

**IN THE SECOND SESSION OF THE FIFTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE FINANCE COMMITTEE ON THE  
VALUE ADDED TAX (AMENDMENT) BILL, 2010**

**1.0 INTRODUCTION**

The **Value Added Tax (Amendment) Bill, 2010** was presented and *read the first time* in the House on Thursday 18<sup>th</sup> November, 2010 and subsequently referred to the Finance Committee for consideration and report in accordance with article 103 of the Constitution and Order numbers 125 and 169 of the Standing Orders of the House.

The Committee met and considered the Bill with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, officials of the Ghana Revenue Authority (GRA) and officials from the Ministry of Finance and Economic Planning and hereby submit this report pursuant to order no. 126 of the Standing Orders of the House.

**2.0 REFERENCE DOCUMENTS**

The Committee referred to and/or was guided by the following in its consideration of the Bill:

1. Constitution of the Republic of Ghana, 1992
2. Value Added Tax Act, 1998 (Act 546)
3. Standing Orders of the Parliament of Ghana

### **3.0 PURPOSE OF THE BILL**

The purpose of the Bill is to amend the Value Added Tax Act, 1998 (Act 546) to revise and expand the coverage of the threshold for registration; and re-classify locally produced pharmaceuticals, locally produced text-books and locally manufactured agricultural machinery and tools as exempt supplies.

### **4.0 CONTENTS OF THE BILL**

The Bill contains a total of six (6) clauses.

**Clause 1** seeks to amend the Value Added Tax Act, 1998 (Act 546) by substituting sub-section 1 of section 5 to raise the threshold for registration to GH¢90,000.00

**Clause 2** provides for a replacement of Section 62 of Act 546 to provide for new penalties against persons who obstruct the officers of the Service in the performance of their functions.

**Clause 3** provides for the amendment of Schedule 1 of Act 546 to include locally manufactured Pharmaceuticals, Textbooks and Agricultural Machinery in the category of exempt supplies.

**Clause 4** consequentially deletes locally manufactured Pharmaceuticals, Textbooks and Agricultural Machinery from the list of zero rated supplies.

**Clause 5** proposes to repeal Act 734

**Clause 6** seeks to revoke the Ghana Investment Promotion Centre (Promotion of Tourism) Instrument, 2005 (L.I. 1817)

## **5.0 OBSERVATIONS**

The Committee observed that the Bill would improve the administrative efficiency of tax imposed under the Value Added Tax Act, 1998 (Act 546) through the elimination of commodity zero-rating and a revision of the Value Added Tax threshold for registration.

The Committee was informed that the current zero-rating makes it difficult to administer the tax and has adverse cashflow implications for registered businesses. There is therefore the need to revert to the original exemption so that locally produced pharmaceuticals, textbooks and agricultural machinery and inputs that are now zero-rated are reclassified as exempt.

It was noted that a single annual turnover threshold of GH¢90,000.00 is being set for all categories of businesses for purposes of Value Added Tax and that any business below the set threshold will be subjected to a *turnover tax* at a rate which would take into account of its contribution to both Value Added Tax and Income Tax.

The Committee further noted that the measures contained in the Bill would help ensure improvement in administrative efficiency, reduction in the cost of compliance to the taxpayer, and the prospect of a reasonable safeguard against excessive taxation of small businesses.

## **6.0 AMENDMENT PROPOSED**

The Committee respectfully recommends the following amendments to the Bill:

i. **Clause 1 – Amendment Proposed** – At the end of line 3, *insert “of”*

ii. **Clause 1 – Amendment Proposed** – *Insert* a new sub-clause as follows:

“1(A) The Value Added Tax Act, 1998 (Act 546) as amended and referred to in this Act as the principal enactment is further amended in section 3 by the substitution for subsection 2 of the following:

(2) A person to whom subsection (1b) of section 5 applies shall account for the Value Added Tax payable under this section at a flat rate of 3% calculated on the value of the taxable supply.”

iii. **Clause 1 – Amendment Proposed** – *Add* a new sub-clause as follows:

“(1b) A person whose business turnover is below GH¢90,000.00 but exceeds GH¢10,000.00 over a twelve month period or a proportionate part thereof is registrable as a taxable person and shall charge and account for the tax as provided under subsection (2) of section 3 of this Act”

iv. **Clause 5 – Amendment Proposed** – *Delete*

v. **Add a new clause** as follows:

“7. Section 25 of the principal enactment is amended by the deletion of subsection (1b)”

## **7.0 CONCLUSION**

The Committee recommends to the House to **pass** the **Value Added Tax (Amendment) Bill, 2010** subject to the amendments proposed.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI  
CHAIRMAN**



**PEACE A. FIAWOYIFE (MS.)  
CLERK**

**15<sup>TH</sup> DECEMBER, 2010**



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