

**VALUE ADDED TAX (AMENDMENT) BILL, 2017**

ARRANGEMENT OF SECTIONS

*Sections*

1. Section 3 of Act 870 amended
2. Section 26 of Act 870 amended
3. Section 48 of Act 870 amended
4. Section 65 of Act 870 amended
5. First Schedule to Act 870 amended
6. Consequential amendments to Act 852

A  
**BILL**

ENTITLED

**VALUE ADDED TAX (AMENDMENT) ACT, 2017**

**AN ACT** 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, 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.

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

(a) the substitution for subsection (2) of

“(2) Unless otherwise directed by the Commissioner-General in writing, a taxable person who is a retailer or wholesaler of goods 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.”; and

(b) the insertion after subsection (2) of

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

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**Section 26 of Act 870 amended**

2. The principal enactment is amended in section 26 by the deletion of subsection (3).

**Section 48 of Act 870 amended**

3. The principal enactment is amended in section 48 by
- (a) the deletion of paragraph (d) of subsection (1); and
  - (b) the substitution for subsection (7A) of

“(7A) A taxable person to whom subsection (2) of section 3 applies does not qualify for an input tax deduction in respect of a supply of goods.”.

**Section 65 of Act 870 amended**

4. The principal enactment is amended in section 65 by the insertion after “VAT” of

“VAT Flat Rate Scheme” means a Value Added Tax collection and accounting mechanism that applies a marginal tax percentage representing net VAT payable on the value of taxable goods supplied.”

**First Schedule to Act 870 amended**

5. The First Schedule to the principal enactment is amended
- (a) by the substitution for paragraph 15 of

“15. A supply of domestic transportation of passengers by air, road, rail and water, except the supply of haulage or the rental or hiring of passenger and other vehicles.”;

- (b) by the substitution for paragraph 17 of

“17. A supply of crude oil and the following hydrocarbon products:

- (a) petrol;
- (b) diesel;
- (c) liquefied petroleum gas;
- (d) kerosene; and
- (e) residual fuel oil.”;

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- (c) in paragraph 18 by the substitution for subparagraph (a) of  
“(a) immovable property, including land, used or intended to be used for the purpose of a dwelling.  
”; and
- (d) by the substitution for paragraph 19 of  
“19. A supply of financial services excluding professional services in the nature of accountancy, investment and legal advice.”.

**Consequential amendments to Act 852**

6. The National Health Insurance Act, 2012 (Act 852) is amended by  
(a) the substitution for section 48 of

**“Exempt supply of goods and services**

48. A supply in respect of any of the matters set out in the First Schedule of the Value Added Tax Act, 2013 (Act 870) is exempt from the levies imposed under section 47.”;

- (b) the substitution for section 49 of

**“Zero-rated supply of goods and services**

49. A supply in respect of any of the matters set out in the Second Schedule of the Value Added Tax Act, 2013 (Act 870) is zero-rated as regards the levy imposed under section 47.”;

- (c) the substitution for section 50 of

**“Relief from levy**

50. There is granted by this Act relief from the payment of the levy to the individuals, organisations and in respect of the matters specified in the Third Schedule of the Value Added Tax Act, 2013 (Act 870).”; and

- (d) the deletion of the Second Schedule.

Date of *Gazette* notification: 28th March, 2017.



## VALUE ADDED TAX (AMENDMENT) BILL, 2017

### MEMORANDUM

The object of this Bill is 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 and to introduce a VAT Flat Rate Scheme that will facilitate the collection of VAT in the distribution sector.

The Bill clarifies the exemption on the supply of hydrocarbon products as provided under the First Schedule and makes consequential amendments to the National Health Insurance Act, 2012 (Act 852) to bring provisions on the National Health Insurance Levy in line with the provisions of the Value Added Tax Act.

The general thrust of the amendments is to reduce the cost of supplies of real estate and transportation by air in order to provide relief to consumers and also provide a simplified VAT scheme for retailers so as to improve their compliance levels.

*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 per cent, calculated on the value of the taxable supply, while *clause 2* amends section 26 of the same Act by the deletion of subsection (3).

*Clause 3* amends section 48 of Act 870 to make a taxable person to whom subsection (2) of section 3 applies unqualified for an input tax deduction with respect to the supply of the goods. It also provides for the deletion of paragraph (d) of subsection (1) of section 48 in the light of the classification of the supply of financial services as an exempt supply and *clause 4* amends section 65 to provide the interpretation of "VAT Flat Rate Scheme".

*Clause 5* amends the First Schedule 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. It further expands the list of items included under hydrocarbons and *clause 6*

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provides consequential amendments to the National Health Insurance Act, 2012 (Act 852) as it relates to the National Health Insurance Levy. It amends Act 852 to bring it in consonance with this Act.

MR. KEN OFORI-ATTA  
*Minister for Finance*

Date: 27th March, 2017.