

VALUE ADDED TAX (AMENDMENT) (NO. 2) BILL, 2022

MEMORANDUM

The object of the Bill is to amend the Value-Added Tax Act, 2013 (Act 870) to increase the Value-Added Tax (VAT) rate, adjust the Value Added Tax threshold, review the transitional provisions for the implementation of the electronic Value Added Tax (e-VAT) system, revise the administrative penalties for non-compliance in relation to the electronic Value Added Tax and remove the Value Added Tax on betting, gambling and other games of chance.

Value Added Tax remains a very important source of revenue for Ghana because it has a lower tax resistance and minimised negative impact on the competitiveness of the local economy. Traditionally, the local economy has been dominated by a large informal sector which has hindered tax compliance. This led to the introduction of the electronic Value Added Tax system in October, 2022. The Bill seeks to address transitional matters and revise the administrative penalties for non-compliance in respect of the electronic Value Added Tax system to make it more efficient.

Taxation of games of chance though provided for in Act 870, has proved complex and unwieldy. In line with current best practice, the Value Added Tax on such games is discontinued with the introduction of the tax on Gross Gaming Revenue.

Various exemptions were introduced with the Value Added Tax system to address social issues and for ease of administration. Some of these exemptions are being reviewed to ensure efficiency in the implementation of the Tax.

In this regard and to support local industry, the Bill removes the exemptions for imported textbooks and imported newspapers and printed materials as part of practices related to the general review.

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The Bill also addresses some instances of incorrect referencing in Act 870.

Clause 1 amends section 3 of Act 870. Under the clause, a rate of tax of fifteen per cent is to be calculated on the value of the taxable supply of the goods or services or the value of the import. Furthermore, unless otherwise directed by the Commissioner-General in writing, a taxable person who is a retailer of goods and who makes at the end of any period of twelve months, taxable supplies of not less than two hundred thousand Ghana Cedis but not exceeding five hundred thousand Ghana Cedis is to account for the Value Added Tax payable at a flat rate of three per cent calculated on the value of the taxable supply.

Clause 2 amends section 5 of Act 870 by deleting paragraph (d) of subsection (2) to exempt games of chance from the imposition of value added tax.

Clause 3 amends section 22 of Act 870 by repealing subsection (2) to remove Value Added Tax on games of chance.

Clause 4 amends section 41 of Act 870 by substituting in subsection (11) five hundred currency points with fifty thousand currency points. The clause further amends section 41 by repealing subsections (13) and (14).

Clause 5 amends section 48 of Act 870 by deleting paragraph (c) of subsection (1) and subsection 7B.

Clause 6 amends subparagraph (2) of paragraph 10 of the First Schedule by removing the exemption for imported textbooks, imported newspapers, architectural plans and similar plans and drawings, scientific and technical works, periodicals, magazines, trade catalogues, price lists, greeting cards, almanacs, calendars, diaries, stationery and other printed matter.

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Clause 7 amends subsubparagraph (a) of subparagraph 6 of paragraph 2 of the Second Schedule by substituting subsubparagraph (a).



KEN OFORI-ATTA

Minister responsible for Finance

Date: 19th DECEMBER, 2022

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ARRANGEMENT OF SECTIONS

Section

1. Section 5 of Act 870 amended
2. Section 6 of Act 870 amended
3. Section 22 of Act 870 amended
4. Section 41 of Act 870 amended
5. Section 48 of Act 870 amended
6. First Schedule to Act 870 amended
7. Second Schedule to Act 870 amended

Value Added Tax (Amendment) (No. 2) Bill, 2022

A
BILL
ENTITLED

VALUE ADDED TAX (AMENDMENT) (NO. 2) ACT, 2022

AN ACT to amend the Value Added Tax Act, 2013 (Act 870) to provide for an increase in the Value Added Tax rate, revise the Value Added Tax threshold, remove the tax exemption for imported textbooks and imported newspapers and printed matter, exempt betting and other games of chance from tax, review the transitional provisions and administrative penalty for non-implementation of the electronic Value Added Tax system and for related matters.

PASSED by Parliament and assented to by the President:

Section 3 of Act 870 amended

1. The Value Added Tax Act, 2013 (Act 870) referred to in this Act as the "principal enactment" is amended in section 3 by the substitution for section 3, of

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“Rate of Tax

3. (1) Except as otherwise provided in this Act, the rate of the tax is fifteen percent and is calculated on

(a) the value of the taxable supply of the goods or services; or

(b) the value of the import.

(2) Unless otherwise directed by the Commissioner-General in writing, a taxable person who

(a) is a retailer of goods; and

(b) makes at the end of any period of twelve months, taxable supplies not less than two hundred thousand Ghana Cedis but not exceeding five hundred thousand Ghana Cedis

shall account for the Value Added Tax payable under this section at a flat rate of three per cent calculated on the value of the taxable supply.

(3) Subsection (2) does not apply to the supply of goods specified under section 27.”.

Section 5 of Act 870 amended

2. The principal enactment, is amended in section 5 by the deletion of paragraph (d) of subsection (2).

Section 22 of Act 870 amended

3. The principal enactment, is amended in section 22 by the repeal of subsection (2).

Section 41 of Act 870 amended

4. The principal enactment is amended in section 41 by

(a) the substitution for subsection (11), of

“(11) A person who

(a) issues a false tax invoice or sales receipt;

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- (b) fails to issue a tax invoice or sales receipt contrary to subsection (1) or (5);
- (c) fails to issue a tax invoice through a Certified Invoicing System contrary to subsection (2);
- (d) tampers, manipulates or interferes with the proper functioning of a Certified Invoicing System;
- (e) fails to integrate the Certified Invoicing System of the taxable person into the invoicing system of the Commissioner-General contrary to subsection (2); or
- (f) fails to re-connect the Certified Invoicing System of that person to the invoicing system of the Commissioner-General contrary to subsection (9)

is, in addition to the penalty provided under section 58, liable to pay a penalty of an amount of not more than fifty thousand currency points or three times the amount of tax involved, whichever is higher.”;

(b) the substitution for subsection (12), of

“(12) Except as otherwise directed by the Commissioner-General, a taxable person shall, upon the coming into force of this Act comply with the provisions of this section.”; and

(c) the deletion of subsections (13) and (14).”.

Section 48 of Act 870 amended

5. The principal enactment is amended in section 48

- (a) by the deletion of paragraph (c) of subsection (1); and
- (b) by the deletion of subsection (7B).”.

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First Schedule to Act 870 amended

6. The principal enactment is amended in the First Schedule by
(a) the substitution for subparagraph (2) of paragraph 10, of

“(2) The exemption in subparagraph (1) does not apply to imported textbooks, imported newspapers, architectural plans and similar plans, drawings, scientific and technical works, periodicals, magazines, trade catalogues, price lists, greeting cards, almanacs, calendars, diaries and stationery and other printed matter.”; and

(b) the substitution for paragraph 26, of

“26. The acceptance of a wager or stake in any form of betting or gaming, including lotteries and gaming machines.”.

Second Schedule to Act 870 amended

7. The principal enactment is amended in the Second Schedule by the substitution for subsubparagraph (a) of subparagraph 6 of paragraph 2, of

“(a) section 19 and subsection (4) of section 18 are satisfied; and;”.

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Date of *Gazette* notification: