



Tax flash alert

January 2023

1

In pursuant to the 2023 Budget Statement presented to Parliament of Ghana on 24 November 2022, three (3) key tax amendments with respect to Revenue Administration (Amendment) Act, 2022 (Act 1086), Value Added Tax (Amendment) (No. 2) Act, 2022 (Act 1087) and Electronic Transfer Levy (Amendment) Act, 2022 (Act 1089) has been passed by Parliament and received gazette notification on 29 December 2022.

This flash alert further provides the key overview of the enactments and the revision to the minimum and maximum insurable limits set by the Social Security and National Insurance Trust (SSNIT) in consultation with the National Pensions Regulatory Authority (NPRA)

01

REVENUE ADMINISTRATION (AMENDMENT) Act, 2022 (Act 1086)

Act 1086 has been passed to empower the Commissioner-General (C-G) to establish a monitoring mechanism to determine or verify actual revenues collected by a taxpayer. This took effect from 1 January 2023.

A

Revenue Monitoring Mechanism

As part of efforts by the C-G to enhance its revenue monitoring drive to verify the actual revenues accruing to taxpayers for tax assessment purposes, Act 1086 obliges taxpayers to provide the C-G or an authorised Ghana Revenue Authority officer a physical access to their physical network node or infrastructure or system where the C-G connects to the taxpayer's system.

In addition to the applicable penalties under provisions of the tax laws, taxpayers who fail to grant access of physical network node to the C-G or



his authorised officer, shall be liable to a penalty of five percent (5%) on their annual gross revenue.

02

VALUE ADDED TAX (AMENDMENT) (NO.2) ACT, 2022 (ACT 1087)

Act 1087 amends the Value Added Tax Act, 2013 (Act 870) to provide for the increment in Value Added Tax (VAT) rate for standard rate scheme from the existing 12.5% to 15%, remove the tax exemption for imported textbooks, imported newspapers other printed materials, exempt betting, and other game of chance from VAT, review the transitional provisions and administrative penalty for non-implementation of electronic VAT invoicing system. This took effect from 1 January 2023.

The below offers further clarification:

A

Increment of Standard Rate Scheme VAT rate from 12.5% to 15%

Standard VAT rate from

**12.5%
to 15%**

Act 1087 provides for an increase in the Standard VAT rate from 12.5% to 15% and is calculated on the value of the taxable supply of goods or services or value of the import. However, Taxpayers which fall under the VAT Flat rate

regime are to continue charging VAT at a rate of 3% together with the associated COVID-19 Health Recovery Levy of 1%.

This implies that tax payers on the standard rate will have to charge VAT at 15% starting from January 2023 and thus must adjust their ERP systems accordingly.

B

VAT Exempt Supplies


Act 1087 seeks to exempt the acceptance of a wager or stake in any form of betting or gaming, including lotteries and gaming machines from VAT. Act 1087 further repeals the placement of a

bet by a person with another person operating a game of chance as a supply of service subject to VAT.

This implies that effective 1 January 2023, any form of betting or gaming, including lotteries and gaming machine are exempted from VAT

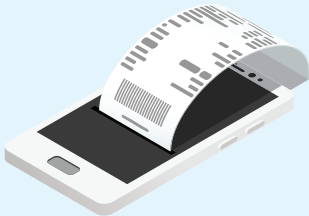
C

Supplies Included as subject to VAT


With the passing of Act 1087 which takes effect from 1 January 2023, imported textbooks, and other printed materials are now subject to VAT at the standard rate

D

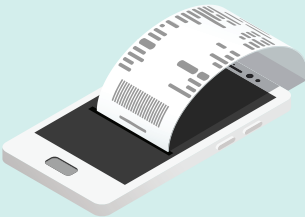
Changes in Penalty Amount for non-compliance with Certified (Electronic) Invoicing system



Act 1087 amends the existing penalty amount under Act 1082, in relation to taxpayers' non-compliance with the Certified Invoicing System, to include a penalty of an amount not more than fifty thousand Ghana Cedis or three times the amount of tax involved, whichever is higher.

E

Changes in Compliance Timelines for the Certified (Electronic) Invoicing system



Act 1087 amends the existing one-year timeline granted taxpayers under Act 1082 to comply with the Certified (Electronic) Invoicing system. With the coming into force of this Act, except otherwise directed by the Commissioner-General, all taxpayers are required to be in full compliance with the Certified (Electronic) Invoicing System, without any extension of time for compliance purposes.

E

Modification of condition for Zero-Rated Classification of a Transfer of Business under a Going Concern



Act 1087 has modified the conditions under which a supply of goods as part of the transfer of a business (taxable activity) as a going concern by one taxpayer to another shall qualify for zero-rate as follows: when

- the taxpayer's VAT registration has been cancelled; and
- the taxpayer has given notice in writing to the C-G of the facts of the sale of business at least fourteen (14) calendar days before the sale closes, the purchaser acquires any legal interest in the asset to be acquired, or the assets are fully transferred.

03

ELECTRONIC TRANSFER LEVY (AMENDMENT) ACT, 2022 (ACT 1089)

Reduce the rate of Electronic Transfer Levy from

**1.5%
to 1%**

Act 1089 amends the Electronic Transfer Levy Act, 2022 (Act 1075) to reduce the rate of Electronic Transfer Levy from 1.5% to 1% on electronic transfers.

Act 1089 also introduces additional compliance requirements on charging entities to include;

- Filing Electronic Transfer Levy (E-Levy) returns in a manner and at time and place to be determined by the C-G.
- Paying E-levy collected within twenty-four hours (24 hours) after charging the amount.

Act 1089 further limits the definition of “Agents” under Act 1075 to reflect only agents registered with the Ghana Revenue Authority and providing agency services to customers on behalf of a principal under an agency agreement.

Charging entities under Act 1075 include,

- Electronic Money Issuers (EMIs). That is payment service providers who issue electronic money.
- Payment Service Providers (PSPs). That is corporate bodies licensed under the Payment Systems and Services Act, 2019 (Act 987) to provide payment services.
- Banks. That is a body corporate with banking licence under the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930).
- Specialised Deposit-Taking Institutions. This is a body corporate which engages in the deposit-taking business in accordance with Act 930.
- Other Financial Institutions to be prescribed by Regulations made under the Act.

Following a directive from the Ghana Revenue Authority dated 5 January 2023, Act 1089 was to be made effective from 11 January 2023.

Pensions



01

Revision to the Minimum and Maximum Insurable Limit for SSNIT

set insurable limit for 2023 at

**GHS42,000 from
GHS35,000.**

minimum insurable limit
has been increased from

**GHS365.33 to
GHS401.76.**

In pursuant to the provisions under the National Pensions Act, 2008 (Act 766), SSNIT is required to periodically in consultation with the NPRA come out with a maximum insurable limit.

In line with this provision, SSNIT on 11 January issued a public notice to set the insurable limit for 2023 at **GHS42,000** from **GHS35,000**. To this end, effective **1 January 2023**, all contributions to SSNIT will be based on a maximum basic salary of GHS42,000. Also, the minimum insurable limit has been increased from **GHS365.33** to **GHS401.76**. This is in line with the increased national daily minimum wage

From the above, the 13.5% Tier 1 monthly contributions to SSNIT will be within the minimum and maximum range of **GHS54.24** and **GHS5,670** respectively

Other Outstanding Revenue Initiatives in the 2023 Budget Statement

1

Introduction of an additional PAYE tax band with a tax rate of 35%

2

Implementation of a minimum chargeable income system for corporate entities

3

Conversion of the National Fiscal Stabilisation Levy (NFSL) into a growth and Sustainability Levy (GSL) to cover all other sector

Government proposed to expand the scope of NFSL by introducing GSL to cover other sectors of the economy. Government proposes to group the sectors into three (3) main categories namely:

- Category A entities comprising those who are currently paying NFSL, and six additional sectors will have a GSL rate of 5%.
- Category B entities comprising all other entities (except for the extractive sector) will have a GSL rate of 2.5%.
- Category C entities comprising extractive sector entities will have a GSL rate of 1% of production.

Note:

For more information on the outstanding revenue initiatives in the 2023 Budget Statement, kindly visit <https://home.kpmg/gh> for a full read of KPMG's 2023 Budget Highlights.



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