

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

REPORT OF THE FINANCE COMMITTEE ON THE INCOME TAX
(AMENDMENT) BILL, 2020

1.0 INTRODUCTION

The Income Tax (Amendment) Bill, 2020 was first presented to Parliament and read the first time on 30th April, 2020.

Rt. Hon. Speaker referred the Bill to the Finance Committee for consideration and report in accordance with the 1992 Constitution and the Standing Orders of Parliament.

The Committee met with a Deputy Minister for Finance, Hon. Abena Osei Asare and a team of officials from the Ministry of Finance, Ghana Revenue Authority, the Attorney-General's Department and the National Pensions Regulatory Authority.

1.1 Urgency of the Bill

The Committee met and determined that the Bill is of an urgent nature and therefore certifies that it must be taken through all the stages of passage in one day in accordance with Article 106 (13) of the 1992 Constitution and Order 119 of the Standing Orders of Parliament.

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents in order to consider the Bill:

1. 1992 Constitution;
2. Income Tax Act, 2015 (Act 896);
3. the National Pensions Act, 2008 (Act 766); and
4. The Standing Orders of Parliament.

3.0 OBJECT OF THE BILL

The Object of the Bill is to amend the Income Tax (Amendment) Act, 2015 (Act 896) to exempt withdrawals from provident funds and personal pension schemes as a result of loss of employment or capital due to the Corona Virus (COVID-19) pandemic.

4.0 STRUCTURE OF THE BILL

The Bill contains a clause which amends Section 94 of Act 896 to exempt withdrawals made by an employee or self-employed person from provident funds and personal pension schemes from tax.

5.0 OBSERVATIONS

5.1 Rationale for the Bill

The Committee was informed that the COVID-19 Pandemic has resulted in some economic challenges for businesses. Other sectors of the economy are also suffering from losses which may lead to some employees being laid off permanently. Businesses of self-employed persons are also likely to fold up leading to further economic hardships. Such persons will require funds to sustain them. One ready source of funds to them is their contributions to the Third Tier Provident Funds and Personal Pension Schemes.

Withdrawals from these funding sources before retirement are, however, subject to income tax if withdrawn before ten (10) years by contributors in the formal sector and before five (5) years in the case of contributors in the informal sector.

In order to provide some relief to employees who have lost their jobs permanently or whose businesses collapse due to the COVID-19 pandemic, Government has decided to exempt such withdrawals from tax deduction. It is to give effect to Government's decision that this amendment has been submitted to Parliament for approval.

5.2 Fiscal Impact

The Committee was informed that the exemption required is equivalent to Fifteen (15) percent of withdrawals. It was noted that total third tier funds is estimated at GH¢4.3 Billion, giving rise to a fiscal impact of up to GH¢639 Million if all the funds are withdrawn under the given circumstances.


5.3 Assessing the Waiver

The Committee was informed that the waiver applies to only employees who have lost their jobs or self-employed persons whose businesses have collapsed as a result of COVID – 19. Therefore, for an applicant to qualify for the waiver, he would have to demonstrate to the satisfaction of the National Pensions Authority as well as the Labour Commission that his unemployment status was as a result of the COVID-19 pandemic.

6.0 CONCLUSION

After careful consideration, the Committee is of the view that the Bill is in the right direction and therefore recommends to the House to adopt its Report and pass the Income Tax (Amendment) Bill, 2020 in accordance with the 1992 Constitution and the Standing Orders of the House.

Respectfully submitted.


HON. MARK ASSIBEY-YEBOAH (DR)
CHAIRMAN, FINANCE COMMITTEE


EVELYN BREFO-BOATENG
CLERK TO THE COMMITTEE

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