

Tax flash alert

Key amendments

February 2024



On 15 November 2023 the Minister of Finance, Hon Ken Ofori-Atta presented the 2024 Budget Statement and Economic Policy under the theme "Pursuing Growth & Development within a Stable Macroeconomic Environment." Corresponding bills were proposed to the Parliament of Ghana, with some tax initiatives receiving gazette notification on 29 December 2023, marking the commencement of the implementation process. This flash alert seeks to provide a summary of the passed enactments.

A Value Added Tax (Amendment) Act, 2023 (Act 1107)

Act 1107 amends the Value Added Tax Act, 2013 (Act 870) to provide for a flat rate on rental of commercial premises other than commercial rental establishments and a flat rate on the supply of immovable property by an estate developer. Additionally, the Act extends the zero tax rate for locally manufactured textiles and vehicles, introduces a zero tax rate for locally manufactured sanitary towels, waives taxes on electric vehicles for public transportation, and reviews exemptions for specified goods and services. The below offers further clarification.

01 Value Added Tax (VAT) Flat Rate of 5% on Commercial Properties

Act 1107 amends Section 3 of Act 870 to apply a VAT Flat Rate of five percent (5%) on the rental of commercial premises (excluding accommodation for residential purposes or a commercial rental establishment). The rate applies to taxable supplies of immovable property by taxable estate developers, requiring such developers to account for VAT at a flat rate of 5% based on the value of the taxable supply.

The Act further clarifies that taxable persons engaged in the above-mentioned taxable supply are ineligible for an input tax deduction in respect of the taxable supply.

"Estate Developer" means a commercial establishment or an individual engaged in the business of construction or renovation and supply of immovable property.

02 Zero Tax Rate on Sanitary Towels Manufactured Locally

Act 1107 amends Section 36 of the Act 870 to include the supply of locally manufactured sanitary towels. Thus, the VAT on locally manufactured sanitary towels is hereafter reduced from fifteen percent (15%) to zero percent (0%). The associated levies of six percent (6%) (Ghana Education Trust Fund Levy (2.5%), National Health Insurance Levy (2.5%), and Covid Health Recovery Levy (1%) also reduced to zero percent (0%). However, this concession does not apply to imported sanitary towels.

03 Extension of Zero-Rated VAT Supply of Locally Assembled Vehicles for 2 Years

The current zero-rating provision for locally assembled vehicles under the Ghana Automotive Development Programme (GADP) which ended on 31 December 2023 has been extended for two years ending 31 December 2025.

04 Extension of Zero-Rated VAT Supply for Local African Print Textile Manufacturers

The zero-rating on locally manufactured African textile prints has also been extended to 31 December 2025. This applies to local manufacturers who have been approved by the Minister for Trade and Industry.

05 Sanctions and Rights of Appointed Withholding VAT Agent

Act 1107 has stipulated that an appointed withholding agent will be liable to pay the VAT that should have been withheld and a penalty of thirty percent (30%) of the amount for failure to withhold VAT and remit to the Commissioner General by the 15th of the subsequent month in which the amount was due.

A withholding agent who fails to withhold VAT but pays the VAT that should have been

withheld to the Commissioner General is entitled to recover an equal amount from the person entitled to receive payment from which VAT is required to be withheld.

06 Exempt Supplies

Act 1107 amends the First Schedule of Act 870 to:

- a. exclude the below imported items from the exemption granted under the Act.
 - i. Exercise books
 - ii. Publications and
 - iii. Charts
- b. exclude domestic transportation by air from exemption granted under the Act.
- c. exclude non-life insurance from financial services exempted under the Act.
- d. Delete the supply of postage stamps issued by the Ghana Post from exemption granted under the Act.
- e. Include importation of electric vehicles for public transportation as an Exempt Supply under the Act.

B Excise Duty (Amendment) (No.2) Act, 2023 (Act 1108)

An Act to amend the Excise Duty Act, 2014 (Act 878) to increase the excise duty rate on cider beer from 20% to 47.5% of ex-factory price to align with the excise duty rate on beer.

The Amendment Act further seeks to reduce the excise duty on plastics and expand its coverage to imported plastic packaging. The reduced rate is 5% of the ex-factory price.

C Exemptions (Amendment) Act, 2023 (Act 1110)

The Act 1110 amends the Exemptions Act, 2022 (Act 1083) to provide for a waiver of customs duties and customs taxes on the importation of fishing gear for agricultural purposes.

Note: The imported fishing gear must be certified by the Minister responsible for Fisheries and Aquaculture Development and approved by the Minister responsible for Finance.

The Act defines "fishing gear" to include fishing float.

D Income Tax (Amendment) (No. 2) Act, 2023 (Act 1111)

Act 1111 amends the First schedule of the Income Tax Act, 2015 (Act 896) with respect to the graduated personal income tax bands for resident individuals with details below:

	Annual Chargeable Income (GH¢)	Monthly Chargeable Income (GH¢)	Rate of Tax
First	5,880	490	0%
Next	1,320	110	5%
Next	1,560	130	10%
Next	38,000	3,167	17.5%
Next	192,000	16,000	25%
Next	366,240	30,520	30%
Exceeding	600,000	50,000	35%

Note: The cumulative annual chargeable income up to the **35%** tax band is **GH¢605,000**. This exceeds the annual chargeable income of **GH¢600,000** as indicated in the schedule above. We are waiting any further directive on the implementation of this amendment.

E Emissions Levy Act, 2023 (Act 1112)

The Emissions Levy Act, 2023 (Act 1112) has been passed to impose an emissions levy on carbon dioxide equivalent emissions from specified sectors and internal combustion engine vehicle emissions.

No	Type of Emissions	Sector/Motor Vehicle	Rate
1	Carbon Dioxide Equivalent Emissions from Specific Sectors	1. Construction Sector. 2. Manufacturing Sector. 3. Mining Sector 4. Oil and Gas Sector 5. Electricity and Heating Sector	GH¢100.00 per tonne of emissions per month
2.	Emissions from Motor Vehicles	a. Motorcycle & tricycles	GH¢75 per annum
		b. Motor Vehicles, buses and coaches up to 3000cc	GH¢150 per annum
		c. Motor vehicles, buses and coaches above 3000cc & Cargo Trucks and articulated trucks	GH¢300 per annum

F Customs (Amendment) Act, 2023 (Act 1106)

Act 1106 provides amendments among other things to include a provision of waiver of duty on importation of raw materials for the local manufacture of sanitary towel.



Kofi Frempong-Kore

Partner and Head of Tax
KPMG Ghana