

**REPORT OF THE SUBSIDIARY LEGISLATION COMMITTEE**  
**ON THE INTERNAL REVENUE NO.2 (AMENDMENT)**  
**REGULATIONS, 2006 L.I. 1821**

**1.0 INTRODUCTION**

In accordance with Article 11(7) of the Constitution, the Internal Revenue Amendment) Regulations, 2006 L.I. 1821 was laid before Parliament on Tuesday, 24<sup>th</sup> January 2006. The Instrument was subsequently referred to the Subsidiary Legislation Committee for consideration and report pursuant to Standing Order 166 of the House.

**2.0 REFERENCE DOCUMENTS**

The Committee had recourse to

- The 1992 Constitution
- The Internal Revenue Act, 2000, Act (592)
- The Internal Revenue Regulations, 2001(1675)
- The Standing Orders of the House

during its deliberations in the Instrument and reports as follows:

**3.0 DELIBERATION**

In considering the referral, the Committee held discussions with Officials of the Internal Revenue Service lead by the Acting Commissioner Mr J. F. Odartey Blankson. The Committee is grateful to the Acting Commissioner and his technical staff for their attendance and input in its deliberations.

#### 4.0 **BACKGROUND**

Under section 114 of the Internal Revenue Act 2000, Act 592 the Minister responsible for Finance is empowered to make regulations by Legislative Instrument to inter alia:

- a) provide for matters authorised to be made or prescribed under the Act;
- b) exempt any persons, class of persons or income from tax;
- c) amend a provision of Schedule to the Act or any monetary amount set out in the Act; and
- d) provide for the for the better carrying into effect of the Act

#### 5.0 **OBJECT OF THE REGULATIONS**

The Instrument seeks to effect a downward revision in the tax threshold applicable to specified class of persons from a fixed rate to graduated rates with the view to widening the tax net by inclusion of class of persons who otherwise were exempted from payment of tax.

#### 6.0 **OBSERVATION**

The Committee observed that the Regulations provide for reduction in the tax rate for class of persons such as dressmakers/tailors, "susu collectors", chop bar owners, butchers, hairdressers, garage owners and traders grouped into three main categories namely large, medium and small scale, and operating either in cities, urban or rural areas as the case might be, with the overall purpose of ensuring equity in the administration and collection of the tax.

The Committee noted with satisfaction that the Instrument when allowed to pass would effect a reduction in the rate of the tax payable by the above mentioned class of persons from the current fixed sum of two hundred and

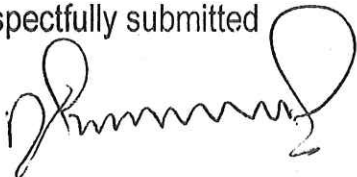
fifty thousand cedis (¢250,000.00) to a graduated threshold of one hundred and fifty thousand cedis (¢150,000.00), one hundred thousand cedis (¢100,000.00), and fifty thousand cedis (¢50,000.00) thereby reducing the tax burden and ensuring equity and fairness in both the assessment and payment.

The categorisation of the tax rate having due regards to the specified eligible class of persons would also eliminate the current perceived arbitrary exercise of discretion by tax administrators, and improve efficiency in the tax system in the country.

#### 7.0 RECOMMENDATIONS AND CONCLUSION

The Committee has thoroughly examined the Regulations and is of the view that they are consistent with provisions of the Constitution, the Standing Orders of Parliament, the Parent Act and other existing related statutes; and accordingly recommends that this House allow the Internal Revenue (Amendment) Regulations 2006, L.I. 1820 to pass with the effluxion of time.

Respectfully submitted



**EBENEZER AHUMAH DJIETROR**  
**CLERK,**  
**SUBSIDIARY LEGISLATION**  
**COMMITTEE**



**HON. FRANCIS AGBOTSE**  
**CHAIRMAN,**  
**SUBSIDIARY LEGISLATION**  
**COMMITTEE**