REPORT OF THE FINANCE COMMITTEE ON THE VALUE ADDED TAX (AMENDMENT) BILL, 2019

1.0 INTRODUCTION

The Value Added Tax (Amendment) Bill, 2019 was first presented to Parliament and read the first time on Monday, 2nd December, 2019 by Hon. Kwaku Kwarteng, a Deputy Minister for Finance on behalf of the Minister for Finance.

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. Charles Adu Boahen, and officials from the Ministry of Finance, the Ministry of Trade and Industry and the Attorney-General’s Department to consider the Bill.

The Committee is grateful to the Hon. Deputy Minister and the team of officials for attending upon the Committee.
2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents in the consideration of the Bill:

1. The 1992 Constitution;
2. The Value Added Tax (Amendment) Act, 2015 (Act 890);
3. The Value Added Tax (Amendment) (No.2) Act, 2017 (Act 954);
4. The Interpretations Act, 2009 (Act 792); and
5. The Standing Orders of Parliament.

2.1 URGENCY OF THE BILL

The Committee determined and hereby certifies 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 1992 Constitution of the Republic of Ghana and Order 119 of the Standing Orders of the House.

3.0 OBJECT OF THE BILL

The object of the Bill is to provide for the exemption from the payment of value added tax of imports of plant and machinery designed specifically for use in the automotive industry and kits imported by automotive manufacturers and assemblers who are registered under the Ghana Automotive Manufacturing Development Programme and management fees for services provided by fund managers to private equity funds, venture capital funds and mutual funds.

4.0 STRUCTURE OF THE BILL

The Bill contains a clause.

The clause amends the First Schedule to Act 870 by adding the imports of plant and machinery designed specifically for use in the automotive
industry and kits imported by automotive manufacturers and assemblers who are registered under the Ghana Automotive Manufacturing Development Programme to the list of items exempted from value added tax.

Provision has also been made for the management fees charged by a local fund manager for the management of a licensed private equity fund, a venture capital fund or a mutual fund to be exempted from value added tax.

The Bill also consolidates previous amendments to the First Schedule and seeks to correct an error in the numbering of the paragraphs of the First Schedule which was occasioned as a result of the amendments to the First Schedule in the Value Added Tax (Amendment) Act, 2015 (Act 890) and the Value Added Tax (Amendment) (No.2) Act, 2017 (Act 954).

5.0 OBSERVATIONS

5.1 Rationale for the Bill

The Committee was informed that Government, in August, 2019, launched the Ghana Automotive Manufacturing Development Programme. The Programme is to develop a vibrant automotive and allied industry that will feed local demand and that of the West Africa sub-region. Under the Programme, Government has put in place some concessions to support the Industry in its teething stages. The exemption from Value Added Tax (VAT) on imported plant, machinery and kits will help to lower initial costs of production.

The Committee was also informed that the current situation of subjecting the management fees of fund managers of private equity, venture capital and mutual funds to VAT discourages institutional and other investors,
both local and foreign, from investing such critical funds in the private sector for growth.

The Committee was informed that the exemption of the management fees for these funds from the payment of VAT is to encourage the establishment of private equities, venture capital and mutual funds as well as improve the ecosystem for start-up businesses with regard to the availability of funds. It will also improve the accumulation of long-term funds in the economy to support growth and the creation of jobs.

5.2 Fiscal Impact of the Bill

The Committee observed that the estimated revenue loss from implementing the policies under the Automotive Manufacturing Development Programme is Twenty-Two Million, Five Hundred and Eighty-Four Thousand, Four Hundred and Sixty-One Ghana Cedis and Ninety-Seven Pesewas (GH¢22,584,461.97) per year for the first three years. The revenue loss as a result of the exemption of management fees from value added tax is estimated at Thirty-Six Million Ghana Cedis (GH¢36,000,000.00) per year.

6.0 CONCLUSION

After a 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, 2019 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