IN THE SECOND SESSION OF THE SEVENTH
PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE

FINANCE COMMITTEE

ON THE

AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND THE GOVERNMENT OF
THE STATE OF QATAR FOR THE AVOIDANCE OF
DOUBLE TAXATION AND THE PREVENTION OF
FISCAL EVASION WITH RESPECT TO TAXES ON
INCOME

22TH DECEMBER, 2018
1.0 INTRODUCTION

The Agreement between the Government of the Republic of Ghana and the Government of the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was laid in the House on Friday, 21st December, 2018 by the Minister for Finance and referred to the Finance Committee for consideration and report in accordance with the 1992 Constitution and Standing Orders of the House.

To consider the Agreement, the Committee met with the Minister for Finance, Hon. Ken Ofori-Atta, a Deputy Minister for Finance, Hon. Kwaku Kwarteng and a team of officials from the Ministry of Finance.

1.1 DOCUMENTS REFERRED TO

The Committee referred to the following documents:

1. The 1992 Constitution
2. The Standing Orders of Parliament

2.0 BACKGROUND

Double taxation arises where the same income of a person is taxed in both the Source and Residence States. This could occur under juridical or economic double taxation. Juridical double taxation occurs where a person is taxed on worldwide income in more than one country on the basis that the person is regarded as a resident for tax purposes in each of them. Economic double taxation occurs where the same income or capital is taxed by the two countries in the hands of different persons. DTAs are entered into in order to eliminate such situations where income from the treaty country will be taxed twice. The threat of being taxed
twice discourages investment since an investor stands to be taxed both in the source country and in the resident country. Double taxation therefore leads to an increase in the cost of investment.

Ghana and the State of Qatar enjoy very good bilateral relations. As part of efforts to build strong diplomatic and economic partnership with each other and to draw in the necessary investments to help develop Ghana and return her onto the path of progress and prosperity, Ghana and the State of Qatar have signed an Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.

Ghana is a dualist State and in order to make the Agreement effective, Parliament would have to ratify it in accordance with Article 75 of the 1992 Constitution. It is for this reason that the Agreement has been presented to Parliament for ratification.

3.0 SUMMARY OF THE PROTOCOL
The Convention has the following thirty (30) Articles.
Articles 1 and 2 cover the scope of the Treaty, specifying the persons to whom the tax treaty applies. It also identifies the taxes to which the treaty applies.

Article 3 deals with the definition of the terms used in the treaty.
Article 4 sets out the criteria for determining who a resident is for purposes of the treaty, and also in cases where a person is a resident under the domestic law of both countries.
Article 5 describes what constitutes a Permanent Establishment. This concept determines when a country may tax business profits of a non-resident enterprise.

Articles 6 covers income on Immovable Property. Article 7 covers business profits of an enterprise in a Contracting State. Article 8 provides for International Shipping and Air Transport and Article 9 deals with Associated Enterprises.

Article 10 states Taxing Rights of Contracting States with regard to Dividends. The Article accords an unlimited taxing right to the State of residence of the shareholder when the dividend is paid by a company which is a resident of the other State. The Article further deals with the limited taxing rights which may be exercised by the State of source in respect of dividends paid to the beneficial owner whereof who is a resident of the other State. The dividend in this case shall not exceed Five (5) per cent of the gross amount of the dividends if the beneficial owner of a company holds directly at least Twenty-five (25) per cent of the capital of the company paying the dividends and shall not exceed Seven (7) per cent of the gross amount of the dividends in all other cases.

Article 11 allocates Taxing Rights over interest arising in one Contracting State and derived by a resident of the other Contracting State. To prevent excessive taxation and to achieve a sharing of revenue from such income between the two countries, source taxation is limited to a percentage of the gross amount of the interest. In this instance the tax rate for such interest shall not exceed Seven (7) per cent of the gross amount of the interest.