Understanding Withholding Tax in Ghana

Rates, Obligations, and Common Mistakes

By Emmanuel Ansong | Kissi Consult

Meet Mr. Emmanuel Ansong



Mr. Emmanuel Ansong is an Audit Associate at Kissi Consult and an Associate Member of the Institute of Chartered Accountants, Ghana(ICAG), with a growing passion for taxation and tax advisory. He currently serves as the Tax Team Lead for the Junior Associates, where he provides leadership and technical guidance to the team.

With a strong interest in developing his expertise in taxation, Emmanuel is committed to continuous learning and professional knowledge-sharing. His ambition is to become a Tax Consultant and contribute meaningfully to the tax profession.

It is in line with this passion that Emmanuel has authored the following article, "**Understanding Withholding Tax in Ghana: Rates, Obligations, and Common Mistakes,**" which provides practical insights into withholding tax and some of the common issues taxpayers and businesses encounter.

We invite you to read and engage with Emmanuel's insightful contribution.

Introduction

Withholding Tax (WHT) is one of the principal tools used by the Ghana Revenue Authority (GRA) to facilitate efficient tax collection and promote voluntary compliance. Rather than waiting until the end of a tax period for taxpayers to declare and pay their taxes, the withholding system requires a portion of certain payments to be deducted at source and remitted directly to the GRA. This allows the state to collect revenue in a timely way while reducing the risk of tax leakage and non-compliance. Withholding tax is not a separate tax; it is a collection mechanism that requires part of a payment to be deducted and remitted to the GRA on behalf of the recipient.

Under this system, the person making the payment, commonly referred to as the withholding agent, is legally required to deduct a specified percentage from qualifying payments before transferring the balance to the recipient. The amount withheld is then remitted to the GRA and, depending on the nature of the transaction, may operate either as a final tax or as an advance payment that can be credited against the recipient's final tax liability.

Who Must Withhold



A withholding obligation generally arises when a person or entity makes specified payments to another person. In practice, withholding agents include companies, partnerships, government institutions, state-owned enterprises, non-governmental organizations, and other prescribed payers. Failure to withhold where required does not shift the responsibility away from the payer; the withholding agent may still be held liable by the GRA.

A practical point that is often missed is that the obligation is not based on trust or long-standing business relationships. A supplier is not exempt simply because the relationship is informal or the supplier has done business with the payer for years. The legal obligation depends on the nature of the payment and the applicable law.

Rates and Thresholds

For goods, works, and services, the GRA applies a GH¢2,000 annual cumulative threshold. This means businesses should track payments to each supplier across the year, not merely assessing each invoice in isolation. Once the cumulative payments to a supplier exceed the threshold, withholding may apply to the relevant payments under the law.

Example: *A business makes four separate payments of GH¢600 each to the same supplier for qualifying services. The first three payments total GH¢1,800, which is below the threshold. However, the fourth payment increases the cumulative total to GH¢2,400, exceeding the annual GH¢2,000 threshold. From the point at which the threshold is exceeded, the business should consider its withholding tax obligations in line with the applicable provisions of the law.*

CURRENT WITHHOLDING TAX RATES

The tables below reflect the rates published by the GRA as at July 2026. Parliament revises specific rates and thresholds from time to time through the annual budget process, so treat this as a working reference and confirm current figures against GRA's published schedule before relying on them for a live transaction.

Resident Persons

Payment Category	Rate	Final Tax?
Supply of goods (exceeding GH¢2,000 per annum)	3%	No
Supply of works (exceeding GH¢2,000 per annum)	5%	No
Supply of services by an entity (exceeding GH¢2,000 per annum)	7.5%	No
Supply of general services by an individual	7.5%	No
Consideration for the realisation of an asset or liability	3%	No
Dividends	8%	Yes
Interest (excluding individuals and resident financial institutions)	8%	No
Rent on residential property	8%	Yes
Rent on commercial (non-residential) property	15%	Yes
Royalties and natural resource payments	15%	No
Fees to lecturers, invigilators, examiners, part-time teachers, and endorsement fees	10%	Yes
Commissions to insurance, sales, canvassing, and lotto agents (individuals)	10%	No
Fees, emoluments, and other benefits to a resident director, manager, board member, or trustee	20%	No
Payments to petroleum subcontractors	7.5%	Yes
Payments for unprocessed precious minerals	3%	No

Non-Resident Persons

Payment Category	Rate	Final Tax?
Supply of goods, works, or services	20%	Yes
Management, consulting, and technical service fees	20%	Yes
Consideration for the realisation of an asset or liability	10%	Yes
Dividends	8%	Yes
Interest income (excluding individuals)	8%	Yes
Rent	15%	Yes
Royalties and natural resource payments	15%	Yes
Income from telecommunication, shipping, and air transport	15%	Yes
Short-term (general) insurance premiums	5%	Yes
Payments to petroleum subcontractors	15%	Yes
Repatriated branch after-tax profits	8%	Yes

Where Ghana has a double taxation agreement (DTA) with the recipient's country of residence, the treaty rate may reduce the domestic non-resident rate for dividends, interest, royalties, and technical service fees. The current list of DTAs in force is published on the GRA website; the treaty rate applies only where the recipient can substantiate residence and beneficial ownership.

Common Payment Categories

Several transaction types commonly attract withholding tax. The most frequent include goods, works, and services once the threshold is exceeded; rent; dividends; royalties; commissions; and certain non-resident payments. Some other payments may also be subject to withholding depending on the sector and the status of the recipient. Because the regime is transaction-based, businesses should maintain a withholding matrix rather than relying on memory or informal precedent.

Example 1 — Resident Service Provider (7.5%)

A company hires a Ghanaian consulting firm to provide advisory services for GH¢10,000. Because services provided by a resident service provider attract 7.5% withholding tax, the company withholds GH¢750 (7.5% × GH¢10,000), pays the consultant GH¢9,250, and remits the withheld amount to the GRA on the consultant's behalf.

Example 2 — Non-Resident Service Provider (20%)

A Ghanaian company pays a foreign consulting firm GH¢10,000 for services performed under circumstances that attract withholding tax. Where the applicable withholding tax rate is 20%, the company withholds GH¢2,000 (20% × GH¢10,000) and pays the non-resident GH¢8,000, while remitting the GH¢2,000 to the GRA.

Final and Creditable Tax

Not all withholding taxes work the same way. In some cases, withholding is a final tax, meaning the deduction fully settles the tax on that income. In other cases, it is creditable, meaning the amount withheld is treated as an advance payment that the recipient can claim against a later tax assessment.

This distinction matters because it affects both the payer's compliance and the recipient's tax return. If a payment is final withholding, the recipient does not later offset it against other income tax liability for that income stream. If it is creditable, proper certificates and records become essential for reconciliation and tax credit claims. The "Final Tax?" column in the tables above indicates which treatment applies to each category.

Key Duties of a Withholding Agent

A withholding agent has four core obligations:

- Deduct the correct tax at the time of payment.
- Remit the tax to the GRA on time.
- Issue a withholding tax certificate to the recipient.
- Keep proper supporting records.

The correct rate must be applied before payment is completed. This is not just an accounting issue; it is a legal compliance requirement. The certificate is equally important because it serves as evidence for the recipient and supports tax credit claims where applicable.

Filing Deadline

Tax withheld must be remitted to the GRA within 15 days after the end of the month in which the tax was withheld. This deadline is set out in section 117 of the Income Tax Act, 2015 (Act 896). A business that deducts tax but delays remittance can still face penalties and interest. Businesses should also be aware of the Nil-return requirement. A withholding agent that has no tax to remit in a given month must still file a Nil return within the same 15-day window. As such, withholding tax compliance should be treated as a monthly obligation rather than an activity performed only when tax has been withheld.



Common Mistakes

Businesses often make the same errors repeatedly.

The most common are:

- Failing to identify transactions that are subject to withholding tax.
- Applying the wrong rate.
- Testing each invoice in isolation instead of tracking cumulative annual payments.
- Missing the 15-day filing and payment deadline.
- Failing to issue withholding tax certificates.
- Keeping poor or incomplete records.
- Assuming some suppliers are automatically exempt.

One of the most serious mistakes is applying the wrong rate to a non-resident payment. For example, if a business pays an offshore consultant but applies a resident services rate instead of the correct non-resident rate, the business will under-withhold and may be liable for the shortfall. That kind of error can also trigger penalties and interest.

Consequences of Non-Compliance

Failure to comply with withholding tax obligations may expose a business to significant financial and compliance consequences. Under the Revenue Administration Act, 2016 (Act 915), as amended, a person who fails to withhold tax as required may be liable to pay the amount of tax that should have been withheld, together with interest and any applicable penalties. In serious cases, the withholding agent may therefore bear the tax cost even where the supplier has already been paid the full amount.

In addition, Act 915 imposes penalties for late filing and late payment. A failure to file a required tax return attracts a fixed penalty of GH¢500 plus a further GH¢10 for each day the failure to file continues. Late payment interest is compounded monthly at 125% of the Bank of Ghana Monetary Policy Rate.

The exposure is therefore not limited to administrative inconvenience; it can become a direct financial cost. Non-compliance may also result in additional tax assessments, increased scrutiny during GRA audits, and weaknesses in an organization's internal control environment. For businesses with numerous recurring suppliers, repeated withholding errors can accumulate into a significant tax risk, complicate account reconciliations for both the payer and the recipient, and increase the likelihood of costly disputes with the tax authorities.

Best Practices

To improve withholding tax compliance, organizations should:

- Maintain an updated withholding tax matrix.
- Track cumulative payments to suppliers throughout the year.
- Train finance and procurement staff on the applicable rules.
- Reconcile withholding tax records regularly.
- Remit withheld amounts promptly.
- Issue certificates without delay.
- Seek professional advice when the correct treatment is unclear.

A simple internal control can prevent many problems: before paying any supplier, the accounts team should check the nature of the payment, the annual cumulative amount, the residence status of the payee, and the correct rate. That small discipline often prevents the most expensive mistakes.

Clarifying Note

Withholding income tax is different from withholding VAT. They are governed by different laws and serve different compliance purposes. A business should therefore not assume that withholding one automatically satisfies the other. This distinction matters because some businesses mistakenly use the wrong regime on the same transaction.

Clear internal tax guidance should separate income tax withholding from VAT withholding so that staff apply the right rule in each case. VAT withholding agents withhold 7% of the taxable value at the point of payment and remit it directly to GRA, with the remaining 8% plus the taxable value paid to the supplier, who accounts for both in its own VAT return.

Conclusion

Withholding tax remains a central part of Ghana's tax administration system and a key compliance area for businesses and institutions. While the rules may appear straightforward, mistakes in identifying taxable payments, applying the correct rate, or meeting filing deadlines can expose organizations to meaningful tax risk.

The safest approach is to build withholding tax compliance into routine finance processes rather than treating it as an occasional tax issue. Businesses that understand the applicable rates, thresholds, remittance deadlines, and withholding tax certificate requirements are better positioned to avoid disputes, minimize penalties, and manage their tax obligations effectively.



At Kissi Consult, our tax advisory team works with clients to develop, review, and reconcile practical withholding tax matrices tailored to their operations, helping strengthen compliance processes, reduce tax risk, and support accurate withholding tax administration.



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