

A GUIDE TO DOING BUSINESS IN GHANA

2017-2018

EST 2015
VELIA
CONSULTING

Doing Business in Ghana

Ghana is an excellent choice for investment as it is one of the most stable and open democracies in Africa. Ghana has recently embarked on an ambitious but achievable reform programme to improve the investment climate for both local and international investors. These efforts have paid off tremendously with Ghana being ranked the best place for doing business in West Africa, by the World Bank Group's 'Ease of Doing Business Report- 2017'.

Ghana has a solid tradition of investments in agriculture and agro-processing. The financial services and telecommunications sectors are fast gaining ground, providing dynamic and innovative services to the most diverse customers in the world. Further opportunities exist in manufacturing, ICT, and Tourism. Mineral deposits including gold and diamond abound, and with the discovery of oil, Ghana's famous black star has never shone brighter.

Types of Corporate Entities in Ghana

Company Limited by Shares

An incorporated company with share capital that cannot offer its shares to the public. Generally, a shareholder's liability is limited the value of shares they hold. The company's board of directors manages its day-to-day activities. Every company must have a minimum of two directors one of which must be resident in Ghana and at least one shareholder. The nature of this company's business is usually for the generation of profits and the liability of the shareholders is limited by the value of their shares.

Company Limited by Guarantee

an incorporated company without share capital. It is a not for profit entity and, as such, its objects must not include the generation of profit. As such these companies are exempt from corporate tax (although the organisation will have to pay income tax on behalf of its salaried employees).

The company has an executive council instead of a board of directors and its members are often referred to as 'guarantors'. Typically, this type of company is used to protect its officers and members from personal liability in excess of what they consented to contribute towards the company's assets in the event of the company's liquidation.

External Company

A body corporate incorporated outside of Ghana with an established place of business (such as a branch, management, share, transfer, registration office, factory, mine or an agent authorized to conduct contract negotiations and enter into contracts on behalf of the body corporate) in Ghana. As the company is already incorporated there is only a requirement to register its existence in Ghana with the Registrar General's Department.

Although an external company is subject to Ghanaian tax law the company is otherwise regulated by the laws of the country in which it is incorporated. As such, there is no minimum stated capital requirement associated with registering this type of company.

Ghana Investment Promotion Center

GIPC is a government agency, established to encourage, promote and facilitate investment in the Ghanaian economy. GIPC supports local and foreign investors in all sectors as they seek opportunities to engage with Ghanaian businesses. GIPC also regulates how foreign investors are permitted to do business in Ghana and requires that every company with foreign ownership must register with the GIPC and must meet the stated capital and ownership requirements.

Capital & Ownership Requirements

Joint Venture with a Ghanaian citizen

In a joint venture company between a Ghanaian and a non-Ghanaian, the non-Ghanaian shareholder(s) must contribute USD 200,000 to the stated capital of the company. The GIPC Act 2013 stipulates that in any joint venture company registered with a Ghanaian citizen the Ghanaian citizen cannot hold less than 10 % of the company's equity.

Wholly Owned Foreign Company

A company that is wholly owned by a non-Ghanaian citizen must have a minimum stated capital of USD 500,000 or its equivalent in capital goods.

Trading Company

'Trading' is defined as "purchasing and selling imported goods or services." Trading companies must have a minimum stated capital of USD 1 million or its equivalent in capital goods, regardless of whether or not there is Ghanaian participation in the company.



Yofi Grant, GIPC CEO

Meeting the Capital Requirement & Repatriation of Profits

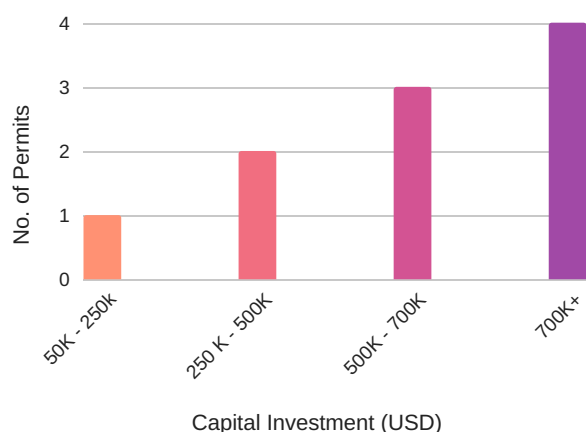
The capital requirement can be met by either transferring cash or importing capital goods into the country. Where the requirement is met with a cash transfer the company will be required to provide proof of the transfer from the bank of Ghana. Where the requirement is met by importing capital goods, the company will be required to provide proof of importation of the goods.

Evidence that the capital requirement has been met will be needed to support any application for registration with GIPC, which must be done before the company commences business activities in Ghana.

The government of Ghana guarantees protection to investors who have businesses in Ghana. In addition to the guarantees, the legal framework grants freedom for profit repatriation. Ghana maintains a floating exchange rate regime, and foreign exchange payments do not require exchange approvals or consents, except that payments must be made through a licensed bank. The Bank of Ghana, however, reserves the right to impose temporary exchange controls if the Governor determines that the country is experiencing a severe deterioration in its balance of payments. Thus, foreign investors are assured of free repatriation of profits subject only to any applicable withholding tax requirements.

Automatic Immigration Quotas

As an incentive to foreigners investing in Ghana the GIPC offers free work and residence permits to companies that are able to meet certain capital requirements, these work and resident permits are known as "Automatic Quotas".



Exchange Control Rules

The Bank of Ghana regulates the transfer of currency into and out of Ghana and, from time to time, it issues directives in relation to foreign exchange transactions. Transfers of foreign currency involving an organization with its principal place of business or center of control in Ghana or an entity incorporated in Ghana ('a resident') must be made through a bank that reports its foreign currency transactions to the Bank of Ghana. Though the requirements of each bank are different, the information that must be provided before a transfer of money in respect of imported goods is authorized includes:

- Invoices;
- Bills of lading or airway bills;
- Import declaration forms;
- A customs entry form; and
- A final classification and valuation report.

Any person who transfers outside Ghana in a year an amount in excess of US\$10,000 per annum must provide proof of the reason for the transfer. Proof may be in the form of medical bills, invoices for school fees or goods and services purchased.

Taxation

Tax in Ghana is administered only by the Ghana Revenue Authority. It is mandatory by the laws of Ghana for companies to pay taxes of various kinds. Before tax can be paid, companies and individuals are expected to acquire a Taxpayer Identification Number (TIN) from the Ghana Revenue Authority prior to the registration of their businesses.

VAT & NHIL Levy

Except for exempted goods and services, Value-Added Tax (VAT) and the National Health Insurance Levy (NHIL) are charged on the following:

- the supply of goods and services made in Ghana; and
- imports of goods and services.

VAT is charged on any supply of goods and services that is a taxable supply and is made by a taxable person in the course of their taxable activity.

A VAT-registered business which principally makes standard taxable supplies may recover up to 100% of the VAT and NHIL incurred on goods or services purchased for the business, except for some restricted expenses or items. There is a time limit of six months within which to claim VAT and NHIL incurred on goods and services procured.

Registered businesses are required to submit monthly returns showing VAT and NHIL:

- charged on supplies;
- incurred on the purchase of goods and services; and
- the net VAT and NHIL due or owing.

VAT and NHIL returns and payments (if any) are ordinarily due by the last working day of the month after the month to which the return relates. Businesses are usually not entitled to VAT and NHIL refunds. Refund claims must satisfy several conditions.

There is a comprehensive system of penalties and interest payable for:

- the incorrect declaration of VAT and NHIL;
- the late submission of returns;
- late payments; and
- infringements of the provisions of the VAT laws.

Corporate Tax

Companies resident in Ghana are taxed on their worldwide income, taxes are only applied to foreign income that is received in or brought into Ghana. Nonresident companies are taxed on their locally-generated income only. The rate of corporate tax is 25%. A company is resident in Ghana for tax purposes if it is incorporated in Ghana or its management and control have been exercised in Ghana at any time during the relevant period of assessment.

There may be additional levies charged depending on the sector in which the company does business.

Withholding Tax

A withholding tax of 5% should be withheld from the source and paid directly to the GRA on: Resident income of employees, Directors' fees, interest payments, dividends for shareholders, commissions for insurance and sales agents, payments for goods and services supplied, and Rent.

This document is for information only and its contents do not constitute legal advice.

If you would like to discuss how any of the matters raised in this newsletter affect you or your compliance needs, please contact us.

No.2 Otele Avenue, East Legon,
Accra, Ghana
info@velia.co

© Velia Consulting Limited. All rights reserved.