

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

REPORT OF THE FINANCE COMMITTEE

ON

**THE INCOME TAX (AMENDMENT) BILL,
2015**

DECEMBER 2015

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REPORT OF THE FINANCE COMMITTEE ON THE INCOME TAX (AMENDMENT)
BILL, 2015

1.0 INTRODUCTION

The Income Tax (Amendment) Bill, 2015 was presented to Parliament on behalf of the Minister for Finance by the Hon. Deputy Minister for Finance Mr. Cassiel Ato Baah Forson and read for the first time on Friday, 27th November, 2015. The Bill was referred to the Finance Committee for consideration and report in accordance with Article 174(1) of the 1992 Constitution and Order 169 of the Standing Orders of the House.

Pursuant to the referral, the Committee met with the Hon. Deputy Minister for Finance, Mr. Cassiel Ato Baah Forson, Commissioners from the Ghana Revenue Authority (GRA), as well as officials from the Tax Policy Unit of Ministry of Finance and Attorneys from Attorney-General's Department and considered the referral.

The Committee is grateful to the Hon. Deputy Minister, Commissioners and other officials for the assistance during the deliberations.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana; and

- The Income Tax Act, 2015(Act 896).

3.0 BACKGROUND

In line with the social policies of Government, personal income tax provided under the Income Tax Act, 2015 (Act 896) was used as a major tool for equitable distribution of income and the protection of the low income earners. The proposed amendment is therefore being sought to further improve fairness, progressivism and also provide tax relief to low income earners.

4.0 PURPOSE OF THE BILL

The object of the Bill is to amend the Income Tax Act, 2015 (Act 896) to provide for a new rate of tax for the chargeable income of a resident individual for a year of assessment and to adjust the threshold for modified taxation.

5.0 PROVISION OF THE BILL

The Income tax (Amendment) Bill, 2015 has two main clauses which amends the First and Second Schedules of Act 896.

6.0 OBSERVATIONS

Object of the Bill

The Committee noted during the clause-by-clause examination of the Bill that though the object of the Bill as stated in the Memorandum is to amend the Income Tax Act, 2015 (Act 896) to provide for a new rate of tax for the chargeable income of a resident individual for a year of assessment and to adjust the threshold for modified taxation, provision is also made to exclude companies operating in Accra and Tema from enjoying location incentives.

The Hon. Deputy Minister explained that it has long been Government Policy to exclude companies operating in the Accra and Tema and this was actually reflected in the Income Tax Act, 2000 (Act 592) but was inadvertently omitted in the Income Tax Act, 2015 (Act 896).

The Hon. Deputy Minister added that having recognised the omission during the drafting of the Bill, duly communicated the omission and the policy to the Attorney-General's Department for its inclusion in the Bill. But erroneously, this was again not included in the Memorandum of the Bill but captured in the Bill. The explanation was confirmed by the Attorneys from the Attorney-General's Department.

The Committee, after considerable deliberation and with a confirmation letter from the Ministry of Finance, accepted the explanation and agreed that the provision remained part of the Bill. A copy of the confirmation letter is attached for the information of the House.

Presumptive Tax Base Turnover

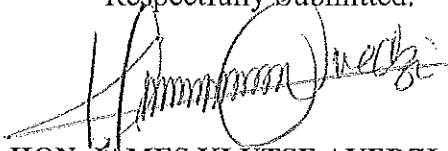
The Committee noted that with the proposed amendment, the threshold for the presumptive taxation would be increased from the current One Hundred and Twenty Thousand Cedis per annum to Two Hundred Thousand Cedis per annum. The Hon. Deputy Minister indicated that the increase is to ensure efficiency and also to ease the system. It was explained that the taxpayers who fall within this bracket are normally individuals and small businesses that are unable to keep proper records and books of accounts for the purposes of taxation. Furthermore, because their number is significantly large and not formally structured, the cost of administering the tax becomes abnormally high. The Hon. Deputy Minister was certain that the increase in the threshold, would help ease the system and ensure efficient administration of the tax.

7.0 CONCLUSION AND RECOMMENDATION

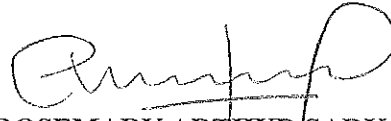
The Committee has thoroughly examined the Bill and recommends to the House to adopt its report and take the Income Tax (Amendment) Bill, 2015 through all stages in

accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Respectfully Submitted.



**HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)**



**ROSEMARY ARTHUR/SARKODIE (MRS.)
(CLERK, FINANCE COMMITTEE)**

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REPUBLIC OF GHANA

MINISTRY OF FINANCE

P. O. BOX MB 40

ACCRA

16 December, 2015

INCOME TAX (AMENDMENT) BILL, 2015

I refer to our discussions at the Finance Committee today 1st December, 2015.

We wish to confirm that it is Government's policy to exclude companies in Accra and Tema from companies enjoying locational incentives. This policy was reflected in the Internal Revenue Act, 2000 (Act 592) but was inadvertently omitted in the Income Tax Act, 2015 (Act 896).

We can also confirm that this policy was duly communicated to the Attorney-General's Department but was erroneously not included in the Memorandum to the Bill. However it was captured in the Bill.

We thank you for the usual cooperation.

A handwritten signature in black ink, appearing to read 'Cassiel Ato Forson'.

HON. CASSIEL ATO FORSON, MP

DEPUTY MINISTER

FOR: MINISTER

THE CHAIRMAN
FINANCE COMMITTEE
PARLIAMENT HOUSE
ACCRA

CC: Hon. Minister
Hon. Deputy Minister
Chief Director
Tax Policy Advisor

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