



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

**REPORT OF THE
FINANCE COMMITTEE**

ON THE

**INCOME TAX (AMENDMENT)
(NO. 2) BILL, 2018**

December, 2018

1.0 INTRODUCTION

The **Income Tax (Amendment) (No. 2) Bill, 2018** was presented to Parliament by the Hon. Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister for Finance and *read the first time* in the House on Thursday 13th December, 2018. The Bill was subsequently *referred* to the Finance Committee for consideration and report in accordance with Article 174 of the Constitution, 1992 and Order 169 of the Standing Orders of the Parliament of Ghana.

Hon. Deputy Minister for Finance, Mr. Kwaku Kwarteng and officials from the Ministry of Finance assisted the Committee in its deliberations on the Bill.

The Committee is grateful to the Hon. Deputy Minister and the officials from the Ministry of Finance 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 the Republic of Ghana.
- b. The Standing Orders of the Parliament of Ghana.
- c. Income Tax Act, 2015 (Act 896) as amended.
- d. Interpretation Act, 2009 (Act 792)

2.1 URGENCY OF THE BILL

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

3.0 BACKGROUND

Government in the mid-year fiscal policy review introduced an additional income tax band of **Ten Thousand Ghana Cedis (GH¢10,000.00)** and above per month at a rate of *thirty-five percent (35%)*. An interim evaluation of the policy and general feedback to Government indicated the policy had been regressive.

To counter this regressive effect, Government proposes to review this band to impact monthly income above **Twenty Thousand Ghana Cedis (GH¢20,000.00)** at a reduced rate of *thirty percent (30%)* in line with current reforms.

Again, the recent increases in wages have resulted in wages around the minimum wage levels becoming partly taxable. The imposition of the tax would reduce the ability of persons who are already lowly paid to access basic necessities of life.

In keeping with Government's commitment to lighten the tax burden of wage earners at the lower levels of the wage ladder, the tax-free band will be pegged at the minimum wage.

The First Schedule to Act 896 provides a withholding tax rate for the supply of goods and works but omits the rate for the supply of services. A provision is therefore inserted in this Bill to cure the omission.

4.0 PURPOSE OF THE BILL

The Bill seeks to amend the Income Tax Act, 2015 (Act 896) to revise the rates of income tax for individuals and clarify the withholding tax on provision of services by non-resident persons.

5.0 CONTENT OF THE BILL

The **Income Tax (Amendment) (No. 2) Bill, 2018** contains one clause.

The clause amends subparagraph (1) of paragraph 1 of the First Schedule to Act 896 by the substitution for the table specified in Act 896.

It further amends paragraph 8(1)(c)(ix) of the First Schedule to Act 896 to include the rate for the supply of services.

6.0 OBSERVATIONS

6.1 Review of Income Tax Bands

The Committee noted that the Bill has provided a comprehensive review of the entire Personal Income Tax bands by widening the tax brackets to provide reliefs to individuals across all the bands. At the same level of nominal income therefore, an individual taxpayer will be paying less Personal Income Tax, other things being equal.

The Committee noted that this measure forms part of government's policy of shifting from taxation to production as individuals are being left with more disposable income for consumption and investment.

6.2 Tax on Services Rendered by Non-Residents

The Committee noted that Section 116(10) of Act 896 imposes Withholding Tax on a payment under a contract to a non-resident person for the supply of goods, works or services where the contract gives rise to income from Ghana.

However, in specifying the rate of the withholding tax, paragraph 8(1)(c)(ix) of the First Schedule to Act 896 inadvertently omitted "services" thereby creating an apparent lacuna. The Bill therefore corrects this anomaly by amending the relevant provision to clarify the situation by expressly including "services" where the rate of tax is specified.

6.3 Fiscal Impact


As to how much revenue will be impacted by the passage of the Bill, the Committee was informed that the review in policy as contained in the Bill would lead to an estimated revenue loss of approximately *Four Hundred and Sixty Million, Nine Hundred and Ninety-Four Thousand Ghana Cedis (GH¢460,994,000.00)*

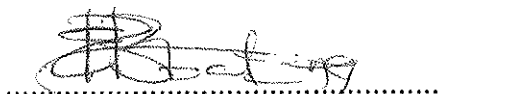
7.0 CONCLUSION

The Committee after carefully examining the Bill, finds that its passage would provide relief to individuals with regard to their Personal Income Tax obligation whilst clarifying the law on the Withholding Tax on payment for services rendered by non-residents.

The Committee therefore recommends to the House to adopt this report and pass the **Income Tax (Amendment) (No. 2) Bill, 2018** into law in accordance with Article 106(13) of the 1992 Constitution and Order 119 of the Standing Orders of the House.

Respectfully Submitted.


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


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

17TH DECEMBER, 2018

