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

REPORT
OF THE COMMITTEE ON SUBSIDIARY LEGISLATION

ON THE

VALUE ADDED TAX (EXEMPTION OF ACTIVE INGREDIENTS, SELECTED INPUTS AND SELECTED DRUGS OR PHARMACEUTICALS) (AMENDMENT) REGULATIONS, 2017 (L.I. 2255)

OCTOBER 2017
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1.0 INTRODUCTION

The Value Added Tax (Exemption of Active Ingredients, selected Inputs and selected drugs or Pharmaceuticals) (Amendment) Regulations, 2017 (L.I. 2255) was laid in Parliament on Tuesday, 1st August, 2017 in accordance with Article 11(7) of the Constitution. Pursuant to Orders 77 and 166 of the Standing Orders of Parliament, the Rt. Hon. Speaker referred the Instrument to the Committee on Subsidiary Legislation for consideration and report.

2.0 REFERENCE DOCUMENTS

The Committee referred to the under-listed documents during the deliberations:

i. The 1992 Constitution
ii. The Standing Orders of Parliament
iii. Value Added Tax Act, 2013 (Act 870)
iv. Value Added Tax (Exemption of Active Ingredients, Selected Inputs and Selected Drugs or Pharmaceuticals) Regulations, 2015 (L.I.2218)

3.0 DELIBERATIONS

The Committee in considering the referral met with the Hon. Deputy Minister for Finance, Mr. Kwaku Kwarteng. In attendance were Officials from the Ministry of Health, Attorney General's Department and the Chamber of Pharmacy.
4.0 BACKGROUND

4.1 In the Budget Statement and Financial Policy of the Government for the 2017 Financial year, Government pledged to eliminate the Value Added Tax (VAT) on selected imported pharmaceutical products to make healthcare and pharmaceutical products accessible and affordable. In furtherance of this policy, the Ministry of Finance in consultation with the Ministry of Health was tasked to develop a list of selected pharmaceutical products to benefit from the exemption.

4.2 To achieve effective implementation of the policy and to also promote fair competition in the pharmaceutical industry, a Committee made up of members from Pharmaceutical Society of Ghana, Ministry of Trade and Industry, Ministry of Health, National Health Insurance Authority, Chamber of Pharmacy, Pharmaceutical Manufacturers Association of Ghana, Food and Drugs Authority, World Health Organization Country Office and the Ministry of Health was set up to develop the list. The Committee met all relevant stakeholders in the industry and agreed on the list.

4.3 The Value Added Tax (Exemption of Active Ingredients, selected Inputs and selected drugs or Pharmaceuticals) (Amendment) Regulations, 2017 (L.I. 2255) was introduced in Parliament to amend the Value Added Tax (Exemption of Active Ingredients, Selected Inputs and Selected Drugs or Pharmaceuticals) Regulations, 2015 (L.I. 2218) to expand the list of imported pharmaceuticals to be exempted from the payment of VAT.
5.0 OBSERVATIONS

5.1 The Committee observed that the exemption covered 552 Active Pharmaceutical Inputs and excipients and 483 Imported Finished Pharmaceutical Products. The current exemption list is 352 Active Pharmaceutical Inputs and excipients and 118 Imported Finished Pharmaceutical Products. The list of Active Pharmaceutical Ingredients includes packaging materials such as bottles, caps etc., drug information leaflet and other inputs. The imported finished Pharmaceutical Products include vaccines, sera, immunoglobulins, medicines for HIV, TB, cancer as well as psychotropic. The list of exemption of VAT on the selected products is to give leverage to the local manufacturers to make them competitive as part of efforts targeted at building the local industry.

5.2 Available records indicate that currently, 70% of medicines consumed in the Country are imported whilst 30% are locally produced. The exemption would therefore give local manufacturers the space for expansion to be able to manufacture for both local consumption and export. The exemption would reduce the cost of production which would consequently place more money in the hands of pharmaceutical companies. This is expected to lead to the downward adjustments of prices of the selected pharmaceutical products. The overall objective is to enable the Industry to expand and create more job opportunities for the unemployed.

5.3 The Committee was informed that the list of medicines to be exempted from VAT include most of the medicines on the list of drugs paid for by the National Health Insurance Authority (NHIA). Officials from the Ministry of Health informed the Committee that, VAT constitutes about forty percent (40%) of the total tax element on medicines in the Country and this contributes to the high cost of medicines. The exemption of VAT on the selected products is before expected to support the
drive of the Ministry of Health to ensure that prices of medicines are contained in a manner that will sustain the Health Insurance and therefore reduce the amounts reimbursed by the Authority.

5.4 The Committee was informed by the Ministry of Health that the annual reimbursement bill of the NHIA for medicine to Service Providers is about Eight Hundred Million Ghana Cedis (GHs 800,000,000.00). The Ministry and the Chamber of Pharmacy project that the VAT exemptions on the selected medicines would correspond to a thirty percent (30%) reduction on the NHIS tariffs on medicines. The private sector on the other hand may also make about thirty percent savings on the exemptions of VAT on the selected products. The Committee was assured by the Chamber of Pharmacy that it will ensure that the exemption leads to the reduction of prices of medicine and thereby reduce the bill for the NHIA.

5.5 The Committee endorses the decision by the Ministry of Health to review the list of VAT exempted products every two years. This is because pharmaceuticals and medicines are very dynamic and new treatment evolves regularly. The two year review is in anticipation that local manufacturers would have built their capacities to manufacture new and complex products to allow for the removal of such drugs from the list of VAT exempt imported pharmaceutical products. This would also allow new imported finished products e.g. biologicals that may be needed to be added onto the list.

6.0 CONCLUSION

6.1 The Committee has carefully examined the Value Added Tax (Exemption of Active Ingredients, selected Inputs and selected drugs or Pharmaceuticals) (Amendment) Regulations, 2017 (L.I. 2255) and is of the considered view that the
Legislative Instrument does not contravene the provisions of the Constitution and Order 166 (3) of the Standing Orders of Parliament.

6.2 The Committee accordingly recommends to the House to adopt its report and allow the Value Added Tax (Exemption of Active Ingredients, selected inputs and selected drugs or Pharmaceuticals) (Amendment) Regulations, 2017 (L.I. 2255) to come into force at the expiration of twenty-one sitting days as provided for under Article 11(7) (C) of the 1992 Constitution.

Respectfully submitted.

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COMMITTEE ON SUBSIDIARY LEGISLATION

HON. MAHAMA AYARIGA
CHAIRMAN, COMMITTEE ON
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OCTOBER 2017.