

ADMINISTRATIVE GUIDELINES FOR IMPLEMENTATION OF THE CHANGE IN VAT RATE FROM 15% TO 12½%

AUGUST 24, 2018

1.0 INTRODUCTION

Following the passage of the National Health Insurance (Amendment) Act, 2018 (Act 971) (NHIL) and the Ghana Education Trust Fund Act, 2018 (Act 972) which delinked the two levies from VAT by removing the option of input tax deductibility on the levies, Parliament also amended the VAT Act, 2013 (Act 870) by passing the Value Added Tax (Amendment) Act, 2018 (Act 970) to adjust the VAT rate from 15% to 12½% with effect from 1st August, 2018. On account of these changes the need has arisen for the circulation of clear guidelines to facilitate the smooth implementation of the amendments.

2.0 CLARIFICATION OF KEY ISSUES

2.1 TAXABLE VALUE FOR VAT

In ascertaining the value of a taxable supply for VAT purposes following these amendments, the following provisions of the VAT Act, 2013 (Act 870) and the Revenue Administration Act, 2016 (Act 915) are essential:

- Section 43(1a) of the VATA 2013 (Act 870) which provides that *The value of a taxable supply, where the supply is for monetary consideration, is the amount of the consideration with the addition of all duties and taxes **excluding** the tax (here ‘the tax’ is VAT); and*
- Section 9(1) of the RAA 2016 (Act 915) which provides that *For the purpose of this Act “tax” means a duty, levy, charge, rate, fee, interest, penalty or any other amount imposed by a tax law or to be collected by, or paid to, the Commissioner-General under a tax law.*

From the above the RAA effectively equates a levy to a tax, and therefore, in determining the taxable value of a supply for VAT purposes the two levies (ie NHIL and GETFL) are added back.

2.2 IMPACT ON THE WITHHOLDING VAT SCHEME

VAT Withholding agents will continue to withhold at the time of payment, 7% of the taxable value (the base on which VAT is computed) of all local taxable supplies made by a Standard Rated taxable person/supplier, and the difference of 5½% of the taxable value, along with the taxable value, will continue to be paid to the taxable person/supplier.

The withholding VAT agent would continue to issue to the supplier withholding VAT certificates showing the amount of VAT withheld. These certificates are to be used for purposes of showing proof of advanced payment of both the VAT and the levies.

The VAT registered taxpayer who has made supplies and has suffered withholding VAT will continue to file both their VAT and levy returns and account for these imposts in accordance with the provisions of the VAT Act, 2013 (Act 870), NHIL and GETFund Acts respectively, to the Ghana Revenue Authority.

Withholding VAT Agents would continue to file Withholding VAT returns by the 15th of the month immediately following the month to which a return relates and make payments of VAT withheld to the Commissioner-General.

2.3 VAT FRACTION

In view of the fact that the VAT rate is now 12.5% the new fraction for extracting the VAT from the VAT inclusive value is $\frac{1}{9}$ [i.e. $\frac{12.5}{112.5} = \frac{125}{1125}$]

2.4 VAT, NHIL AND GET FUND LEVY INVOICE

Modified Commissioner General's Invoices would be made available to reflect the change i.e. isolating the levies from VAT. In the issuance of these invoices, the fields for VAT and NHIL & GET FUND LEVY should be completed.

2.5 AUTHORIZED OWN COMPUTER GENERATED INVOICE

- i) VAT Registered taxpayers authorized to print own computer generated invoices are obliged to ensure that the invoices they issue contain all the information required under Regulation 22 of the VAT Regulation, 2016 (LI 2243).
- ii) Authorized computer generated invoices must be modified to provide specifically for the following in **addition to the VAT of 12½%**:
 - a) a separate line for NHIL at a rate of 2½ %
 - b) a separate line for GET FUND LEVY(GFL) at a rate of 2½%.
 - c) a line for the total of NHIL & GETFL

3.0 TRANSITIONAL PROVISIONS

3.1 VAT RETURNS FOR AUGUST 2018 ONWARDS

VAT returns relating to the months from August 2018 onwards should not capture input taxes relating to the two levies on transactions that took place from August 2018.

3.2 ISSUING OF THE VAT INVOICE

To ensure a smooth transition, VAT Registered Taxpayers would continue to issue to their clients with the Commissioner General's VAT invoices in their possession while arranging to either acquire the *modified Commissioner General's Invoice* or modify *their accounting software to accommodate these changes*.



24/08/2018

Kwasi Gyimah-Asante
Commissioner
Domestic Tax Revenue Division

Date: August 24, 2018



GHANA REVENUE AUTHORITY

DOMESTIC TAX REVENUE DIVISION

MONTHLY VAT RETURN

CURRENCY IN GHS



CURRENT TAX OFFICE

L.T.O M.T.O S.T.O

(Tick one)

Name of Tax Office

FOR THE PERIOD

(MM/YYYY)

NB: Sole Proprietor should file ONLY one Return for all their Businesses for the Tax Period for VAT Standard

NAME

TIN

(Please refer to the completion notes overleaf for guidance in completing this Return)

NIL RETURN: If there is no activity for the period tick HERE <input type="checkbox"/> 0 <input type="checkbox"/> then proceed to the DECLARATION			
SUPPLIES OF GOODS AND/OR SERVICES: TAXABLE OUTPUTS DURING THIS MONTH	VALUE OF TAXABLE OUTPUT (EXCLUDING VAT)	RATE	VAT
STANDARD	1	2	3
ZERO RATED	4		
RELIEF	5		
TOTAL VALUE OF TAXABLE SUPPLIES - (SUM UP BOXES 1,4 AND 5)	6		
EXEMPT SUPPLIES	7		
TOTAL VALUE OF SUPPLIES (SUM UP BOXES 6 AND 7)	8		
PURCHASES AND EXPENSES:			
DESCRIPTION OF INPUTS	VALUE OF TAXABLE INPUT (EXCLUDING VAT)	RATE	VAT
LOCAL INPUT (FLAT RATE)	9	10	11
LOCAL INPUT (STANDARD)	12	13	14
IMPORTS	15	16	17
WITHHOLDING VAT CREDITS	18	19	20
TOTAL VALUE OF INPUTS (SUM UP BOXES 9, 12, 15 and 18)	21	TOTAL VAT (SUM UP BOXES 11, 14, 17 and 20)	22
DEDUCTIBLE INPUT VAT			23
NET PAYMENT DUE (BOX 3 MINUS BOX 23)			24
NET CREDIT OR OVERPAYMENT (BOX 23 MINUS BOX 3)			25
CREDIT BROUGHT FORWARD FROM LAST MONTH			26

DECLARATION

I, _____ hereby declare that the
Name of Declarant
 information provided above is complete and accurate.

POSITION

SIGNATURE

DATE

Internal use

Vetted By

VAT RETURN COMPLETION NOTES

If you need further clarification or assistance in completing this Return, please contact your nearest Domestic Tax Revenue Division Office. **The return should be completely filled. (Note instructions for Box 0). All boxes should be completed. Where a response is not applicable enter n/a for text or zero (0) for value or number boxes.) TAXABLE VALUE INCLUDES THE LEVIES (ie NHIL & GETFUND LEVY)**

CURRENT TAX OFFICE: This is the GRA Tax office to which the taxpayer is assigned
FOR THE PERIOD: This is the month and year for which VAT Return relates. (e.g. the period of VAT Return for June 2013 should be completed as 06/2013)
NAME: This is the legally registered name of the Person or Individual
TIN: This is the eleven (11) character Taxpayer Identification Number
BOX 0. If for any reason there has been no business transactions (sales or purchases) during the period (i.e. month) the Return must still be completed as 'NIL' return by entering a tick in the Box provided. Remember that no other Box entries are required but the DECLARATION must still be completed and the Return must be submitted by the due date.
BOX 1. Enter the VAT exclusive value of Taxable supplies of goods and services made during the month. Remember to exclude the values of zero rated supplies i.e. exports (Box 4), supplies on which the VAT has been remitted/relieved (Box 5) and Supplies exempted from the VAT. (Box 7)
BOX 2. Enter the Rate of tax applicable
BOX 3. Enter the amount of VAT charged. (Box 1 Multiplied by Box 2)
BOX 4. Enter the VAT exclusive value of any ZERO RATED supplies (e.g. Exports made during the month).
BOX 5. Enter the VAT exclusive value of any supplies made during the month on which authority has been granted to REMIT/RELIEF (not charged) the VAT amount which would normally have been chargeable.
BOX 6. Enter the VAT exclusive value of total taxable supplies made during the month, i.e. the sum of Boxes 1, 4 and 5.
BOX 7. Enter the value of any EXEMPT supplies made during the month.
BOX 8. Enter the value of Total Supplies made during the month. Sum up amounts in Boxes 6 and 7.
BOX 9. Enter the VAT exclusive value of taxable local purchases and expenses taxed at the VAT Flat rate procured from VAT Flat Rated Taxpayers during the month
BOX 10. Enter the Rate of tax applicable (Flat Rate)
BOX 11. Enter the amount of VAT (at flat rate) charged to you on taxable local purchases. (Box 9 multiplied by Box 10)
BOX 12. Enter the VAT exclusive value of taxable local purchases and expenses taxed at the Standard VAT rate procured from VAT Standard Rated Taxpayers during the month.
BOX 13. Enter the Rate of tax applicable
BOX 14. Enter the amount of VAT (at standard rate) charged to you on taxable local purchases and services. (Box 12 multiplied by Box 13)
BOX 15. Enter the VAT exclusive value of imports made during the period
BOX 16. Enter the Rate of tax applicable.
BOX 17. Enter the amount of VAT (at standard rate) charged to you on imports. (Box 15 multiplied by Box 16)
BOX 18. Enter the VAT exclusive value of taxable local Supplies made relating to Withholding VAT Certificates
BOX 19. Enter the Rate of tax applicable (Withholding VAT Rate)
BOX 20. Enter the amount of VAT (at Withholding VAT rate) withheld from you on taxable local supplies made. (Box 18 multiplied by Box 19)
BOX 21. Enter the TOTAL VALUE OF INPUTS (purchases and expenses made); Sum up Boxes 9, 12, 15 and 18
BOX 22. Enter the TOTAL VAT (Sum up boxes 11, 14, 17 and 20).
BOX 23. Enter the amount of INPUT VAT you are entitled to offset against the total amount of OUTPUT VAT. Remember if you are fully taxable person (i.e. you make no exempt supplies) the amount entered may be the same as in Box 22.
BOX 24. If the OUTPUT VAT figure in Box 3 is greater than the INPUT VAT figure in Box 23, enter the difference here which is PAYABLE as tax.
BOX 25. If the INPUT VAT figure in Box 23 is greater than the OUTPUT VAT figure in Box 3, enter the difference as net credit or overpayment.
BOX 26. ENTER any credit of VAT from Box 25 of your previous return if it is outstanding. Do not include the figure in any other Box.

The DECLARATION is to be completed by an authorized Person or Individual and should include Name, Designation, Signature and Date.