



Annual Personal Income Tax Series (Employment Income)

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Year of Assessment



- In assessing an individual for tax purposes we are concerned about the particular year in which the income is earned.
- For individuals (including employees, sole-proprietorships and partners of a partnership), we consider the calendar year such as 2018, 2019, 2020, 2021

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Basis Period-Individuals



- Income is earned by individuals throughout the year or for specific periods within the year say, from January to December, January to June, only January and so on.
- For individuals, we consider income earned within any 12 months' period starting from January and ending December.

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Chargeable Income



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- The tax man looks at three main sources of income when deciding to tax you.
- But he also allows you certain deductions which include expenses or certain specific deductions granted by law
- Your **chargeable Income** is your income from any of the three sources minus any deductions allowed. It is what tax is computed on.

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Assessable Income



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- Remember we said the tax man looks at three main sources of income when deciding to tax you.
- These three sources include your income from Employment, Investment or business.
- Because tax is assessed based on these three sources of income, they are referred to as **Assessable Income**.

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What will constitute Employment Income?

- Employment income is any gain or profit derived from employment in any given tax year.
- Examples of income derived from employment include: Salary, wages, leave pay, fees, commissions, gratuities; Overtime pay and Bonuses; Personal allowances including cost of living, entertainment, rent and travel; personal expenses of the employee which are reimbursed by the employer; gifts and other payments; any income connected with the employment of the individual, etc.



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What will not constitute Employment Income?



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- Certain streams of income are excluded from your assessable income from employment:
- These include: medical benefits provided on equal terms to each full time employee by the employer; expenses incurred on behalf of the business which the employer pays back to the employee; small office administrative expenses which is difficult to allocate to each employee; redundancy payments; accommodation provided by an employer engaged in businesses such as timber, mining, building, construction, farming, petroleum where the accommodation is closer to the site where the business is carried on; other specific exemptions granted by law.

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Cash Benefits



- Cash benefits as the name implies are those given in the form of money/cash.
- Examples are salary, wages, leave pay, fees, commissions, gratuities; Overtime pay and Bonuses; Personal allowances

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Benefits in Kind



- These are benefits given in money's worth and which are for the individual's benefit.
- Examples include accommodation provided by your employer, vehicle and fuel provided by the employer, loan benefits, payment of school fees of your children by your employer; gifts and hampers given by your employer during christmas, etc.

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Computation of Bonus-Simple Steps



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- Check if bonus paid for the year is up to **15 percent** of your annual basic salary (i.e Divide bonus by annual basic salary and multiply by 100%)
- If it is up to 15%, it will not feature in your annual personal income tax computation. A 5% final withholding tax would have been paid on the 15% bonus during the year.
- If it is more than 15%, then subtract 15% of your basic salary from the annual bonus paid you (i.e total bonus-15% * Annual Basic Salary)
- The excess bonus will be posted on your annual Personal Income Tax Return and will be taxed at graduated tax rates

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Computation of Overtime-Simple Steps



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- The full amount of overtime is taxable at graduated tax rates and will feature in your annual tax computations under "other cash benefits" **if you are not a qualifying junior employee.**
- A qualifying junior employee is one whose qualifying employment income is up **to GHc 18,000 within any given year and is a junior staff by virtue of rank.** Both conditions must be met .

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Computation of Overtime-Simple Steps



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- For qualifying junior employees with overtime payments up to 50% of qualifying employment income, final withholding tax of 5% of the overtime amount would have been paid in the course of the year.
- And if the overtime is more than 50% of qualifying employment income, 5% final withholding tax would have been paid on 50% of the qualifying employment income and a final 10% withholding tax paid on the excess overtime.
- The excess overtime is computed as total overtime minus 50% of qualifying employment Income.

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Accommodation Benefits



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- The tax law tries to assign values to various types of accommodation benefits provided
 - For accommodation with furnishing the value assigned is 10% of your total cash emoluments
 - For accommodation only, the value assigned is 7.5% of total cash emolument
 - For furnishing only, the value assigned is 2.5% of your total cash emolument
 - For shared accommodation, the value assigned is also 2.5% of your total cash emoluments
- In effect, the value assigned will feature in your annual personal income tax returns as benefit in kind and specifically under accommodation benefits

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Vehicle Benefits

- The tax law also tries to assign values to various types of vehicle benefits provided to you by your employer
 - For Vehicle with fuel and driver, the value assigned 12.5 percent of the total cash emoluments of the person up to a maximum of GH¢600.00 per month
 - For vehicle with fuel only, the value assigned is 10 percent of the total cash emoluments of the person up to a maximum of GH¢500.00
 - For vehicle only, the value assigned is 5 percent of the total cash emoluments of the person up to a maximum of GH¢250.00 per month
 - For fuel only, the value assigned is 5 percent of the total cash emoluments of the person up to a maximum of GH¢250.00 per month



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Loan Benefits

Interest on concessionary loans granted by an employer to an employee may be deemed as a taxable benefit.

Rules:

- Check if loan granted by employer for the current year as well as any outstanding loan for the previous years is more than 3 months' basic salary (BS)
- Check if term for repayment of loan is more than 12 months
- if loan is more than 3 months BS and loan term is more than 12 months, the loan benefit is taxable.
- The loan benefit is the difference between the interest on loan charged by the employer and the interest that would have been paid at the Bank of Ghana Statutory rate
- The tax on loan benefit is 25% of the loan benefit



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Deductions and Reliefs from Tax



- In arriving at the income on which tax is computed you are allowed certain deductions
- Some of these deductions include the 5.5% employee SSF you pay, contributions you make into a provident fund or third-tier scheme, mortgage reliefs and personal income tax reliefs you apply for.

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Types of Personal Income Tax Relief



- **Marriage/Responsibility relief**-GHc 1200 per year
- **Child education relief** -GHc 600 per child per year
- **Aged-dependent relief** -GHc 1000 per year
- **Old age relief**- GHc 1500 per year
- **Disability Relief**- 25% of income from Employment or business
- **Cost of training relief**-GHc 2,000 per year
- **Mortgage relief**- qualifying interest paid for the year



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For more details on tax relief, visit: <https://gra.gov.gh/domestic-tax/personal-tax-relief/>

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Final Taxes Payable at year-end



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- After computing your chargeable income, you apply the tax rates to arrive at your taxes
- For individuals the tax rates you apply are the annual graduated income tax rates
- Next, subtract all the PAYE you paid for the year
- The final results is the tax you must pay to the Ghana Revenue Authority (GRA)

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Filing PIT on the GRA Online Portal



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- visit gra.gov.gh
- Click on [file and pay taxes button](#) at the top right corner of the site
- Scroll down and click on [Personal Income Taxes](#)
- Login using your [Ghana card number and password or sign up](#) if you don't have an account
- Once you login, there is a [pop-up](#) for you to select the tax type
- Choose [Personal Income Taxes](#)
- Proceed to complete the empty fields of the Personal Income Tax return
- Click on the [complete](#) button at the right bottom

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