

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

REPORT OF THE FINANCE COMMITTEE ON THE VALUE
ADDED TAX (AMENDMENT) (NO. 2) BILL

1.0 INTRODUCTION

The Value Added Tax (Amendment) (No. 2) Bill was laid in the House on 17th June 2008 and referred to the Finance Committee for consideration and report in accordance with the 1992 Constitution and the Standing Orders of the House.

To consider the Bill, the Committee met with the Deputy Minister of Finance and Economic Planning, Hon. Prof. G. Gyan Baffour and officials from the Ministry of Finance and Economic Planning and the Value Added Tax Service (VATS) and reports as follows:

2.0 RATIONALE OF THE BILL

The object of this Bill is to provide :-

- zero rating for locally produced pharmaceuticals and
- for a Warrant of Seal Off to empower the Commissioner to take action against recalcitrant businesses.

3.0 CONTENTS OF THE BILL

The Bill is made up of **seven (7)** Clauses as follows:-

Clause 1 provides for the inclusion of Pharmaceuticals in the category of zero – rated supplies.

Clause 2 seeks to empower the Commissioner to take action against persons who qualify to register as tax persons but refuse to do so after sufficient notice has been given to them.

Clauses 3,4,5,6, and 7 seek to amend the Schedules to Act 546 in order to re-introduce exemption from tax on imported agricultural machinery and to renumber First Schedule A and First Schedule B.

4.0 OBSERVATIONS AND RECOMMENDATION

The Committee was informed that as part of Government Policy there was the need to make the prices of locally produced pharmaceuticals competitive by reducing their cost of production. Due to this, the Bill is seeking to add locally produced pharmaceuticals to zero-rated supplies to ensure that the producers recover their input tax and thereby reduce cost.

The Committee was further informed that the removal of taxes would lead to a reduction in the production cost and thereby result in lower and competitive retail prices. It will also enable the industry to recover their input tax credit.

Members noted that this measure would go a long way to support the pharmaceuticals industry but were of the view that its impact may not be felt if the Commissioner of VAT does not refund the **input tax credit** to manufacturers on time. The Committee therefore urges the Commissioner to ensure that such credits are refunded to the manufacturers on time to avoid any potential cash-flow problems as a result of a delay in the payment of the refund.

The Deputy Minister informed the Committee that the bill seeks to empower the Commissioner of VAT to take action against obstinate businesses. This power will enable the Commissioner to lock up (seal off), without recourse to the Courts, premises of persons who are qualified to register as tax persons but are refusing to do so after several reminders to them.

Amendment Proposed


The Committee proposes the following amendment to the Bill:

- (1) **Clause 2, sub clause (4)** at end; *delete 'the police' and insert 'a police officer'*

5.0 CONCLUSION

After carefully considering the Bill, the Committee believes that the Bill is in the right direction and hence recommends to the House to adopt this report and pass the Value Added Tax (Amendment) (No. 2) Bill, subject to the amendment proposed.

Respectfully submitted.


HON. NII ADU DAKU MANTE
CHAIRMAN


LOUIS YIADOM BOAKYE
FOR CLERK, FINANCE COMMITTEE

14th October, 2008.