

# Revisions to VAT rate, E-Levy and Benchmark Discount Policy take effect



## Introduction

Following the Government of Ghana's announcement of various tax policy changes in the 2023 Budget Statement, Parliament has passed the Value Added Tax (Amendment) (No.2) Act, 2022 (Act 1087) and Electronic Transfer Levy (Amendment) Act, 2022 (Act 1089) to bring into effect proposed changes in the VAT and Electronic Transfer Levy (E-Levy) regimes in Ghana. These Acts have a gazette date of 29 December 2022 and accordingly take effect from this date (or as specified under any further guidelines issued by the Ghana Revenue Authority (GRA)).

Another change in policy direction is the GRA's public notice announcing the complete reversal of benchmark discount policy on imported goods.

In this update, we provide a summary of the provisions of these Acts and the public notice and how they affect taxpayers.



## Value Added Tax (Amendment)(No.2) Act, 2022 (Act 1087)

### a) Revision of VAT rate for standard rate scheme

Act 1087 has revised the standard VAT rate from 12.5% to 15%. Thus, taxable suppliers registered under the standard VAT rate regime will be required to charge VAT at a rate of 15% on the value of supplies. VAT is charged together with National Health Insurance Levy (@ 2.5%), Ghana Education Trust Fund Levy (@ 2.5%), and COVID-19 Health Recovery Levy (@ 1%). The effective VAT (and related levies) rate will therefore increase from 19.25% to 21.9%.

Persons who qualify and are registered under the VAT flat rate scheme will continue to charge VAT at a flat rate of 3% plus 1% COVID-19 Health Recovery Levy.

### b) Penalty for non-compliance with invoicing requirements

An amendment to the VAT Act in 2022 introduced the Certified Invoicing System (CIS) as an electronic VAT invoicing system, which requires VAT registered businesses to issue VAT invoices through an approved electronic system. The taxpayers' chosen invoicing system must be certified by the Commissioner-General (C-G) and will be integrated into the national invoicing system of the C-G.

The current VAT amendment, Act 1087, has provided for a specific penalty for VAT registered businesses that fail to comply with the requirements of the CIS. Persons who fail to issue an appropriate tax invoice, or sales receipt or tamper with the CIS, or fail to integrate their invoicing system into the CIS of the C-G will be liable to a penalty of the higher of GHS50,000 or three times the amount of tax involved. This penalty will be paid in addition to the penalty provided for failure to issue a tax invoice under the VAT Act.

### c) Revision of VAT exempt supplies

The VAT Amendment Act has expanded the scope of supplies subjected to VAT exemption in Ghana. Act 1087 has included acceptance of a wager or stake in any form of gaming or betting, including lotteries and gaming machines in the list of supplies exempted from VAT in Ghana. Accordingly, persons engaged in gaming or betting business, including lotteries and provision of gaming machines, will no longer be required to charge VAT on stakes by their customers.

Also, Act 1087 has excluded some supplies from the scope of VAT exemption for textbooks and supplementary readers. The Amendment Act now makes the supply of imported textbooks and other imported printed materials subject to VAT. This means such supplies will not enjoy VAT exemption under the Ministry of Education textbook and stationery VAT exemption list.



### Electronic Transfer Levy (Amendment) Act, 2022 (Act 1089)

The Electronic Transfer Levy (Amendment) Act, 2022 (Act 1089) has been passed to reduce the rate for E-levy from 1.5% to 1% of the value of electronic transfers. A key point of note is that Act 1089 did not make any change to the current daily threshold of GHS100 for electronic money transfer and GHS20,000 for bank transfers through instant pay digital platforms as initially proposed in the Government's 2023 Budget Statement. These thresholds therefore remain applicable.

Overall, the reduction in the rate of E-levy is expected to reduce the cost of electronic payment services to the final consumers.

Act 1089 also introduces a return filing obligation for entities required to charge and collect the levy ("charging entities"). The return is to be filed with the C-G of the GRA in the manner and at the time to be determined by the C-G. In addition to this, the charging entities are required to pay the amounts charged on electronic transfers within twenty-four (24) hours after charging the amount.



### Complete Reversal of the Benchmark Value Discount Policy

#### a) Background

The Benchmark Value Discount Policy (BVDP) was introduced in April 2019 by the Government as a policy to make Ghanaian ports competitive, reduce smuggling and increase Government's revenue from the ports. The BVDP originally provided a 30% discount on the home delivery value (HDV) of vehicles and 50% discount on the delivery or benchmark values of all other imports into the country. This was later revised to 10% for vehicle imports and 30% for general goods imports in 2022.

The Government, in the 2023 Budget Statement, announced its intention to completely phase out the BVDP in 2023 as part of measures to increase domestic tax revenue. Following from this, the C-G of the GRA, on 22 December 2022, issued a public notice to announce the complete reversal of the BVDP.

#### b) What is the change?

A complete reversal of the discount policy means that no discount will be offered on the benchmark value of all imports from the effective date of implementation – that is, 0% discount on the HDV of vehicles and 0% discount on the benchmark values of all other imports. The total HDVs and benchmark values or free on board (FOB) values will thus be considered for import duty assessment subject to the GRA's existing risk management procedures.

This reversal policy is effective and applicable for all imports from 1 January 2023.

#### c) Transitional arrangements

- i. The reversal policy provides a storage free period for consignments discharged on 31 December 2022 from arriving ship, aircraft or vehicle to go through import clearance without being affected by the reversal.
- ii. All pre-arrival declarations processed with tax paid, even when the goods have not arrived, before 1 January 2023 shall not be affected by the reversal policy.
- iii. Any Bill of Entry (BOE) with tax bill duly paid before the effective date but undergoing post entry declaration without any change affecting the tax amount paid, will not be affected.
- iv. Any BOE that has been assessed and/or accepted but tax bill not paid before the effective date will undergo reprocessing for the complete reversal of the discount earlier applied to the value.

## d) Deloitte's comments

The reversal of the discount policy means that 100% value of imports will be considered for the assessment of duties. This is likely to increase cost of imports and may directly affect general price of goods in the country. Coupled with global increase in prices, and fluctuating foreign exchange rates, businesses should consider enhancing compliance to block tax leakages and implement cost optimization strategies including review of supply chain processes to reduce cost and remain competitive.



## How can we be of help

Our team has experience in supporting clients in diverse industries in meeting their tax and regulatory compliance obligations. We can assist to:

- Assess the impact of recent tax legislations for specific businesses;
- Review customer invoices and advice on VAT and levies computation;
- Conduct comprehensive tax health checks to assess tax compliance status of your organization; and
- Assist your organization with meeting tax filing, reporting, and payment obligations.

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