

Regulatory Alert



Ghana's New Tax Measures

The Parliament of Ghana has passed new laws to help raise revenue to support the Government's expenditure. The laws are the Covid-19 Health Recovery Levy Act, 2021 (Act 1068), Energy Sector Levies (Amendment) Act, 2021 (Act 899) and the Financial Sector Recovery Levy Act, 2021 (Act 1067). The main purpose of these Acts is to increase Government's revenue mobilization to support the Covid-19 expenditure, proper sanitation management, cost of excess power generation and outstanding cost of the financial sector clean-up.

The Acts were assented to by the President of the Republic of Ghana on 31 March 2021. The Covid-19 Recovery Levy and the Energy Sector Levy will be in force from 1 May 2021.

In this Alert, we highlight the key aspects of the Acts below:

1.0 Covid-19 Health Recovery Levy Act, 2021, Act 1068

- There will be 1% levy chargeable on the supply of goods and services made in Ghana other than exempt supply.
- The Act also imposes 1% levy on importation of goods and services other than exempt imports.

1.1 Scope of the Covid-19 Health Recovery Levy

The levy is applicable on:

- The supply of goods that are subject to the Flat Rate Scheme of VAT.
- Suppliers that are subject to the Standard Rate Scheme of VAT.

1.2 Application of the Levy

The levy shall be applied:

- In the same way as the existing Ghana Education Trust Fund (GETFund) Levy and the National Health Insurance Levy (NHIL) and
- Not allowable for input tax deduction.

2.0 Energy Sector Levies (Amendment) Act, 2021, Act 1064

- The Act imposes an Energy Sector Recovery Levy on some specified petroleum products. That is, 20 Ghana pesewas per litre on Petrol and Diesel and 18 Ghana pesewas per kg of Liquefied Petroleum Gas.
- The Act also imposes a Sanitation and Pollution Levy of 10 Ghana pesewas per litre on Petrol and Diesel.

3.0 Financial Sector Recovery Levy Act, 2021, Act 1067

- The Act imposes a 5% levy on the profit before tax of banks.

3.1 Scope of the Financial Sector Recovery Levy

The levy is applicable to:

- Banks other than Rural and Community Banks, and
- With no regards to any tax holiday or an exemption from direct or indirect tax to the Bank.

3.2 Application of the Levy

The levy shall be applied:

- To the profit before tax of the Bank, and
- Not allowable for deduction in ascertaining the chargeable income of the Bank.

3.3 Payment Periods of the Levy

The levy shall be paid:

- In quarterly instalments on or before the last day of each quarter.
- However, the 2021 year of assessment payment shall be done in three quarters starting from 30 June 2021.

Takeaway

- » The Covid-19 Health Recovery Levy will be charged in the same line as the GETFund and NHIL Levies. That is, VAT will be calculated on the subtotal (Cost + GETFund levy + NHIL levy + Covid-19 levy)
- » Taxpayers would not be allowed deduction of input tax in relation to the Covid-19 Health Recovery levy.
- » The Covid-19 Health Recovery Levy now brings the effective rate of the VAT Standard Rate Scheme and its accompanied levies to 19.25%.
- » The effective rate of the VAT Flat Rate scheme and its accompanied levy will be 4%.
- » The Financial Sector Recovery Levy is not allowable for deduction in ascertaining the chargeable income of Banks.
- » Banks shall assess and pay the Financial Sector Recovery Levy quarterly in instalments.
- » The Financial Sector Recovery Levy is not applicable to Rural and Community Banks.
- » There will be 30 Ghana pesewas per litre charged on Petrol and Diesel effective 1 May 2021.
- » There will be 18 Ghana pesewas per kg charged on Liquefied Petroleum Gas effective 1 May 2021.

If you have any questions on the matters referred to in this Alert, please do not hesitate to contact the authors below.

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