

REPORT OF THE SUBSIDIARY LEGISLATION COMMITTEE ON THE INCOME TAX (AMENDMENT) REGULATIONS, 2006 L.I. 1820



1.0 INTRODUCTION

In accordance with Article 11(7) of the Constitution, the Internal Revenue (Amendment) Regulations, 2006 L.I. 1820 was laid before Parliament on Tuesday, 24th 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, 2005 (1810)
- The Standing Orders of the House

during its deliberations 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 better carrying into effect of the Act

5.0 **OBJECT OF THE REGULATIONS**

The Instrument seeks to effect a downward revision in the income tax rate by raising the taxable income threshold with the view to ensuring that the disposable income of employees in the lower ranks of the income bracket does not fall below the minimum wage after payment of income tax.

6.0 **OBSERVATION**

The Committee noted with satisfaction that the proposed Regulations when made operational, would grant further equitable relief to employees within the echelons of the working class with lower incomes as they impose graduated rates of tax on incomes, and also exempt all employees whose income does not exceed the minimum wage from income tax.

The Committee also noted further that the Instrument provides for reduction in the tax rate from twenty-eight (28%) percent to twenty-five (25%) percent, as the maximum percentage of tax payable by employees and also raises the exemption threshold from one million, eight hundred thousand cedis (¢1,800,000.00) per annum to two million, four hundred thousand cedis (¢2,400,000.00) per annum.

The Committee took note of the fact that the proposed Regulations do not specify the minimum wage. This arrangement the Committee noted was to allow flexibility to accommodate any change effected in the minimum wage in the immediate future.

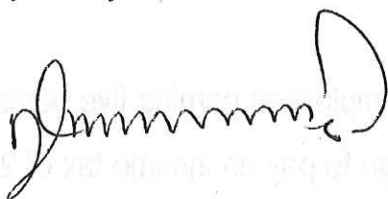
Further to this, the L.I. also provides for employees earning five percent (5%) additional income over and above the minimum wage to pay an income tax of 2.5% instead of the normal income tax rate on the additional income. This arrangement, the Committee observed would, ensure that employees earning slightly higher than the minimum wage are not disadvantaged such that, after payment of income tax, their disposable income does not fall below the minimum wage.

Another provision worth noting is that, the Regulations provide for reduction in the corporate income tax for Hotels from 25% to 22%, and also offers some tax relief to other corporate entities which offer employment to fresh graduates. This is to encourage employment creation and reduction in unemployment.

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



MR. EBENEZER AHUMAH DJIETROR
CLERK,
SUBSIDIARY LEGISLATION
COMMITTEE



HON FRANCIS AGBOTSE
CHAIRMAN,
SUBSIDIARY LEGISLATION
COMMITTEE

FEBRUARY 2006