

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

REPORT OF THE

FINANCE COMMITTEE

ON THE

VALUE ADDED TAX  
(AMENDMENT) BILL, 2017

PARLIAMENT OF GHANA  
PARLIAMENT HOUSE  
OSU - ACCRA

29<sup>TH</sup> MARCH, 2017



## **1.0 INTRODUCTION**

The **Value Added Tax (Amendment) Bill, 2017** was presented to Parliament by the Honourable Minister for Monitoring and Evaluation, Dr. Anthony Akoto Osei on behalf of the Minister for Finance and *read the first time* on Tuesday 28<sup>th</sup> March 2017. The Bill was subsequently referred to the Finance Committee for consideration and report in accordance with article 174 of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana. The Committee was also to determine whether the Bill is of an urgent nature to be taken through all the stages in one day in accordance with article 106(13) of the Constitution, 1992 and Order 119 of the Standing Orders of the House.

### **1.1 Urgency of the Bill**

The Committee determined and certifies that the Bill is of an urgent nature and 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 the House.

The Chief Director and other officials from the Ministry of Finance and the Ghana Revenue Authority assisted the Committee in its deliberations on the Bill.

The Committee expresses its gratitude to the Chief Director, the officials from the Ministry of Finance and GRA for attending upon the Committee

## **2.0 REFERENCES**

The Committee referred to the following documents *inter alia* during its deliberations on the Bill:

- a. The 1992 Constitution of Ghana.

- b. The Standing Orders of the Parliament of Ghana.
- c. Value Added Tax Act, 2013 (Act 870)
- d. Interpretation Act, 2009 (Act 792)

### **3.0 BACKGROUND**

Government as part of the 2017 Budget Statement and Economic Policy proposed to reduce or abolish some taxes in order to bring relief to consumers and to stimulate growth of certain sectors of the economy. Pursuant to the above, Government introduced this Bill to amend the VAT Act, 2013 (Act 870) to reduce the cost of supplies of real estate and transportation by air in order to provide relief to consumers. The Bill also aims at providing a simplified VAT scheme for retailers so as to improve their compliance levels.

### **4.0 PURPOSE OF THE BILL**

The Bill seeks to amend the Value Added Tax Act, 2013 (Act 870) to classify the supply of financial services, domestic transportation of passengers by air and supply of immovable property by a real estate developer as exempt supplies. The Bill is also to give legal backing to a VAT Flat rate Scheme that will facilitate collection of VAT on the supply of goods in the distribution chain and to provide for related matters.

### **5.0 CONTENT OF THE BILL**

The Value Added Tax (Amendment) Bill, 2017 contains six (6) clauses.

*Clause 1* amends section 3 of the value Added Tax Act, 2013 (Act 870) to mandate a taxable person who is a retailer or wholesaler to account for tax payable under that section at a flat rate of three percent,



calculated on the value of the taxable supply whilst *clause 2* amends section 26 of the same Act by the deletion of subsection 5.

*Clause 3* amends section 48 of Act 870 to make taxable person to whom the flat rate scheme applies unqualified for an input tax deduction. Also, the clause provides for the deletion of Section 48(1)(d) in the light of the classification of the supply of financial services as an exempt supply.

*Clause 4* amends section 65 of Act 870 to provide an interpretation of "VAT Flat Rate Scheme".

*Clause 5* amends the First Schedule to Act 870 to classify the supply of financial services, domestic transportation of passengers by air and supply of immovable property by a real estate developer as exempt supplies.

*Clause 6* provides for consequential amendments to the National Health Insurance Act, 2012 (Act 852) as it relates to the National Health Insurance Levy so as to bring Act 852 in consonance with this Act, when passed.

## 6.0 **OBSERVATIONS**

### **6.1 Flat Rate Scheme**

The Committee observed that with the passage of the Bill into law, all taxable retailers and wholesalers of goods will be required to account for the Value Added Tax (VAT) at a flat rate of three percent (3%) calculated on the value of the taxable supply, unless the Commissioner-General of the Ghana Revenue Authority (GRA) directs otherwise.

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It was further observed that taxable persons to whom the flat rate scheme shall apply would not be qualified for input tax deduction in respect of the supply of the taxable goods.

### **6.2 VAT on Supply of Domestic Transportation**

The Committee noted that the Bill exempts the supply of domestic transportation of passengers by air, road, rail and water from VAT except the supply of haulage or the rental or hiring of passenger and other vehicles.

It was explained to the Committee that the removal of VAT on domestic air transport is expected to lead to an expansion in the domestic airline industry leading to greater generation of employment in the sector and also encourage more people especially the middle and lower classes to patronize domestic air transport services.

### **6.3 VAT on Supply of Immovable Property**

The Bill also exempts from VAT the supply of immovable property by a real estate developer as exempt supplies.

The Chief Director of the Ministry of Finance informed the Committee that the Bill when passed into law would remove the VAT on the supply of financial services. However, this removal would not affect VAT on professional services in the nature of accountancy, investment and legal advice. This is because the VAT on these professional services have always existed.

### **6.4 Fiscal Impact**

As to how much revenue would be lost as a result of the passage of the Bill, the Committee was made aware that the fiscal impact would amount to an estimated **GHC266.94 million** of revenue loss. This is

made of up GHC243.57 million loss of revenue from VAT on Financial Services, GHC21.11 in relation to VAT on domestic air transport, and GHC2.26 million of VAT on real estate dwelling.

The 3% VAT Flat Rate Scheme was however said to be revenue neutral as it is not expected to occasion any loss of revenue but rather bring about enhanced efficiency, ease of compliance and convenience of administration.

### **6.5 VAT Threshold of the Flat Rate Scheme**

The Commissioner General of the Ghana Revenue Authority explained to the Committee that the VAT Flat Rate Scheme of 3% would be applicable only to wholesalers and retailers who fall within the VAT registrable threshold and would not rope in other traders who do not meet the VAT threshold which currently stands at GHC200,000.

## **7.0 AMENDMENTS PROPOSED**

The Committee respectfully recommends the following amendments to the Bill:

- i. **Clause 1 – Amendment Proposed** – Paragraph (a), line 2, *delete* “Unless otherwise directed by the Commissioner-General in writing,”  
The deletion is being made so as not to give discretionary powers to the Commissioner.
- ii. **Clause 2 – Amendment Proposed** – *Delete*  
The policy objection of Government has been achieved. The amendment contained in Clause 2 does not add any effect to government achieving these policy objectives.
- iii. **Clause 5 – Amendment Proposed** – Paragraph (b), *delete* “and” appearing at the end of sub-paragraph (d) and *insert* “air” at the end of sub-paragraph (e)  
“Air” was not included.



- iv. **Clause 5 – Amendment Proposed** – Paragraph (b), *add* a new sub-paragraph as follows:

“(f) Natural petroleum gas”

This was not included in Act 870 Amended.

- v. **Clause 5 – Amendment Proposed** – After “financial services” occurring in line one, *delete* all words.

The reason is that Professional services are not part of the financial services.


## 8.0 **CONCLUSION**

The Committee, having carefully examined the Bill, finds that its passage is an important step towards bringing reliefs to consumers and also stimulate growth in the domestic aviation and real estate sectors whilst also simplifying and facilitating the collection of VAT on the supply of goods in the distribution chain.

In accordance with Order 126 of the Standing Orders of the House, the Committee recommends to the House to adopt this report and pass the **Value Added Tax (Amendment) Bill, 2017** into law in accordance with Article 106 of the Constitution and Orders 127 and 131 of the Standing Orders of the House *subject to the amendments proposed*.

Respectfully Submitted.



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

  
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**MS. EVELYN BREFO-BOATENG**  
**(CLERK, FINANCE COMMITTEE)**