

# Business in Ghana



Ghana's legal system is based on British common law and local customary law. The economy of Ghana has a GDP of USD 73 billion, driven by the services sector, agriculture and industry. Ghana recorded inflation of 12.75% at the end of 2021. Meanwhile, a decline in stability of its currency, the cedi, and the effect of covid and the Russian war has led to a recent rise in inflation.

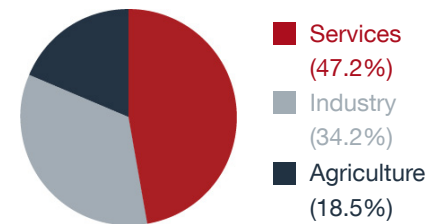


## Population

30.8 million



## GDP Breakdown by Sector



## Currency

Ghana Cedis (GH¢)

## Foreign Direct Investment (est. 2020)

1.8 million (USD)

## GDP Growth (2021)

7%

## Business Climate

Ghana, a western African country and the second-most populated country after Nigeria in West Africa, is located on the coast of the Gulf of Guinea. It shares borders with Ivory Coast in the West, Burkina Faso in the North and Togo in the East and also covers an area of 238,535 km<sup>2</sup>. It is the first sub-Saharan African country to gain independence from the British Colonial rule in 1957. Currently, the country has population of 30.8 million and estimated nominal GDP of USD 74.26 billion as of 2021.

Ghana's economy is made up of the services, industrial and agricultural sector. Generally, the performance of the Ghanaian economy has been quite strong over the years, due to the implementation of market-led policies and large inflows of aid and the super-injection of foreign capital that triggered increased levels of investment, particularly infrastructure and employment, in the public sector, private sector and the agricultural industry.

As part of efforts to increase the economic output in the country, Ghana became party to the African Continental Free Trade Area Agreement (AFCFTA), created to accelerate the movement of goods and services between 54 African countries. Ghana hosts the Secretariat of AFCFTA in the capital, Accra.

The Bank of Ghana, located in the Accra, is the central bank of Ghana mandated to control the fiscal and monetary policies, regulate, supervise and direct the banking system, as well as oversee the overall financial sector to ensure regulated firms are financially sound and properly managed.

## International Trade

Ghana continues to improve its industrial productive capacities in order to compete strongly in the international market, although it has enormous natural resources spanning from gold, cocoa, bauxite, timber, aluminium and horticultural produce.

### Trade Agreements

As mentioned earlier, Ghana is a signatory to the African Continental Free Trade Area Agreement that is projected to have a combined consumer and business spending of about USD 6 trillion, consequently having a significant impact on the manufacturing and industrial development, tourism, intra-African trade and economic transformation.

Ghana's hosting of the Secretariat symbolizes the country's commitment to liberalizing trade within the continent to position Africa as competitive trading partner to the rest of the world.

### Foreign Trade Zones

In line with the Economic Recovery Programme for Ghana (launched in 1983) earmarked to redesign Ghana's Trade and investment policy, Ghana enacted the Free Zones Act, 1995 (Act 504), enabling the creation of free zones to incentivize local and foreign investors, facilitate economic activity and productivity. Some free zone areas in Ghana include the Tema Export Processing Zone, Shama Export Processing Zone and Ashanti Technology Park.

### Foreign Direct Investment Policy

Ghana provides incentives to foreign investors such as some tax incentives, automatic expatriate quotas, free repatriation of profits, protection against discrimination and expropriation of foreign enterprises by the Ghanaian Government in a bid to attract the injection of foreign capital and increase economic output in the country.

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## Tax Regime

### Direct Taxes:

- **Corporate Income Taxes:** Ghanaian resident companies are generally liable to corporate income tax rate of 25% subject to other rebates and concessions. A company is a resident in Ghana if the company is incorporated or registered in Ghana or the management and control of the affairs of that company is exercised in Ghana.
- **Personal Income Taxes:** Ghanaian tax resident individuals are liable to a graduated tax on their worldwide income, currently capped at 30% while non-residents are liable to taxes at 25% on incomes sourced in Ghana unless that non-resident person has a permanent establishment (PE) in Ghana and the income derived by such persons is connected with the PE created (A Ghanaian PE is taxed in the same manner as resident entities). An individual is generally a resident of Ghana if that individual is a citizen or present in Ghana during any year of assessment for an aggregate period of 183 days or more.
- **Capital Gains Taxes:** Ghana does not operate a separate capital gains tax in the current income tax regime, but subsumes any gains or losses ascertained from realizations or transfers of assets as part of the chargeable income of the individual (taxed at the graduated rate capped at 30% and flat rate of 25% for resident and non-resident respectively) or company concerned (generally taxed at 25%). For those notwithstanding, an individual may elect the gains from realization of investment assets taxed at 15%.

### Indirect Taxes:

- **Value Added Taxes:** Unless exempt, taxable supplies made by VAT registered or persons required to register are subject to VAT at a standard rate of 12.5%. Such supplies also attract the imposition of some accompanying levies, including the Ghana Education Trust Fund levy of 2.5%, National Health Insurance levy of 2.5% and Covid Health Recovery levy of 1%. In effect, a typical commercial supply of goods and services in Ghana will attract VAT and its accompanying supply taxes at an effective rate of 19.25%. An entity is required to register, charge and remit VAT if it expects to make taxable supplies exceeding an aggregate amount of GHS 200,000 at the end of any 12 month period or less. Regardless, at the end of any three month period, should the entity make supplies exceeding GHS 50,000 and there are reasonable grounds to expect that the aggregate amount of supplies to be made during the next consecutive nine months will exceed GHS 200,000, then the entity is required to register.
- **Customs Duties and Related Taxes:** Items imported into or exported from Ghana are generally subject to duties, VAT and other administrative levies at the point of importation or exportation. The rate of duties applicable are determined by Harmonized Commodity Description and Coding System as stipulated by the Customs Act, 2015 (Act 891) depending on the classification of the item.

## Establishing a Business

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The Ghanaian Environment recognizes the different types of business entities through which business activities are undertaken, including Sole proprietorships, Partnerships and Profit and Non-Profit making companies. Although the most common business entity in Ghana is sole proprietorship, much attention has been given to companies on account of the colossal level and quantum of economic business conducted by these companies.

The Companies Act, 2019 (Act 992) establishes the types of companies registrable in Ghana for the purposes of carrying on a business in Ghana. They include companies limited by shares, companies limited by guarantee, unlimited companies and external companies. To incorporate a company in Ghana, an applicant is required to submit an incorporation application to the Registrar of Companies at the Registrar General's Department.

After incorporating the company, the Ghana Investment Promotion Centre Act requires every enterprise with foreign participation to register with the GIPC subject to renewals every two years. There is a minimum capital requirement of USD 500,000 applicable to wholly owned foreign companies in cash or capital goods or a combination of both by way of equity participation. In the case of a joint enterprise with a Ghanaian partner who has at least 10% equity participation, the minimum capital requirement is reduced to USD 200,000.

There may also be additional requirements (including permits to be obtained) imposed by regulators of special industries where companies intend to operate in such industries.

## Employment Affairs

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In Ghana, it is generally required that all employment relations are fundamentally governed by the Labour Act, 2003 (Act 651), in addition to other applicable legislations. A foreign worker upon obtaining the required work and residence permits from the Ghana Immigration service is allowed to work in Ghana, enjoy the same rights and be subject to the same obligations as ordinarily applicable to local workers. As of January 2022, the minimum daily wage in Ghana is GHS 13.53.

Every worker in Ghana is entitled to a minimum of 15 leave working days in every calendar year of continuous service. Additionally, the Labour Act prevents the unfair treatment and discrimination against persons with disabilities, women, or the basis of any economic status.

Women are entitled to a maternity leave period of at least 12 weeks, in addition to any annual outstanding leave and to be paid her full remuneration and other benefits to which she is ordinarily entitled to.

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