



GRA

GHANA REVENUE AUTHORITY

**Practice Note on
Bank Business under the Income
Tax Act, 2015 (ACT 896)**

Practice Note Number: **DT / 2016 / 009**

Date of Issue: **6th October, 2016**

TABLE OF CONTENT

1.0 TAX LAW 1

2.0 INTERPRETATION 1

3.0 THE PURPOSE OF THIS PRACTICE NOTE..... 1

4.0 APPLICATION OF THE LAW 1

1.0 TAX LAW

The Commissioner-General of the Ghana Revenue Authority is empowered under paragraph 2 of the Seventh Schedule of the Income Tax Act, 2015 (Act 896) to issue practice notes setting out the interpretations placed on provisions of the Act by the Commissioner-General. Accordingly, this Practice Note is issued in respect of Banking Business under section 87 of the Act.

2.0 INTERPRETATION

In this Practice Note, unless the context requires otherwise, the word “Act” means the Income Tax Act, 2015 (Act 896).

Definitions and expressions used in this Practice Note, unless the context requires otherwise, have the same meaning as they have in the Act.

3.0 THE PURPOSE OF THIS PRACTICE NOTE

The purpose of this Practice Note is to give clarity and provide guidance to officers of the Ghana Revenue Authority, Tax Practitioners, Consultants, Taxpayers and the general public on separating the banking business of a company engaged in banking from other business activities of the company as provided under section 87 and 88(4) of the Act to ensure consistency in the implementation of the Act.

4.0 APPLICATION OF THE LAW

The provisions of sections 87(1) and 88(4) of the Act require that a company engaged in a banking business as defined under section 90 of the Banking Act, 2004 (Act 673) and the first schedule of the Non-Bank Financial Institutions Act, 2008 (Act 774) should keep the banking business separate from other business activities of the company. Separate books of accounts are required to be kept for the banking business and the other business activities of the bank.

The chargeable income from the banking business of a person is required to be determined separately from the chargeable income of any other business activity of the person.

ILLUSTRATION 1:

A company that engages in Banking Business, Assets Management Business and Insurance Business is required to keep separate books of accounts for the Banking Business, the Assets Management Business and the Insurance Business.

The chargeable income of the company is required to be determined separately for the banking business, Assets Management Business and the Insurance Business.

Banking Business

ILLUSTRATION 2

Company A is engaged in the business of Banking, Assets Management and Insurance. Information gathered from their records indicates the following performance results for 2016 year:

	Banking Business	Assets Management	Insurance
	GHS	GHS	GHS
Gross Profit	1,200,000	350,000	200,000
Expenses	800,000	250,000	150,000
Net Profit before Tax	400,000	100,000	50,000
Non-Allowable Expenses	200,000	50,000	50,000
Capital Allowance	250,000	80,000	75,000

Determine the Chargeable Income of the businesses of Company A as required under the Income Tax Act, 2015(Act 896) for 2016 year of assessment.

SOLUTION

	Banking Business	Assets Management	Insurance
	GHS	GHS	GHS
Net Profit before Tax	400,000	100,000	50,000
Add: Non-Allowable Expenses	200,000	50,000	50,000
	600,000	150,000	100,000
Deduct: Capital Allowance	250,000	80,000	75,000
Chargeable Income	350,000	70,000	25,000

Note: Company A is required to prepare separate Financial Statements for each of the three business activities.

Signed
Date 06/10/2016

KWASI GYIMAH-ASANTE
COMMISSIONER – DTRD
FOR : COMMISSIONER-GENERAL