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Tax Updates

The new VAT Act (Act 1151) and all you need to know

February 2026

On Thursday, 13 November 2025, the Minister for Finance presented the 2026 Budget Statement and Economic Policy to Parliament under the theme **"Resetting for Growth, Jobs and Economic Transformation."** The Budget was accompanied by a number of fiscal measures and related bills introduced in Parliament.

Following the passage of the bills by Parliament, the President assented to the Value Added Tax Act, 2025 (Act 1151) and the Covid-19 Health Recovery Levy (Repeal) Act, 2025.

Act 1151 repeals and replaces the Value Added Tax Act, 2013 (Act 870) and brings together all amendments to Act 870 into a single statute. While the Act restructures and clarifies the provisions in Act 870. It also introduces targeted policy and administrative changes with clearer implications for VAT Administration.
This update summarises the key VAT- related changes following the presentation of the 2026 Budget.

Covid-19 Health Recovery Levy (Repeal) Act, 2025

The Covid-19 Health Recovery Levy Act, 2021 (Act 1068) has been repealed. As a result, the 1 percent levy on the domestic supply and importation of goods and services has not been charged since 1 January 2026.

Our view:

The repeal removes an additional layer that was embedded in the pricing structures. It provides immediate pricing and cash-flow relief for both businesses and consumers and simplifies VAT computations going forward.

Value Added Tax Act, 2025 (Act 1151)

Act 1151 repeals and consolidates the Value Added Tax Act, 2013 (Act 870) together with its amendments. While the Act brings the provisions in Act 870 into a single, coherent framework, it also introduces targeted policy adjustments, reinforces enforcement mechanisms, and supports a greater shift toward digital VAT administration.

The key changes under the Act are outlined below.

- **Energy and Natural Resources: Exploration and Traditional Product Exports**

The Act clarifies and expands the scope of taxable activity to expressly include the exploration of natural resources and the export of traditional products. These activities are now clearly within the VAT framework, subject only to any reliefs or zero-rating provided under the Schedules.

Our view: The clarification removes any uncertainty around the VAT treatment of early-stage extractive activities. It shifts the focus from questions around VAT treatment to the application of the relevant reliefs, improving certainty for both investors and tax administrators.

- **VAT Rate and Levies**

The effective VAT rate has been reduced from 21.9 percent to 20 percent. This is made up of VAT of 15%, NHIL of 2.5% and GETFL of 2.5%. The recoupling now makes the levies claimable as input tax.

Our view: Previously, the levies were not claimable, thereby, increasing costs along the value chain. Removing the cascading effect of the levies restores neutrality and provides meaningful relief for businesses and taxpayers through input tax recovery and a lower overall tax burden.

- **Abolition of the VAT Flat Rate Scheme (VFRS)**

The VAT Flat Rate Scheme is no longer applicable under Act 1151. Retailers previously subject to the 3 percent flat rate, as well as real estate developers and certain suppliers of commercial rental properties that applied the 5 percent flat rate, are now required to charge VAT at the standard rate of 15 percent.

Our view: The removal of the flat rate scheme represents a change for affected sectors. Businesses that previously applied the flat rate will now charge VAT at the standard rate, while also becoming entitled to claim input tax for all eligible VAT incurred.

- **Treatment of Inventory on Transition and Deregistration**

The VAT Administrative Guidelines address how inventory and input tax should be treated where a taxpayer moves from the VAT Flat Rate Scheme to the standard VAT system, or where a taxpayer is deregistered.

Where a VAT flat rate taxpayer, including a real estate developer, is converted to the standard rate, the Commissioner-General may allow an input tax deduction on inventory held at the date of conversion, provided the inventory was declared in the taxpayer's VAT flat rate returns.

An input tax deduction is not permitted where the deduction is claimed more than once, or where the claim is made after six months from the date the deduction accrued.

Where a flat rate taxpayer did not declare purchases in its VAT flat rate returns, no input tax deduction may be claimed. However, input tax relating to invoices for previously undeclared purchases may still be claimed, provided the invoices fall within six months.

For VAT flat rate taxpayers who are deregistered because they no longer qualify for VAT registration, any input tax relating to inventory must be added to the cost of the goods.

Similarly, where a standard-rated taxpayer is deregistered, any unutilised input VAT is required to be treated as part of cost.

Our view: These rules are particularly relevant in the context of the abolition of the VAT Flat Rate Scheme. Allowing input tax recovery on declared inventory helps ease the transition to the standard VAT system and prevents VAT from becoming a stranded cost. At the same time, the conditions around declaration, timing, and documentation emphasise the importance of accurate reporting under the flat rate regime. Taxpayers moving into or out of VAT registration will need to carefully review inventory records to ensure that potential input tax recovery is not lost.

- **Revised Registration Threshold**

Suppliers of taxable goods are required to register for VAT once taxable supplies exceed GHS 750,000 over any twelve-month period; this is an increase from the previous threshold of GHS 200,000. In addition, the Administrative Guidelines provided under the new VAT Act indicates that a supplier may be required to register earlier where there are reasonable grounds to expect that taxable supplies will exceed the threshold within a shorter period.

Under the administrative guidelines, any of the following conditions will trigger registration:

- Taxable supplies exceeding GHS62,500.00 at the end of a one-month period or less.
- Taxable supplies exceeding GHS187,500.00 during or at the end of a three-month period or less; and
- Taxable supplies exceeding GHS375,000.00 during or at the end of a six-month period or less;

Service providers on the other hand are required to register for VAT irrespective of the value of the turnover, unless otherwise directed by the Commissioner-General.

Our view: The higher threshold eases compliance burden for small traders, while mandatory registration for service providers expands the VAT coverage across the services sector. The C-G may however provide additional rules of registration by service providers.

- **Non-Resident Digital and Telecommunications Services**

The provisions relating to non-resident digital, electronic commerce, and telecommunications service providers have been consolidated into a single section, building on the framework introduced under the Value Added Tax (Amendment) Act, 2022 (Act 1082). The section now expressly covers services such as distance maintenance of programmes or equipment, the supply of software and software updates, virtual asset management services, and digital asset management services. At the same time, online gaming is no longer expressly listed as part of the definition of a digital service.

Our view: The consolidation clarifies the scope and structure of the rules. Explicitly listing services such as distance maintenance and software-related supplies improves certainty for compliance. Aligning the rules regarding online gaming to what prevails locally brings consistency to the application of the VAT rules on gaming.

- **Failure to Register**

The penalty for failure to register for VAT has changed from up to twice the unpaid VAT to a higher penalty of three or more of the unpaid VAT.

Our view: Non-registration of VAT now carries a higher penalty. Increasing the penalty reinforces the authority's ambition of enforcing compliance to improve revenue mobilisation.

- **Upfront VAT by Unregistered Importers**

Unregistered importers who are liable to register for VAT are required to pay upfront VAT equal to 20 percent of the customs value of taxable goods at importation. This replaces the previous upfront VAT rate of 12.5 percent.

Once the importer subsequently registers for VAT and files the relevant return, the upfront VAT paid may be credited.

In addition to the upfront VAT, such importers remain liable to penalties for failing to register for VAT within the prescribed time.

Our view: The increase in the upfront VAT rate raises the cost of importing for unregistered businesses and introduces a higher VAT rate for this category of importers compared to registered persons. When combined with penalties for late registration, the measure reinforces the importance of regularising VAT registration before importing goods.

- **Supplies of Goods and Services**

The Act brings together and clarifies the definitions of goods and services. In particular, services are now defined to expressly cover the grant, assignment, or surrender of rights, while supplies such as power, heat, refrigeration, and ventilation are treated as supplies of goods.

Our view: The clarification removes uncertainty around the VAT treatment of rights, licences, and other intangibles. It aligns the legislation more closely with how these transactions occur in practice and with established international VAT principles.

- **Betting and Gaming**

Under Act 1151, betting and gaming activities are no longer expressly listed either as taxable activities or within the First Schedule, (Exempt Supplies). This differs from the position under Act 870, where betting was specifically addressed within the Act as exempt supplies.

As a result, the VAT treatment of betting and gaming now falls to be considered under the general charging provisions in section 5 of Act 1151. In addition, the input tax rules that previously applied to betting payouts have been removed.

Our view: With the removal of specific VAT provisions for betting and gaming, questions arise as to how these activities should be treated in practice under the general charging rules in section 5. This is an area where further engagement with the Ghana Revenue Authority will be important to clarify the intended VAT treatment.

- **Fiscal Electronic Devices (FED) and Filing of Returns**

Act 1151 reinforces the use of Fiscal Electronic Devices within the VAT framework. Taxpayers who are required to use FEDs under the Fiscal Electronic Device Act, 2018 (Act 966) are now expected to integrate these devices into their VAT compliance processes, including the filing of VAT returns. VAT returns are to be based on transaction data captured through FEDs, linking invoicing directly to reporting.

For context, the FED refers to the device or system used to issue VAT-compliant invoices or receipts at the point of sale, while the Certified Invoicing System (CIS) is the Ghana Revenue Authority–approved platform through which invoice data is validated and transmitted.

This effectively embeds FED usage into the VAT return filing process, moving VAT compliance further towards transaction-based reporting.

Our view: The formal integration of FEDs into VAT filing strengthens the link between invoicing and tax reporting and supports improved monitoring by the tax authority. For affected taxpayers, this places greater emphasis on the accuracy and completeness of transaction data captured at the point of sale, as VAT filings will increasingly rely on data generated through these systems rather than manual summaries.

- **Exemption from Withholding VAT**

Act 1151 introduces an express power for the Commissioner-General to exempt a taxpayer from withholding VAT where the taxpayer has a strong compliance record.

Our view: This provision of the law supports a more risk-based approach to VAT administration. It allows compliant taxpayers to operate with fewer withholding tax obligations while enabling the tax authority to focus its enforcement efforts where the risks are higher.

- **Transitional Provisions**

Under Act 1151, responsibility for issuing transitional rules has shifted from the Minister to the Commissioner-General. This replaces the previous position under Act 870, where transitional matters were determined at ministerial level.

Our view: Placing transitional authority with the Commissioner-General centralises implementation within the tax administration. It should allow transitional issues to be addressed more quickly and consistently as the new VAT framework is applied in practice.

- **First Schedule – Exempt Supplies – What has changed**

Category	Position under Act 870	Position under Act 1151	Practical implication / Our view
Electricity supplied to dwellings	Electricity supplied to a dwelling was exempt from VAT up to the lifeline consumption levels.	Electricity supplied to a dwelling is exempt from VAT with no limitation to lifeline consumption	The revised wording aligns the legislation with how the exemption already operates in practice. By removing the consumption-limit references, it clears up wording that previously caused uncertainty, while keeping the established difference between electricity supplied for residential use and electricity supplied as part of commercial arrangements.
Estate developers and dwellings	Estate developers were required to charge VAT but only at the flat rate. Dwelling supplied by non-estate developers is exempt from VAT.	Estate developers are required to charge VAT at the standard rate. Dwelling supplied by non-estate developers is exempt from VAT.	With the flat rate scheme now abolished, developers are fully within the standard VAT system. This could potentially increase the pricing of houses despite the deductibility of input taxes on purchase. In the context of Ghana's housing deficit, this may further widen the affordability gap where higher VAT costs are passed on to buyers or tenants.
Management fees for investment funds	Management fees charged by local fund managers were exempt from VAT	Management fees charged by local fund managers now chargeable.	VAT now applies to management fees at the standard rate. This reinforces the contribution of the services sector to VAT.

- **Second Schedule – Zero- Rated Supplies**

Category	Position under Act 870	Position under Act 1151	Practical implication / Our view
Locally manufactured African textile prints	Zero-rated up to 31 December 2025	Zero-rated up to 31 December 2028	Extending the zero-rating period for locally manufactured textiles provides medium-term certainty for manufacturers and preserves full input tax recovery, supporting pricing competitiveness, planning and investment decisions within the textile sector.

Locally assembled vehicles	Zero-rated up to 31 December 2025	Not classified under zero rate anymore.	Locally assembled vehicles would now be subject to VAT.
Services consumed outside Ghana	Services were generally zero-rated to the extent they were consumed outside Ghana	There is no such provision in the new Act. Although one could rely on the provision under place of supply.	For service providers, the removal of the broad "services consumed outside Ghana" rule introduces uncertainty, particularly for professional services and other cross-border service arrangements. Further administrative guidance will be important to clarify how the revised zero-rating rules interact with the place-of-supply provisions under section 42(2).
Transit and transshipment-related services	Not specifically listed; typically treated as zero-rated where linked to services consumed outside Ghana	Specific logistics services are expressly listed, including stevedoring, port operations, and shipping line charges linked to transit and transshipment	By expressly listing qualifying logistics services, Act 1151 provides clearer guidance for port and shipping activities. At the same time, zero-rating is now limited to those listed services, narrowing the scope for interpretation beyond transit and transshipment activities.

- **Third Schedule – Exemptions for Relief Supplies**

Category	Position under Act 870	Position under Act 1151	Practical implication / Our view
Mining reconnaissance and prospecting	Goods and services supplied in connection with reconnaissance and prospecting activities were not listed for VAT relief	VAT relief applies to goods and services supplied in connection with reconnaissance and prospecting activities undertaken by holders of a reconnaissance or prospecting licence who are registered taxable persons	Treating exploration input VAT as relief rather than exemption prevents VAT from becoming an upfront cost during the exploration phase. This reduces cashflow pressure at a stage where projects have no income and supports investment in earlystage mining activity.
Relief for VAT-registered manufacturers on imported raw materials	Relief available, subject to a register published by the Commissioner-General and valid for 12 months.	Relief retained, and subject to a register published by the Commissioner-General on 1 January and updated every six months.	The relief on imported raw materials remains a critical incentive that prevents manufacturers from paying VAT upfront at the port. The periodic updates would help the Authority check potential abuses.

- **Fourth and Fifth Schedules**

Act 1151 does not introduce any changes to the Fourth Schedule on VAT credit and debit notes or the Fifth Schedule on input tax apportionment. The existing rules, requirements, and apportionment approach under the VAT framework continue to apply.

Closing Remarks

Act 1151 brings together a wide range of VAT changes arising from the 2026 Budget. While some of the provisions largely codify existing practice, others introduce clear shifts in how VAT should apply to specific sectors, transactions, and compliance processes.

Taxpayers will need to consider how these changes affect their registration position, pricing arrangements, cash-flow profile, and ongoing compliance, particularly where flat rate regimes have been removed, reliefs are now subject to tighter conditions, or zero-rating has been narrowed. In the case of services, the narrowing of zero-rating may create uncertainty where transactions are supplied across borders but no longer fall neatly within the revised schedules.

As implementation progresses, further guidance from the Ghana Revenue Authority will be important in clarifying how the VAT in these areas are to be applied in practice. In the meantime, an early review of current VAT positions will help businesses adjust to the new rules and manage exposure under the Act 1151.

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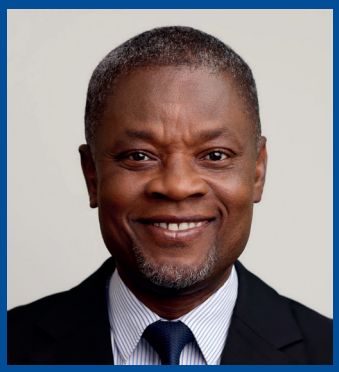
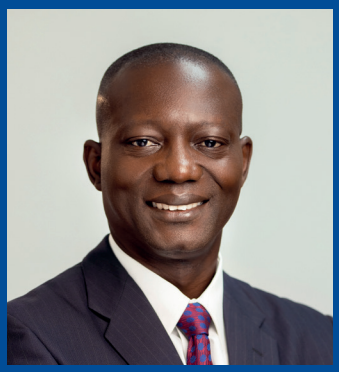


Kofi Frempong-Kore

Partner and Head of Tax

KPMG in Ghana



Michael Boateng

Partner, Transfer Pricing Services

KPMG in Ghana

Gordon Dardey

Partner, Tax Policy, Strategy and Transformation

KPMG in Ghana

Justina Amartey-Kwei

Partner, Tax Mergers and Acquisitions

KPMG in Ghana

KPMG
P.O. Box GP 242 13 Yiyiwa Drive Marlin House
Abelenkpe Accra, Ghana

Tel: +233 (0)302 770454, 770618
+233 (0)302 777173, 770712
Fax: +233 302 771 500

info@kpmg.com.gh
www.kpmg.com/gh

kpmg.com/social media