interest to Resident Persons
3. Payment of Dividend to Resident Shareholders
4. Payment to Residents for Goods and Services
5. Payments to Non-Residents
6. Payment to Non-Residents for Goods and Services

“withholding agent” means a person obliged to withhold tax on behalf of the Commissioner.

## **Withholding of Tax by Employers**

In the case of an employee, the withholding agent is the employer. He is to deduct and withhold tax from the total amount from the employment.

## **Return**

The employer is required by law to submit to the Commissioner a return on every employee by the 31st March of the following year

The return shall contain the following information:

- i) The amount of assessable income received by the employee from the employment
- ii) The amount of tax withheld from the amount taking into account all necessary deductions.

The employer is to give every employee a copy of the return. It is treated as an assessment served on the employee by the Commissioner provided this consists exclusively of income from employment.

### **1. Payment of Interest to Resident Persons**

Resident persons who pay interest to another resident company (banks and financial institutions) shall withhold tax at 10%.

### **2. Payment of Dividends to Resident Shareholders**

A resident company which pays a dividend to a resident shareholder shall withhold tax on the gross amount of the payment at 8%. This is a final tax.

### **3. Payment to Resident Persons for Goods and Services**

A tax is to be withheld at source on the income or payment of the following:

- a) Fees to a resident part time teacher, lecturer, examiner, examinations invigilator, or examination supervisor at the rate of 10%. This is a final tax
- b) Fees, emoluments and any benefits paid to a resident director, manager or board member of a company. The rate of tax is 10%
- c) A commission to a resident insurance sales or canvassing agent at a tax rate of 10%.
- d) Endorsement fees to resident person at 10% tax rate. This is a final tax.
- e) A commission to a resident lotto receiver or agent at 5% tax rate.
- f) Payment for the supply of goods or use of property or supply of service where the value exceeds GH¢50.00 a tax at 5% is imposed.

### **4. Payment to Non-Resident**

A person making a payment to a non-resident person is to withhold tax on the gross amount as follows:

- |    |   |      |
|----|---|------|
| a) | Dividends and interest                                    | -8%  |
| b) | Royalties, natural resource payment and rents             | -10% |
| c) | Management and technical services fees / endorsement fees | -15% |
| d) | Endorsement Fees  | -20% |

### **5. Payment to Non-residents for Goods and Services**

A person who enters into contract with a non-resident person for the supply or use of goods or property of any kind or the supply of any services shall withhold tax at the rate of 15% and furnish the Commissioner the following details within 30 Days:

- a) The nature of the contract

- b) Duration of the contract
- c) Name, postal address
- d) The total amount estimated to be payable.

## WITHHOLDING TAX RATES

### A. FOR RESIDENTS

#### i) ON ACCOUNT (Sections 2, 82 & 84 of Act 592)

1.	Interest to non-exempt companies	-8%
2.	Insurance Commission to sales and Canvassing Agents	-10%
3.	Lotto Receivers / Agents Commission	-5%
4.	Payments for goods and services above GH¢50.00 in a year	-5%
5.	Fees, emoluments to a Director, Manager, Or a Board Members of a Company or body of persons	-10%

#### ii) FINAL (Sections 2(1), 84 of Act 592 L.I. 675 Sec. 28(3))

1.	Dividend	-8%
2.	Part Time Teaching Fees etc.	-10%
3.	Endorsement Fees	-10%

### B. FOR NON-RESIDENTS

#### i) ON ACCOUNT (Section 2(1), L.I 1675 Sect. 41)

Non-residents with permanent establishments in Ghana

1.	Dividend and Interest	-8%
2.	Royalties, natural resource payments and rents	-10%
3.	Payments for goods and services	-15%
4.	Management and Technical Service fees / Endorsement fee	-15%

**ii) FINAL (Section 2(4), L.I. 1165 Sect. 4)**

Non-Residents without permanent establishment in Ghana

1.	Dividend and Interest	-8%
2.	Royalties, natural resource payments and rents	-10%
3.	Management and technical services fees / Endorsement fees	-15%
4.	Payments of goods and services	-15%