



# GRA

## GHANA REVENUE AUTHORITY

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**Practice Note on  
Clothing Allowance under the Income  
Tax Act, 2015 (ACT 896)**

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**Practice Note Number: DT/2020/001  
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## **1.0 TAX LAW**

The Commissioner-General of the Ghana Revenue Authority is empowered under Sections 100 and 101 of the Revenue Administration Act, 2016 (Act 915) to issue Practice Notes setting out the interpretations placed on provisions of the tax laws. Accordingly, this Practice Note is issued in respect of Sections 4(2)(a)(iii), 4(2)(b)(iii) and 130(1)(c) of the Income Tax Act, 2015 (Act 896).

## **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 the tax treatment of clothing allowance as provided under Sections 4(2)(a)(iii), 4(2)(b)(iii) and 130(1)(c) of the Act to ensure consistency in the administration of the Act.

## **4.0 APPLICATION OF THE LAW**

The provisions of Sections 4(2) in respect of Profits and Gains of an individual from employment and 130(1)(c) of the Act in respect of Domestic Expenditure shall apply.

Section 4(2)(a)(iii) of the Act, provides that a person who is ascertaining the profits or gains of an individual from employment for a Year of Assessment or part of that year shall include in the calculation personal allowances including cost of living allowance, subsistence, rent, entertainment, or travel allowance. Personal allowances, as used, includes clothing allowance.

Section 130(1)(c) and (2) of the Income Tax Act, 2015 (Act 896) further provides that "(1) Where an individual incurs expenditure in respect of that individual, the expenditure is domestic expenditure to

the extent that it is incurred in acquiring clothing for the individual, other than clothing that is not suitable for wearing outside of work;

(2) Where an employer incurs expenditure in making a payment to or providing any other benefit for an employee, the expenditure is domestic expenditure except to the extent that

- (a) the payment or benefit is included in the calculation of the income of the employee;
- (b) the employee provides consideration of an equal market value for the payment or benefit;
- or
- (c) the amount of the expenditure is so small as to make it unreasonable or administratively impracticable to account for."

#### **4.1 Tax Implication of Clothing Allowance**

Clothing allowance is a personal allowance and therefore should be subject to tax.

It should be noted all cash allowances are taxable.

Where an employee **receives cash payments for the purpose of acquiring clothing for the individual**, it is considered a domestic expenditure and therefore should be included in ascertaining the employment income of the individual unless the **clothing is not suitable for wearing outside of work**.

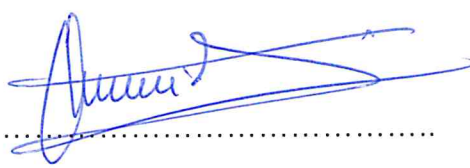
#### **4.2 Clothing Not suitable for Wearing Outside of Work**

For the purposes of Section 130(1)(c), clothing would be considered **not suitable for wearing outside of work where**

- (i) The employer's logo is clearly embossed on the uniform, dress or clothing (a detachable badge is not sufficient to make it a uniform).
- (ii) It is customised with the name of the employer written on it.
- (iii) It is a safety clothing.
- (iv) It is a ceremonial clothing of the employer/organisation (E.g. Friday wear)
- (v) The employee would readily be recognised as wearing a uniform by a person in the street.

Some official attire may be worn off-duty and therefore cannot be considered as clothing not suitable for outside work unless the rules of the employer/organisation restricts its usage outside of work or has duality of purpose.

Uniform provided by the employer and worn by Police Officers, Army Officers, Fire Officers, Prison Officers, Custom Officers, Nurses, Pilots, Cabin Crew, Immigration Officers, and such institution with prescribed uniforms and dress code, such as gowns and wigs of Judges, would be examples of clothing not suitable for wearing outside of work.

Signed:.....  


Date.....  
28/5/20

**Ammishaddai Owusu-Amoah**  
**Ag. Commissioner-General**