

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

**REPORT OF THE
FINANCE COMMITTEE**

ON THE

**INTERNAL REVENUE (AMENDMENT)
BILL**

MARCH, 2013

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REPORT OF THE FINANCE COMMITTEE ON THE INTERNAL REVENUE
(AMENDMENT) BILL

1.0 INTRODUCTION

The Internal Revenue (Amendment) Bill was presented to Parliament by the Hon. Minister for Finance and read for the first time on Friday, 22nd March, 2013 and 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 Parliament of Ghana.

Pursuant to the referral, the Committee met with the Hon. Minister for Finance, Mr. Seth E. Terkper, the Commissioner-General of Ghana Revenue Authority (GRA), Mr. George Blankson, and officials from the Ministry of Finance and GRA during the consideration of the referral.

The Committee is grateful to the Hon. Minister, the Commissioner-General and Officials of the Ministry and GRA for attending upon it.

2.0 REFERENCE

The Committee referred to the following documents at its deliberations:

- The 1992 Constitution of Ghana.
- The Standing Orders of the Parliament of Ghana.
- Internal Revenue Act, 2000 (Act 592)
- the Internal Revenue (Amendment) Bill

3.0 BACKGROUND

The 2013 Budget Statement and Economic Policy of the Government of the Republic of Ghana outlined fiscal policies aimed at reducing the negative impact of real increases in GDP on personal incomes and to compensate for the losing purchasing power of income earners. Further, personal reliefs aimed at reducing the burden on taxpayers in certain categories have also been proposed.

The Bill among others is therefore to give legal effect to the above policy proposals and others outlined in the Budget Statement. The Bill also seeks to exempt the ARB Apex Bank from paying taxes for ten years to enable it continue to provide technical and financial support to the rural banks and also extend more credit to SMEs in the Agricultural Sector.

4.0 PURPOSE OF THE BILL

The Bill seeks to amongst others:

- a. amend the Internal Revenue Act, 2000 (Act 592) to exempt the ARB Apex Bank from tax for a period of ten (10) years of assessment;

- b. increase the personal reliefs for certain categories of taxpayers;
- c. amend the annual income tax thresholds and brackets;
- d. give effect to the 2012 amendment of the Capital allowances regime of the mining companies;
- e. provide for specific period for payment of final tax on earned repatriated profits of non-residents doing business in the country; and
- f. redefine 'exempt organisations'

5.0 DIVISION OF THE BILL

The Bill is divided into thirteen Clauses with clauses 1 to 11 seeking to amend sections 11, 39, 52, 66, 67, 94, 97, 122, 122A and 142 of Act 592 while Clauses 12 and 13 amends the first and third Schedule of the same Act. The details of the Amendment are as follows:

Clause 1 amends section 11 of Act 592 to exempt the ARB Apex Bank from tax from a period of ten (10) years of assessment.

Clause 2 amends section 39 of Act 592 to increase the personal reliefs to certain categories of taxpayers to reduce the tax burden on those categories.

Clause 3 amends section 52 of Act 592 to give effect to t 2012 amendment of the Capital Allowance regime of the mining companies

Clause 4 and 5 amends section 66 and 67 of Act 592 respectively and provide for a specified period for the payment of final tax on earned repatriated profit of non-resident persons carrying on business in the country through a permanent establishment and gross receipt of non-

resident persons carrying on business in shipping, air transport and telecommunication services.

Clause 6 amends section 94 of Act 592 to redefine 'exempt organisations' in the Interpretation section to resolve the ambiguity in the definition of 'exempt organisations'

Clause 7 amends section 97 of Act 592 by repealing Class 3 depreciable assets from the list of chargeable assets in subsection (3) of section 97.

Clause 8 amends section 122 of Act 592 to expressly require all persons required to register with the Commissioner-General to maintain underlying documents in the nature of invoices, contracts, receipts, vouchers or electronic data as part of the obligation to keep accounting records under the Act.

Clause 9 amends section 122 of Act 592 by introducing a new section 122A. The amendment makes it obligatory for companies operating in Ghana, whether domestic or external, to maintain ownership information in Ghana.

Clause 10 amends section 142 of Act 592 whilst clause 11 amends section 165 by repealing subsection (1) of section 165.

Clause 12 amends the First Schedule to the Act by modifying the annual income tax thresholds and brackets to compensate taxpayers for the loss in purchasing power arising from inflationary trends and the impact of real GDP on personal income

Clause 13 amends the Third Schedule of Act 592 by introducing new maximum cost base for road vehicles other than commercial vehicles for capital allowance purposes.

6.0 OBSERVATIONS

Urgency of the Bill

The committee in its deliberations considered the Bill to be of an urgent nature and must be taken through all the stages in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Rational for the Tax Holiday for ARB Apex Bank

The Committee was informed that the ARB Apex Bank was set up to provide financial support to SMEs as well as technical and financial assistance to Rural Banks. It was indicated that since rural banks are not to operate on purely commercial basis, there is the need to support the Apex Bank to assist the rural banks to operate efficiently. It was added that the Agricultural and the National Investment banks also enjoy this facility at their initial stage till they became commercially viable. Further, the tax holiday is to give some relief to the Bank to extend more credit to SMEs and also to the Agricultural Sector.

The Committee hopes that the tax holidays would improve on the activities of ARB Apex Bank which will in turn reflect positively in the operations of the rural banks in the country.

The Committee noted that the Bank of Ghana Act, 2002, (Act 612) which mandates the Central Bank to regulate the activities of all banks including the rural banks limits the Apex Bank to regulate the activities of the rural banks and calls for an amendment of Act 612 to enable the Apex Bank take up the regulatory responsibility.

Amendment to the Ghana Revenue Authority Act, 2009 (Act791)

The Committee further wanted to know whether the proposed Internal Revenue Bill in the 2013 Budget does not make adequate provisions to address issues being raised in the proposed amendment. Officials from the GRA informed the Committee that, when the proposed Bill is passed, it will annul provisions in the current amendment Bill. They explained that, some provisions in the existing Act create compliance difficulties for GRA hence the need to have these issues addressed as early as possible.

7.0 AMENDMENTS

The Committee had a clause by clause examination of the Bill and proposes the following amendments for the consideration of the House:

- i. **Clause 3** – Amendment proposed – Sub-section 1, line 3, delete “disposable” and insert “disposal”
- ii. **Clause 3** – Amendment proposed - Sub-section 1 (a), line 1, delete “equal” and insert “person”
- iii. **Clause 3** – Amendment proposed - Sub-section 1 (a) (i) , line 3, after “asset” insert “a depreciable asset”

- iv. **Clause 3** – Amendment proposed - Sub-section (b), line 1, delete *“repeal”* and insert *“deletion”*
- v. **Clause 7** – Amendment proposed - line 2, delete *“repeal”* and insert *“deletion”*
- vi. **Clause 10** – Amendment proposed – line 2, delete all words after *“for”* and insert *“two currency units and one currency unit of four currency points and two currency points respectively”*
- vii. **Clause 11** – Amendment proposed – delete
- viii. Third Schedule – Amendment proposed – line 2, delete *“¢25,000.00”* and insert *“GH¢25,000.00”* and line 3, delete *“¢70,000.00”* and insert *“GH¢70,000.00”*
- ix. Long Title - Amendment proposed- delete and insert *“AN ACT to amend the Internal Revenue Act, 2000 (Act 592) to exempt the ARB Apex Bank from tax for a period of ten years of assessment; to increase personal reliefs for certain categories of taxpayers; to amend the annual income tax thresholds and brackets; to provide for consequential amendments on rollover reliefs in response to class three (3) depreciable assets; to expressly provide for the maintenance of underlying documentation; to introduce a new maximum cost base for road vehicles and to provide for related matters”*.

8.0 CONCLUSION

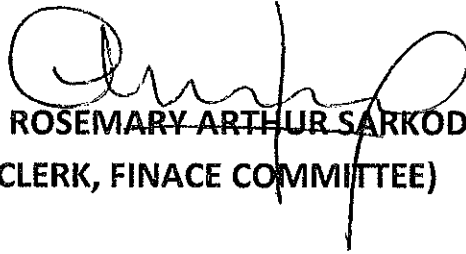
The Committee upon a thorough examination of the Bill recommends to the House to adopt its report and take the Internal Revenue (Amendment)

Bill through all the 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)

PAID
JANUARY 1991