On point

Amendment of Value Added Tax Act, 1998 (Act 546) as part of interim fiscal measures

July 2013

The Government of Ghana, through the Ministry of Finance and Economic Planning, recently presented to Parliament a Value Added Tax (Amendment) Bill seeking to remove telephone handsets from the list of supplies exempt from Value Added Tax ("VAT") under the Value Added Tax Act, 1998 (Act 546. Consequently, Parliament has passed this Bill. The impact of this amendment is that VAT will now be chargeable on the supply and import of telephone sets including mobile or cellular phones and satellite phones .

Local suppliers of telephone handsets will now have to charge 15% VAT (i.e. 12.5% as VAT and 2.5% National Health Insurance Levy) on the handsets they sell if they are standard rated suppliers or 3% if they are VAT Flat Rate Scheme suppliers.

Another resulting tax implication, which is welcome, is that entities which previously traded solely in telephone handsets can now claim some or all of input VAT incurred which are deductible.This is because they have now become registrable for VAT for making "taxable supplies" and have to charge VAT once their registration application is approved by the Ghana Revenue Authority. Please note that persons registered under the VAT Flat Rate Scheme are not entilted to input VAT deduction.

To qualify as a standard rated supplier, that person's turnover must exceed GH¢90,000 per annum. VAT Flat Rate Scheme suppliers, on the other hand, are businesses with turnover between GH¢ 10,000 and GH¢ 90,000 per annum.

We recall that in 2008, when Government was imposing talk tax or the communication service tax on communication usage, it said that it was doing so because importers were evading payment of import duties on imported telephone sets. Hence, the need to exempt telephone handsets from VAT and NHIL. The current situation is that we still have CST in place on communication usage while Government has re-introduced the VAT and NHIL on importation of telephone sets and its local sales. This would increase the tax burden for users of telephone sets.

From now, users of telephone handsets will have to bear VAT on the purchase of the device in addition to the 6% CST on the electronic communication services they receive.

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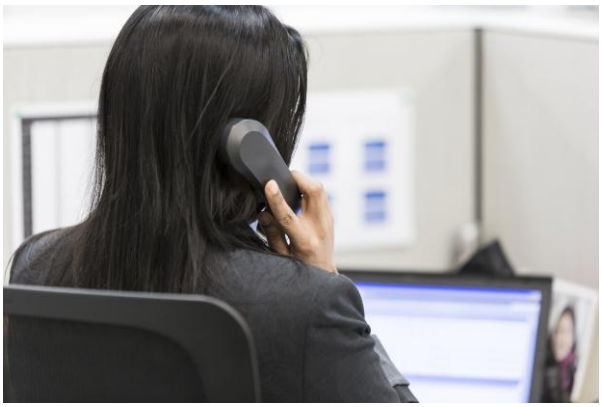
You need to know that…

This Act has been passed by Parliament but we are yet to obtain confirmation that it has received Presidential Assent and final gazette notification. Once we have confirmed these facts, we would inform you accordingly so you can incorporate this amendment in your strategic planning.



How PwC can assist your business

PwC Ghana has built competencies in tax compliance and advisory services over the years; we can assist your business with compliance with the new taxes and levies once in force and any other tax and regulatory question or assistance that you require.

PwC also has the capacity to conduct training for your staff on both new and existing grey areas of tax compliance.

Please contact the under listed persons if you wish to discuss any of the matters contained in this publication or if you require our professional tax advice on any transactions:

Tax Leader:
Darcy White
+233 (30) 2761576
+233 (24) 3171453
darcy.white@gh.pwc.com

Tax Partner:
George Kwatia
+233 (30) 2761459
+233 (54) 4334009
george.kwatia@gh.pwc.com

Tax Director:
Ayesha Bedwei
+233 (30) 2761500
+233 (24) 4813956
ayesha.a.bedwei@gh.pwc.com

Tax Director:
Lydia Pwadura
+233 (30) 2761500
+233 (24) 4603276
lydia.pwadura@gh.pwc.com