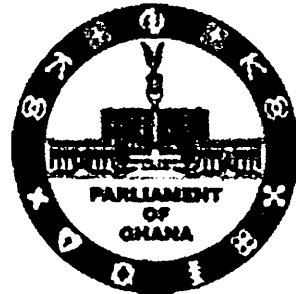


**IN THE SECOND SESSION OF THE EIGHTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**



**REPORT OF THE**

**FINANCE COMMITTEE**

**ON THE**

**VALUE ADDED TAX (AMENDMENT) BILL, 2022**

***JULY, 2022***

## **1.0 INTRODUCTION**

The Value Added Tax (Amendment) Bill, 2022 was first presented to Parliament and read the first time on Tuesday, 26<sup>th</sup> July, 2022.

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 Dr John Ampontuah Kumah and a team of officials from the Ministry of Finance, the Ghana Revenue Authority (GRA) and the Attorney-General's Department.

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

The Committee met and determined that the Bill is of an urgent nature and therefore certifies that it 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 Parliament.

## **2.0 DOCUMENTS REFERRED TO**

The Committee referred to the following documents in order to consider the Bill:

1. The 1992 Constitution;
2. The Value Added Tax Act, 2013 (Act 870);
3. The Standing Orders of Parliament.

## **3.0 OBJECT OF THE BILL**

The object of the Bill is to amend the Value Added Tax Act, 2013 (Act 870) to broaden the scope for the taxation of electronic commerce, provide for the electronic issuance of a tax invoice, an up-front payment of Value Added Tax

by an unregistered importer and the zero-rating of the supply of locally assembled vehicles.

#### **4.0 STRUCTURE OF THE BILL**

The Bill contains Eight (8) clauses.

Clause 1 inserts a new section, section 15A into Act 870.

Clause 2 amends section 16 of Act 870.

Clause 3 amends section 41 of Act 870.

Clause 4 amends section 42 of Act 870.

Clause 5 amends section 48 of Act 870.

Clause 6 amends section 52 of Act 870.

Clause 7 amends section 65 of Act 870.

Clause 8 amends the Second Schedule to Act 870.

#### **5.0 OBSERVATIONS**

##### **5.1 Rationale for the Bill**

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The Committee was informed that the digital economy presents a potentially untapped source of revenue for Ghana as the country continues to witness an increase in e-commerce activity. The country has also seen a drop in traditional tax revenues as digital multinationals and other e-commerce businesses trade remotely with no physical presence. These digital multinationals and other online businesses create value and make significant profit through the supply of online services to consumers in Ghana. However, section 16 does not cover all emerging e-commerce transactions. The bill therefore seeks to amend section 16 of Act 870 to and include provisions for taxing non-resident persons who supply digital and telecommunication services.

Government is also implementing the Ghana Automotive Development Programme which seeks to promote the local assembling and production of vehicles. The programme commenced in 2020 with the Volkswagen Group.

Currently, there are over seven companies operating under the Programme and producing salon cars, SUVs and pick-ups. Government, as part of measures to ensure that the vehicles are sold at competitive prices, has decided to zero-rate the sale of these vehicles for a period of eighteen months.

The Committee also observed that as part of measures to assure revenue, an up-front payment of twelve and a half per cent on the cost, insurance and freight value of a taxable good imported by a person who has not registered for Value Added Tax is being imposed at the ports of entry. An importer will however be permitted to recover the up-front payment when the importer registers and files a Value Added Tax return.

The Committee also observed that the bill seeks to also provide for the issuance of electronic tax invoice which is integrated into the invoicing system of the Ghana Revenue Authority.

Accordingly, the Bill seeks to amend the Value Added Tax Act, 2013 (Act 870) to give effect to government policy, assure compliance and assist in revenue mobilisation.

## **5.2 Fiscal Impact of the Bill**

The Committee observed that the amendments to Act 870 is expected to result in tax revenue of approximately GH¢750 Million.

## **5.3 Impact on the Informer Sector**

The Committee inquired as to whether the proposed electronic invoicing would extend to cover the informer sector. It was explained that businesses below the equity threshold of GH¢200,000.00 are exempt from the payment of VAT and therefore would not be affected by this amendment.

## 6.0 RECOMMENDATION

The Committee, having carefully scrutinized the Bill, proposes the following amendment for the consideration of the House:

### Amendment

- i. **Amendment proposed** –Clause 1, paragraph (2), line 2 *delete* “insurance and freight”.

## 7.0 **CONCLUSION**

After a careful consideration, the Committee is of the view that the Bill is in the right direction as it addresses issues of inequalities as well as assure compliance in the payment of tax.

The Committee therefore recommends to the House to adopt its report and pass the Value Added Tax (Amendment) Bill, 2022 in accordance with the 1992 Constitution and the Standing Orders of the House.

Respectfully submitted.



**HON. KWAKU KWARTENG**  
**CHAIRMAN, FINANCE COMMITTEE**



**JOANA A. ADJEI (MRS)**  
**CLERK TO THE COMMITTEE**

28<sup>th</sup> July, 2022