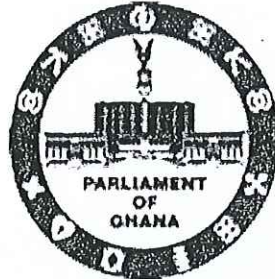


**IN THE THIRD SESSION OF THE EIGHTH PARLIAMENT OF
THE FOURTH REPUBLIC**



**REPORT OF THE FINANCE COMMITTEE ON THE VALUE ADDED TAX
(AMENDMENT) BILL, 2023**

1.0. INTRODUCTION

The Value Added Tax (Amendment) Bill, 2023 was presented to Parliament by the Hon. Deputy Minister for Finance Mrs. Abena Osei Asare on behalf of the Hon. Minister for Finance, and read for the first time on Friday, 24th November, 2023 in accordance with Article 174(1) of the 1992 Constitution.

The Bill was subsequently referred to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

Pursuant to the referral, the Committee met with the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare, Officials from the Ministry of Finance, Attorney-General's Department and the Ghana Revenue Authority (GRA) and considered the referral.

The Committee is grateful to the Hon. Deputy Minister and the team of officials for attending upon the Committee.

2.0. REFERENCE

The Committee referred to the following documents during its deliberations:

- The 1992 Constitution of Ghana.
- The Standing Orders of the Parliament of Ghana
- The Ghana Revenue Authority Act, 2009 (Act 791)
- Public Financial Management Act, 2016 (ACT 921)
- The Budget Statement and Economic Policy of the Government of Ghana for the 2024 Financial Year
- The Value Added Tax Act, 2013 (Act 870)

3.0. BACKGROUND

The Government of Ghana as part of efforts to expand the tax net and to boost domestic production of some selected items and to further cushion the economic effects of the Covid-19 pandemic on the vulnerables and in response to direct appeals from Civil Society Organisations (CSO), including women groups for the removal of taxes on sanitary products for girls and women, decided to amend the existing Value Added Tax (VAT) regime to extend the existing concessions of VAT rate at zero on locally manufactured African Prints textiles, locally produced sanitary towels and locally Assembled vehicles for two years. The amendment aims at encouraging the use of electric vehicles as substitutes for fossil fuel and propose the waiver of import duty on the importation of electric vehicles for commercial transportation to promote green economy through the use of clean energy sources.

4.0. PURPOSE OF THE BILL

The purpose of the Bill seeks to expand the tax net and to extend the zero rate on locally manufactured products, introduce a zero rate on locally produced sanitary towels, waive the VAT on the import of electric vehicles for public transportation, introduce a flat rate of five percent (5%) for the rental of commercial premises and the sale of immovable property by an estate developer. The Bills further seeks to remove exemptions from tax on selected products.

5.0. PROVISION OF THE BILL

The Value Added Tax (Amendment) Bill, 2023 overall, seeks to amend the Value Added Tax Act, 2013 (Act 870) and to provide for a flat rate of tax on the rental of commercial premises other than commercial rental establishments; to provide for a flat rate of tax on the supply of immovable property by an estate developer; to extend the zero tax rate for locally manufactured textiles and locally manufactured vehicles; to introduce a zero tax rate for locally manufactured sanitary towels; to waive the tax on electric vehicles for public transportation; to review the exemptions for specified goods and services and provide for related matters. The proposed amendment is divided into five (5) main clauses as follows:

Clause 1 amends section 3 of Act 870 by imposing a five percent flat rate of tax on the value of the taxable supply of immovable property for rental purposes.

Clause 2 amends section 47 of Act 870 to prescribe sanctions for an appointed withholding agent who fails to withhold Value Added Tax and fails to remit to the Commissioner-General by the 15th day of the month following that in which the amount was due. Under the clause, withholding agents are required to pay the Value Added Tax that should have been withheld and in addition, pay a penalty of thirty percent of the amount. The clause also allows appointed withholding agents who fails to withhold Value Added Tax but pays the Value Added Tax that should have been withheld to the Commissioner-General to recover an equal amount from the person receiving or entitled to receive a payment from which Value Added Tax is required to be withheld.

Clause 3 amends section 48 of Act 870. Subject to section 49 of Act 870, the clause permits a taxable person to deduct from the output tax due for the period, tax on an amount equal to the tax fraction of any amount paid during the tax period by the taxable person to indemnify another person under a non-life insurance contract. In addition, the clause disqualifies a taxable person who makes a taxable supply of an immovable property for rental

purposes other than for accommodation in a dwelling or in a commercial rental establishment and a taxable person who is an estate developer and who makes a taxable supply of an immovable property, from benefitting from input tax deduction on the supply of the immovable property.

Clause 4 amends the First Schedule to Act 870 to revise the definition for "estate developer" and the heading to paragraph 6 and expand the list of goods not categorised as exempt supply to include imported exercise books, publications and charts. The clause further amends paragraph 15 of the First Schedule by substituting paragraph 15 to make domestic air transport a taxable supply.

The clause also substitutes subparagraph (a) of paragraph 18 of the First Schedule to clearly state that immovable property including land used or intended for use for the purpose of a dwelling is exempt supply. The clause substitutes paragraphs 19 and 27 of the First Schedule to exclude short term insurance from the list of exempt supplies and include in the list of exempt supplies, the importation of plant and machinery designed specifically for use in the automobile industry and kits by an automobile manufacturer or assembler who is registered under the Ghana Automotive Manufacturing Development Programme. Also included in the list of exempt supplies is the importation of electric vehicles for public transportation.

Furthermore, the clause deletes paragraph 21 to exclude from the list of exempt supplies, a supply of postage stamps issued by Ghana Post.

Clause 5 amends paragraph 2 of the Second Schedule to Act 870 to extend the zero rate of tax on locally manufactured textiles and locally assembled vehicles and to introduce a zero rate of tax on the supply of locally manufactured sanitary towels.

6.0 OBSERVATIONS

6.1 *Fiscal Impact of the Proposed Amendment*

The Committee observed that the government intends to extend the zero rate on locally manufactured African prints and locally Assembled vehicles, introduce a zero rate on locally produced sanitary towels, waive the Value Added Tax on the import of electric vehicles for public transportation, introduce a flat rate of five percent for the rental of commercial premises and the sale of immovable property by an estate developer and remove exemptions from tax on selected products. The Committee noted that the amendment to the existing VAT regime is estimated to yield three billion, seven hundred and twenty-five million Ghana Cedis (GH¢3.725 billion) for the 2024 financial year. The Hon. Deputy Minister informed the Committee that the projected revenue will be realized from the imposition of 5% VAT on Real Estate Supply and the Review of exemptions under the VAT. The proposed introduction of a zero rate on locally produced sanitary towels will lead to revenue loss of GH¢51.84 million to the State. Summary of the net effect of the amendment on revenue for 2024 fiscal year is as follows:

Proposed Tax handle	Projected Revenue (GH¢)
Imposition of 5% VAT on Real Estate Supply	18.75 million
Zero rated VAT on materials for the production of sanitary towels	(51.84 million)
Review of Exemptions on selected items	3.758 billion
Total	3.725 billion

6.2 Position of the Minority

The entire NDC Minority supported the zero-rating of VAT on materials for the production of sanitary towels but expressed concerns about the impact the other revenue measures would have on the cost of doing business in the country and on the general population. They submitted that they were unable to support the Bill because those other revenue measures would directly worsen the economic circumstances of Ghanaians and businesses

in the country. All members on the Minority side accordingly declined to recommend to the House to pass this Bill into law.

7.0 CONCLUSION

The Majority side, on the other hand, submitted that having thoroughly examined the Bill, they were convinced that the proposed amendments to the Value Added Tax Act are necessary to promote domestic production of sanitary towels and extend the coverage of VAT to others sectors to enhance revenue generation.

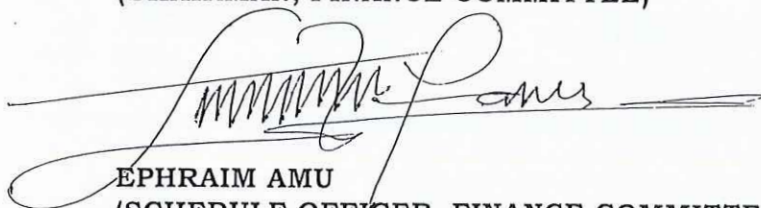
The Committee, by a Majority Decision therefore, recommends to the House to adopt this report and pass the **Value Added Tax (Amendment) Bill, 2023** in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Respectfully submitted.



**KWAKU KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)**

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA



**EPHRAIM AMU
(SCHEDULE OFFICER, FINANCE COMMITTEE)**

6th December, 2023