

VALUE ADDED TAX (VAT) AND NATIONAL HEALTH INSURANCE LEVY (NHIL)

A GENERAL GUIDE

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**For more information, contact other VAT Service Offices
throughout the country.**

VAT AND NHIL – A GENERAL GUIDE

1. Introduction

This notice explains the general principle of the Value Added Tax (VAT) and the National Health Insurance Levy (NHIL) and will help readers to understand the objectives of these taxes. In particular, it will help businesses understand the general procedures to follow in order to comply with the VAT and NHIL.

VAT is imposed and collected under the Value Added Tax Act, 1998 (Act 546) and the Value Added Tax Regulations 1998, (L.I 1646). The NHIL is imposed under the National Health Insurance Act 2003 (Act 650) but collected by applying the procedures for collection of tax as provided in the VAT law. The VAT Service, as explained elsewhere in this notice, collects both the VAT and NHIL. Copies of the laws indicated above can be obtained from the Assembly Press, Ghana Publishing Company, Accra.

2. What is Value Added Tax (VAT)

VAT is a tax on general consumption expenditure. It is collected on the “value added” created at the various stages of the production-distribution chain, from the importation and/or manufacturing level, through various stages of distribution to the retail or final consumption level, by enterprises registered to charge the tax. The enterprises in turn account for the tax so collected to the government. It is important to note that VAT replaced the then Sales and Services taxes collected by the Customs Excise and Preventive Service (CEPS) and the Internal Revenue Service (IRS) respectively. Collection of VAT commenced on 30th December, 1998.

3. Imposition of Value Added Tax (VAT)

The basic requirement of the VAT law is that any supply (see paragraph 7) of goods and services attracts VAT, unless specifically excluded from the tax base by law (S. 1 and 14). Supplies that are excluded from the tax are termed “Exempt Supplies” and are listed in Schedule 1 of the VAT Act.

The word “supply” is used to refer to both goods and services in the law (S.9 and 10). The expression “taxable supply” is used to describe goods and services that are subject to the tax (S. 13) and thus distinguishes between the goods and services which attract the tax and those which do not (S. 13).

VAT is payable if supplies of taxable goods and services are:

- (a) Made in Ghana by a taxable person in the course of or in furtherance of the person’s business activities.
- b) Imported into Ghana. (S.1)

4. What is the National Health Insurance Levy (NHIL)

The National Health Insurance Levy (NHIL) is also a general tax on consumption expenditure imposed under the National Health Insurance Act, 2003 (Act 650), which

also gives the Minister of Finance the power to nominate the revenue agency to be responsible for collection of the levy. The laws of the revenue agency so nominated are to be applied for collection of the NHIL, with such modifications as deemed necessary.

The Minister for Finance acting under the powers conferred on him under Act 650, nominated the VAT Service to collect and account for the NHIL. The VAT Service thus applies the provisions and procedures of the VAT Act 1998, (Act 546) for collection of VAT in the collection of the NHIL, with modifications as are necessary. Collection of the NHIL commenced on 1st August 2004.

The VAT Service administers the VAT and collection of the NHIL simultaneously. VAT collected is paid into the Consolidated Fund in line with the provisions of the VAT Act, while NHIL collected is paid into the National Health Insurance Fund established under the National Health Insurance Act.

The NHIL is one of the sources of money for the National Health Insurance Fund, established to provide finance to subsidise the cost of provision of healthcare services to members of licensed District Mutual Health Insurance Schemes and generally facilitate access to health service in the country.

5. **Imposition of NHIL**

NHIL is imposed on the supply of all goods and services in Ghana or the importation of goods and services into Ghana. Some goods and services are however exempted from the levy by law. These are listed in the Schedule to Act 650. The levy is not chargeable when such exempt goods and services are supplied in Ghana or imported into the country.

The NHIL is imposed on the same goods and services that attract VAT and all goods and services exempt from VAT are also exempt from the NHIL. (i.e. both VAT and NHIL have the same tax base).

6. **Collection Mechanism of VAT/NHIL**

A person registered for VAT is automatically registered to charge and account for VAT and NHIL simultaneously. A registered person accounts for VAT/NHIL on his supplies for an accounting period, which is usually one calendar month. The amount paid to the tax authorities is the *difference* between the total VAT/NHIL collected from customers on sales (**Output Tax**) and the total VAT/NHIL paid on purchases and expenses (**Input Tax**).

The rationale for allowing registered enterprises to recover the Input Tax is simple. Registered taxpayers are allowed the input tax credit to prevent the tax from “*cascading*” or increasing the cost of production and/or distribution unnecessarily. For as long as goods and services change hands between registered business, the Output Tax charged by registered enterprises becomes the Input Tax paid by others who buy from them. These concepts are discussed in more detail in latter paragraphs.

A registered enterprise or business must however be in possession of a valid tax invoice before it can claim the Input Tax credit. In the case of imports, the business must be in possession of a Customs Entry or other evidence of tax payment approved by CEPS.

Registered persons must issue VAT/NHIL invoices for supplies of taxable goods or services to their customers and clients. They should in turn obtain VAT/NHIL invoices for supplies of taxable goods and services received in their business.

At the end of each calendar month, all registered persons must total their Output Tax and Input Tax and use these to complete the VAT/NHIL Return issued by the VAT Service. As noted above, the amount due to government is the difference between the Output Tax charged on taxable sales and the Input Tax paid on taxable purchases and expenses including imports.

It is to be noted that a registered person is not allowed to set off any input tax relating to **exempt supplies** in accounting for the tax in his monthly returns. Furthermore a registered person cannot set off VAT/NHIL paid on some specific purchases and expenses from Output Tax on his taxable sales in accounting for the tax. Such VAT/NHIL paid is termed **non-deductible input tax**. The rules on Input Tax are covered in more detail in paragraph 16 below.

7. **Supplies**

As noted earlier, the term “**supply**” is used to refer to the supply of both goods and services (S. 9 and 10 of Act 546) whether taxable or exempt. The term “**taxable supplies**” refers to supplies of goods and services made by a registered person for consideration in the course of, or as a part of the person’s business activities and include the following (S.13):

- a) The sale, supply or delivery of taxable goods to another person, including imports.
- b) The sale or provision of taxable services to another person.
- c) The appropriation by the registered person of taxable goods for his personal use or for use by others.
- d) The making of a gift of any taxable goods or taxable service in the course of business.
- e) The letting of goods on hire, leasing or other transfers.
- f) The acceptance of a wager or stake in any form of gambling, including lotteries or gaming machines.
- g) The processing of data or supply of information or similar service
- h) The supply of staff.

- i) The sales, transfer, assignment, or licensing of patents, copyrights, trademarks, computer software and other proprietary information.
- j) Any other disposal of taxable goods or provision of taxable services.
- k) Exports of non-traditional products.

A supply is made for consideration if the supplier directly or indirectly receives payment wholly or partly in cash from the customer/client or from any other person.

8. Exempt Supplies

A number of goods and services are **exempt** from VAT/NHIL under the VAT law (Act 546 - S. 15 and Schedule 1) and the National Health Insurance law (Act 650 – Schedule). This classification should, however, be distinguished from **zero-rated** and **relief** supplies described later in this booklet. (All goods and services exempt from VAT are also exempt from the NHIL).

Goods and services which are exempt from VAT/NHIL include:

Live animals:

This classification includes all live animals such as cattle, sheep, goats, swine and poultry, but excludes horses, asses, mules, hinnies and similar exotic animals.

Animals, livestock, poultry and fish imported for breeding purposes:

Live asses, mules, and hinnies, live bovine animals, live swine; live sheep and goats; live marine mammals, live fish and aquatic invertebrates.

Animal product in its raw state produced in Ghana:

Edible meat and offal of the animals, livestock and poultry earlier listed, provided any processing is restricted to salting, smoking, freezing or similar simple processes of preparation or preservation.

This exemption excludes pate, fatty livers of geese and ducks and similar products (i.e. these are taxable).

Agricultural and aquatic food product in its raw state produced in Ghana:

Fish, crustaceans and molluscs, vegetables, fruits, nuts, coffee, cocoa, shea butter, maize, sorghum, millet, tubers, guinea corn and rice.

This exemption *excludes* ornamental fish (i.e. the supply of ornamental fish is taxable).

NOTE: The animal, agricultural and aquatic food products indicated above are considered to be in their raw state even if they have undergone simple processes of preparation or preservation such as freezing, chilling, drying, salting, smoking, stripping or polishing.

Seeds, bulbs, rooting, and other forms of propagation: of edible fruits, nuts, cereals, tubers and vegetables.

Agricultural inputs:

Chemicals including all forms of fertilizers, acaricides, fungicides, nematocides, growth regulators, pesticides, veterinary drugs and vaccines, feed and feed ingredient.

Fishing equipment:

Boats, nets, floats, twines, hooks and other fishing gear as well as imported inputs for fishing nets and twines.

Water:

Supply of water excluding bottled and distilled waters (i.e. bottled and distilled waters are taxable).

Electricity:

Domestic use of electricity up to a specified consumption level prescribed in regulations by the Minister and compact florescent lamps (i.e. all commercial use of electricity and domestic consumption above the limit specified is taxable).

Printed matter (books and newspapers :)

These must be fully printed or produced by any duplicating process. It includes atlases, books, charts, maps and music. **(It must be noted however that locally produced textbooks and exercise books are taxable at zero rate).**

The exemption *excludes* imported newspapers, plans and drawings, scientific and technical works, periodicals, magazines, price lists, greeting cards, almanacs, calendars and stationery. These are taxable at standard rate.

Educational Services/Items:

The supply of educational services at any level by an educational establishment **approved** by the Minister for Education. Laboratory equipment for educational purposes, library equipment and fully assembled computers imported or procured locally by educational establishments approved by the Minister for Education.

Medical Services and Pharmaceuticals:

Medical services, essential drugs as listed under Chapter 30 of the 'HS Code' produced or supplied by retail in Ghana, specified active ingredients for essential drugs, and selected imported special drugs determined by the Minister for Health and approved by Parliament.

Transportation:

Includes transportation by bus and similar vehicles, train, boat and air.

Machinery:

Machinery, apparatus, appliances and parts thereof, designed for use in:

- a) Agriculture, veterinary, fishing and horticulture
- b) Industry
- c) Mining (as specified in the mining list) and dredging; and
- d) Railway and tramway.

Crude oil and hydrocarbon products:

Petrol, diesel, liquefied petroleum gas, kerosene and residual fuel oil.

Land Building and Construction:

Land and buildings: - the granting, assignment or surrender of an interest in land or buildings; the right to occupy land or buildings excluding hotel accommodation, warehousing, storage and similar occupancy incidental to the provision of the related services. Civil engineering works relating to public infrastructure.

This exemption excludes professional services such as architectural or surveying (i.e. these are taxable services).

Financial Services:

Provision of insurance; issue, transfer, receipt of, or dealing with money (including foreign exchange) or any note or order of payment of money; provision of credit; operation of any bank (or similar institution) account.

This exemption excludes professional advice such as accountancy, investment and legal (i.e. these are taxable services).

Transfer of a Going Concern:

The supply of goods as part of the transfer of a business as a going concern by one taxable person to another taxable person.

Postal Services:

Supply of postage stamps (i.e. other commercial services rendered by postal agencies are taxable).

Goods for the disabled:

Articles designed exclusively for use by the disabled.

Salt:

Denatured salt, compressed salt used in animal feeding and salt for human consumption including table salt.

Mosquito net:

Mosquito nets of man-made textile material whether or not impregnated with chemicals.

Musical Instruments: as listed under Chapter 92 of the “HS” Code.

VAT/NHIL is not chargeable on the sale of exempt supplies but at the same time no credit may be allowed to the business making exempt sales for the VAT/NHIL paid on purchases or expenses applied for the purpose of the exempt sales – S. 24(3). The business can however recover such input tax by including it in the cost of production/distribution. It must be noted that businesses which make only exempt supplies are not eligible to register for VAT/NHIL.

9. **Tax Rates**

The VAT is applied at two rates of tax – a general or standard rate of **12½%** and a **zero** rate (S. 3 and 15). Similarly, the NHIL is also applied at two rates of the tax – a general or standard rate of **2½%** and a **zero** rate.

The zero rate of tax is applicable to the following (Schedule 2 of Act 546 and Part II of the Schedule of Act 650):

- a) Export of taxable goods and services.
- b) Goods shipped as stores on vessels and aircrafts leaving the territories of Ghana.
- c) Locally produced textbooks and exercise books.
- d) Locally manufactured agricultural machinery and other agricultural implements.

The principle of zero-rating applied to exports ensures that domestic consumption taxes do not “stick on” the country’s export products to enhance their competitiveness on the international market. This is because zero-rated supplies are taxed at zero percent (0%) hence enterprises which make exports can claim the relevant input tax credit against nil taxes on their exports.

Registered persons who deal in locally produced textbooks and exercise books as well as locally manufactured agricultural machinery and implements may also claim a refund of tax paid on their inputs subject to conditions laid down in the VAT law or specified by the Commissioner.

All other supplies which are not exempt or entitled to relief are subject to the standard VAT/NHIL rates of 12½% and 2½% respectively.

10. **VAT Registration**

Please refer to **Public Notice 2 (PN 2) – “Should I be Registered for VAT/NHIL?”** for more details on VAT registration.

The total value of taxable supplies made by a business is referred to as its **Taxable Turnover**. As noted previously, all goods and services are taxable except those exempted by law. In principle, all individuals or businesses making taxable supplies must register for VAT. They are called Taxable Persons under the law (S4). However,

the VAT law makes an exception for **retailers of goods**. Hence, the criteria for registration under the law can be summarized as follows:

- a) All manufacturers and service providers, as well as wholesalers and distributors who make taxable supplies are obliged under the VAT Law to register for VAT.
- b) All retailers of goods whose business turnover exceed ₵100 million per annum must apply to be registered (S. 5/1).

In effect, manufacturers, service providers and wholesale businesses are not subject to the turnover limitation, which is commonly referred to as the **VAT Registration Threshold**. This threshold applies only to retailers of goods.

The definition of a **taxable person** includes a Sole Proprietor, Partnership (including husband and wife partnerships), limited liability company, government institutions and non-profit organizations. Each registration covers **all** the business activities of the registered person (S5 {2}). It may, therefore, include subsidiaries, divisions and branches of the same business.

A person registered for VAT is also automatically registered to charge, collect and account for the NHIL. VAT and NHIL must be charged and accounted for simultaneously.

The law has other provisions regarding registration. First, a retailer of goods may apply to be voluntarily registered, if he/she so wishes, even when his/her annual turnover falls below the registration threshold – S. 5(10). This is usually done to enable such persons to take advantage of the benefit of input tax credits. Secondly, the VAT Commissioner is empowered by law to **compulsorily register** eligible firms that attempt to avoid or evade registration (5 [6]) even though their business turnover exceed the registration threshold.

Any national, regional, local or other authority or body which carries on any business activity that makes it registrable as a taxable person is required to apply for registration.

11. **Place of Supply.** (Act 546; S.20)

There are various principles regulating the definition of place of supply of goods and services.

- a) **Goods** – Usually, the place of supply of goods is the location from which the goods are made available to the buyer. If the goods are in Ghana when supplied, then the place of supply is in Ghana. If they are not in Ghana when supplied, then the place of supply is outside Ghana and is outside the scope of VAT.
- b) **Services** – The usual place of supply for services is the place where the services are performed. However, this principle is varied in a number of instances under regulation 15 of the VAT Regulations. For example, the place of supply in the case of telecommunication service is the place where the facility or instrument for the emission, transmission or reception of the service is ordinarily situated.

12. **Imports and Exports**

VAT/NHIL is chargeable on the importation of taxable goods and services into the country. In the case of goods, the tax must be paid at the time goods are imported into the country in accordance with the Customs laws and regulations – S. 1(3) and 22. Similarly, business firms, enterprises, agents and individuals are obliged to account for VAT/NHIL on taxable services imported into Ghana.

As noted earlier, the supply of taxable goods or services for export is normally zero-rated and a registered exporter must produce evidence of such export (S15).

13. **Taxable Value**

The amount of VAT/NHIL payable is the value of the supply multiplied by the relevant tax rate for the commodity or service. The value of the supply is referred as the **taxable value**. In general, the value of a particular supply depends on what is given in exchange for that supply. This is called **consideration** and may be given in money and/or in kind – S 21.

The following may serve as guidelines for taxable value:

- a) Consideration given wholly in money – if the consideration for a supply is wholly for cash or an amount of money, the tax may be based on this amount. The amount so determined should include all duties and taxes except the VAT/NHIL – S 21(1).
- b) Consideration not wholly in money – if the consideration for a supply is not wholly in money (as in a barter transaction) or the consideration is partly in money and partly for other supplies (as in part-exchanges), the value for tax is the Open Market Value (OMV) of similar supply – S 21(2). This is the price, excluding VAT, which a customer would have paid for the supply if money were the only thing received in exchange. In determining OMV, no special relationship should exist between the buyer and seller in the transaction. The Commissioner has the power to decide the OMV of a supply, giving regard to all circumstances of the supply.
- c) Where the customer is given a discount, the tax is based on the discounted amount.
- d) In the case of transactions where the terms of the contract allow customers to pay by instalments, the value for tax purposes is based on the total amount of the instalments. The tax will be calculated on the full value at the time of supply (not when the instalments are paid) – S 21 (4).

In the case of a hire purchase agreement or finance lease, the taxable value excludes any interest or finance charges.

- e) Imported goods and warehoused goods – The value for imported and customs-warehoused goods are regulated by the relevant CEPS laws and regulations (S. 2).

14. **Private Use of Goods**

When taxable goods belonging to a taxable person are put to private use, a taxable supply arises and so the enterprise must account for the relevant VAT/NHIL – S. 21(4b).

This includes goods produced by the enterprise, issues made from stocks and the appropriation or private use of any other taxable business assets. It must be noted that private use includes personal use of taxable business assets, including use by persons outside the business such as an employee, a relative or a friend.

15. **Input Tax Credit and Refund**

In general, input tax refers to VAT/NHIL paid on purchases and expenses used to make taxable supplies, including zero-rated supplies – S. 24 (2) & 76.

The rules for claiming input tax credits include the following (S. 24):

- a) No input tax credit may be claimed on purchases and expenses relating to exempt supplies – S. 24 (3).
- b) No input tax credit may be claimed more than once – S. 24 (4).
- c) If a taxable person makes both taxable and exempt supplies, the input tax should be allocated between those two types of supply – S. 26. It is only the input tax relating to the taxable portion of the supply that can be re-claimed. The method of making the apportionment is explained below:
- d) No input tax can be taken after the expiration of a period of three years from the date the deduction accrued. – S.24 (4).
- e) Input tax credit taken must be backed by a valid tax invoice or customs entry documents – S. 24(1).
- f) No input tax can be taken in respect of entertainment (including restaurant meals and hotel expenses), the purchase and running of a specified category of motor vehicles and their spare parts unless the taxable person is in the business of selling or hiring of motor vehicles, spare parts or is in entertainment – S. 24(5).

A taxable person claims an input tax credit by deducting the amount from the Output Tax due on supplies made – S. 24. The VAT/NHIL return has appropriate columns for entering both the Input and Output Tax

Where the Input Tax regularly exceeds the Output Tax, the taxpayer may file for a refund, subject to the following conditions:

- a) The taxpayer is engaged in exports; and
- b) His exports exceed 25 percent of the total supplies within the relevant accounting period – S. 25 (1) or;
- c) He is engaged in local production of textbooks and exercise books or the manufacture of agricultural machinery and implements.

If all the purchases, expenses and imports on which input tax is claimed relates to taxable supplies, the amount deductible will be the total VAT/NHIL shown on the tax invoices received from registered suppliers and the total import VAT/NHIL shown on the Customs entries issued by CEPS – S. 24 (1).

If the entire amount of the input tax relates to **exempt** supplies, no input tax credit can be claimed – S.24 (3). As noted earlier, a supplier who makes only domestic supplies of exempt items cannot be registered for VAT. On the other hand, a taxable person who makes both taxable and exempt supplies is said to be a **partially exempt taxpayer**. Such person may take full credit for any deductible input tax that is directly and solely attributable to the taxable supplies and make an apportionment of the input tax which cannot be directly attributed either to the taxable or to the exempt supplies.

Directly Attributable Input Tax

Deduct all the input tax **directly** attributable to taxable goods and services sold.

Non-Attributable Input Tax

If the supplier is unable to directly attribute the input tax to taxable supplies, the following method may be used to calculate the amount that may be taken as tax credit:

$$\frac{\text{Value of Taxable Supplies} \times \text{Non-Attributable Input Tax}}{\text{Value of Total supplies}}$$

Tax Paid on Inputs Prior to Registration

Generally a registrable person who is not formally registered for the tax is not entitled to tax credit in respect of VAT/NHIL paid on goods purchased. However when such person becomes registered, tax credit may be claimed for any input tax paid on taxable goods held in stock at the date of registration, provided the taxable person has the necessary tax invoice and documentary evidence to support the claim. Input tax credit is allowed only for stock purchased or imported within the period of four months prior to the date of registration, and for capital goods purchased or imported within six months prior to the registration date. The taxable person may be allowed to make an appropriate deduction from the output tax payable in filling the first VAT/NHIL Return – S. 25(3) and Reg. 44.

17. **Time of Supply (Tax Point)**

The general rule for determining liability to tax in respect of a supply of goods or services is that VAT/NHIL (i.e. output tax) becomes due at the **earliest** of the date on which:

- a) The goods are removed from the taxable person's premises or from other premises where the goods are under the taxable person's control; or
- b) The goods are made available to the person to whom they are supplied; or
- c) The services are supplied or rendered; or
- d) Receipt of payment is made; or
- e) A tax invoice is issued.

Where supplies of goods are made on a continuous basis or by metered supplies (e.g. electricity), the time of supply shall be the date of the first determination or first meter reading and subsequently at each determination or meter reading – S.18

Generally, VAT/NHIL is due on imports at the time of Customs clearance. If the goods are moved to a warehouse then the VAT/NHIL is due at the time of removal from the warehouse for use. However, it is important for importers and other taxpayers to pay particular attention to the relevant CEPS laws and regulations since these are used in determining the tax point for import VAT/NHIL – S.1(3) and S.22.

It is also important for importers to note that VAT/NHIL applies to a number of services rendered at the ports of entry (e.g. port and harbours or civil aviation services, fees charged by clearing agents, etc). Most of these services – with the exception of transportation, are not specifically exempted from VAT/NHIL under the law. VAT-registered business can however claim an input tax credit for these services – S.13 (1) and S.24.

When goods are taken out of the business for personal and other non-business use, the tax point is the date on which the items are removed or set aside for this purpose – S.18 (1a).

The VAT/NHIL in all cases will be payable at the rate in force at the date on which it becomes due (i.e. the tax point). Registered businesses are to note that they cannot delay accounting for VAT/NHIL until they actually receive payment from their customers. The only exception is where the enterprise is granted approval to operate the alternative cash accounting scheme – S. 74(j) and Reg. 37.

18. Tax Invoices

Whenever taxable supplies are made, the supplier must issue an approved VAT/NHIL invoice to the purchaser immediately or on demand. However, where cash sales are made from retail outlets, the Commissioner may grant the vendor approval to operate the Special Retail Scheme which entitles him to issue a special retail sales receipt or a receipt from a cash register – Reg. 33. These special retail schemes are discussed in detail later.

A **VAT/NHIL invoice** should not be issued for any supply which is;

- i) not taxable; or
- ii) made by non-registered suppliers.

It is a punishable offence to refuse to issue a VAT/NHIL invoice to a customer as required by the VAT law and regulations – S.57.

A VAT/NHIL invoice should include specific information as specified in Reg. 19 of L.I. 1646. This includes;

- i) Name, address and VAT registration number of the taxable person making the supply.
- ii) Serial number and date on which the invoice is issued.
- iii) Date of supply if different from (ii) above.
- iv) Name, address, VAT registration number of person to whom the supply is made (where appropriate).

- v) Description, quantity and price of goods or services supplied.
- vi) Taxable value of goods or services if different from price charged.
- vii) Rates and amounts of VAT and NHIL charged on each of the goods and services provided.
- viii) Details of cash or other discounts given.
- ix) Details of whether supply is for cash or credit.
- x) Total value of supplies and total amount of VAT and NHIL charged.

19. Retail Sales Receipt

Where cash sales are made by a person authorised to operate the retail scheme, a **cash register receipt** be issued instead of the Commissioner's VAT/NHIL invoice – Reg. 37. However, a full VAT/NHIL invoice must be issued on demand to a customer who is also registered for the tax– S. 33.

Where the special retail sales receipt is used, the registered person may sell at prices inclusive of VAT/NHIL and is required to:

- i) Record the value and brief details of each supply as it occurs and before the goods leave the premises.
- ii) Keep copies of all purchase invoices received from suppliers.
- iii) Keep a cash register, analysis book or other suitable record at each point of sale which should show details of cash received and cash payments made. At the end of each day the records should be totalled and a balance struck.
- iv) The records compiled at the end of each month should also show the output tax chargeable on supplies made and the deductible input tax shown on tax invoices in respect of supplies received.

Where supplies are made at tax-inclusive prices, the output tax due can be calculated by using the following formula described in the Regulations, namely the **VAT/NHIL Fraction** – Reg. 30 (3). This is determined by:

$$\frac{\text{The rate of VAT/NHIL}}{100 + \text{the rate of VAT/NHIL}} = \frac{12\frac{1}{2} + 2\frac{1}{2}}{100 + (12\frac{1}{2} + 2\frac{1}{2})} = \frac{15}{115} = \frac{3}{23}$$

The above fraction, applied to the tax-inclusive value, gives VAT/NHIL amount due.

The regulations provide guidance on how to calculate the tax due where the retailer makes both taxable and exempt sales (also see **PN 9 - VAT/NHIL Retail Scheme**).

20. Credits and Debits

If a credit note is issued to a customer for reasons given in S.22 of the VAT Act, an adjustment will have to be made to the original VAT/NHIL charged. This is because the

issuing of credit notes decreases the amount of the supplier's output tax and the customer's input tax. Adequate records should be kept of all credit notes issued.

The credit note should show details, which are similar to an invoice – Reg. 22 (3). These are:

- i) The serial or identifying number and date of issue.
- ii) The number and date of the original tax invoice.
- iii) The name, address and VAT registration number of the trader.
- iv) The customer's name and address.
- v) The reason for granting the credit.
- vi) A description of the goods or services involved.
- vii) The amount credited for each description of goods or services.
- viii) The total amount credited excluding VAT/NHIL.
- ix) The rates and amount of VAT/NHIL credited.

If the taxable person **replaces goods returned with similar goods**, he may either let the original VAT/NHIL charged stand, or cancel the original invoice (by issuing a credit note if a tax invoice has previously been issued) and charge VAT/NHIL on the replacement goods by issuing a new tax invoice. If the original VAT/NHIL charged is allowed to stand, but the replacement goods are supplied at a higher value, the taxable person should account for VAT/NHIL on the extra amount by issuing a supplementary tax invoice. On the other hand, where the replacement goods have a lower value, the trader may reduce the VAT/NHIL charged by issuing a **credit note** provided that a tax invoice has previously been issued.

Remember: A registered person cannot waive the VAT/NHIL due on a taxable supply on the grounds that payment has not been received from the customer.

21. **Records and Accounts**

(See also the Public Notice 4 (PN4) "Keeping Records and Accounts").

All registered traders must keep records and accounts of taxable goods and services received or supplied in the course of doing any business including zero-rated supplies – S. 29 and Reg. 37. Detailed records should also be kept of any exempt supplies made or received. In addition, the trader should keep a summary of the totals of input tax and output tax for each calendar month. This is called a **VAT/NHIL Account**.

All these records must be kept up to date and in sufficient detail to enable the taxpayer calculate correctly the amount of VAT/NHIL to be paid to the VAT Service. It is also to provide evidence of claims for input tax credit.

The records must be kept properly and made readily available to enable officers of the VAT Service check the figures used to file the VAT/NHIL Return. The VAT Service has enough powers to direct that the appropriate records are kept – Reg. 29 (1) and Reg. 37. Records that registered persons must keep for VAT/NHIL include:

a) Sales Invoices

Copies of all tax invoices issued in serial number order, showing details of the amount of VAT/NHIL charged on each supply made.

b) Purchase Invoice

All purchase invoices, copies of Customs entries and receipts for the payment of duty and VAT/NHIL.

c) Debit & Credit Notes

Copies of all debit and credit notes issued.

d) VAT/NHIL Account

Totals of output tax and input tax for each period and the net amount payable or the tax credit carried forward at the end of each month.

e) Delivery Documents

Details of each supply of goods and services from the business premises, unless such details are available on invoice issued at the time of supply.

Examples of other records that may be required include the following:

i) Orders and delivery notes.

ii) Relevant business correspondence.

iii) Purchase and Sales books.

iv) Cashbooks, Petty cash vouchers.

v) Records of daily taking such as till rolls.

vi) Manufacturing or stock records (where appropriate).

vii) Annual Accounts, including Trading, Profit and Loss Accounts and Balance Sheets.

viii) Import and export documents.

ix) Bank statements and paying-in-slips.

- x) Any records kept in computerized form.

The law requires that VAT/NHIL records are maintained for a period of six (6) years unless the Commissioner otherwise directs – S.29 (4).

22. Examination of VAT/NHIL Records

The records of all businesses, including those not specifically registered for VAT/NHIL, may be subjected to independent examination by the VAT Service. The examination or audit may cover the VAT/NHIL account and other records relating to VAT/NHIL and supplies of the business.

All records should be made readily available to the VAT Service on request and should be kept at the person's principal place of business unless the business is specifically permitted to keep them elsewhere. As noted earlier, the records should be kept for a period of six years before they can be destroyed, unless otherwise directed by the Commissioner.

23. VAT/NHIL Returns

A VAT registered person is required to file monthly returns showing details of VAT/NHIL transactions for each calendar month – S.28. The records for each month must be submitted ***not later than the last working day*** of the ensuing month. The return must show details of the supplies, purchases and expenses (including imports) made during the reporting month and the related VAT/NHIL on these values. It must be in the form prescribed in Form D – Reg. 29.

Each return will include the following particulars:

- a) Sales (i.e. Supplies at the Standard Rate)
 - i) Total value of supplies made
 - ii) Tax rate
 - iii) Amount of output tax payable (VAT/NHIL).
- b) Value of zero-rated supplies made.
- c) Value of exempt supplies
- d) Value of relief supplies made
- e) Purchases/expenses and imports
 - i) Total value of supplies received
 - ii) Tax rates
 - iii) Amount of input tax paid (VAT/NHIL)
- f) The amount of input tax deductible (and upon apportionment where applicable).

g) The net amount of tax either payable to, or repayable by the VAT Service.

A late return or one without the required amount of tax attracts penalties under the law.

A taxable person is allowed to defer payment of tax and submission of his return to a date not later than the last working day of the month that follows the month in which the tax becomes due. Late submission of a return and late payment of tax attract pecuniary penalties – S.28

If no taxable supplies are made or received during the preceding month, a **“NIL” Return** should be submitted by the registered person. It is necessary for the registered person to keep copies of all VAT/NHIL Returns submitted to the VAT Service at the business premises. The accurate completion and prompt submission of the VAT/NHIL returns and payments are the only way of avoiding penalties under the law.

If a registered person fails to file a VAT/NHIL return or submits an inaccurate return at the end of the month, the VAT Act gives powers to the Commissioner to raise an assessment and in addition impose penalties and interest charges, where appropriate – S. 30.

The monthly VAT/NHIL payments should be made within the same time period as required for filing of the return, either in cash or by cheque. All cheques should be crossed and marked “Account Payee Only”. Remember that it is an offence to issue a dud cheque.

24. **Changes in Business Particulars**

The VAT Service must be given details of changes, which occur in the operations, or particulars of a registered business – S.7. The time limit for furnishing such information is thirty (30) days of the change.

Some examples of changes, which should be furnished to the local VAT Office, include the following:

- i) Change in place of business.
- ii) Acquisition of additional premises used or to be used for business.
- iii) Premises, which cease to be used for business.
- iv) Change in name or trading name of the business.

- v) In the case of a limited liability company, where controlling interest in the company passes on to another person or group of persons.
- vi) Change of person authorised to sign returns and other documents on behalf of the registered person.
- vii) Change of the partners in a partnership or directors of a company.
- viii) The purchase of any business or part of business, or disposal or any part of that business (see also Paragraph 25).
- ix) Changes in trade classification of goods or services supplied.

25. Death, Insolvency, Legally Incapacitated

If a registered person dies, becomes insolvent, or is legally incapacitated, the executor, liquidator, or other person conducting the business must provide the details to the Local VAT Office without delay.

26. Transfer of a Going Concern

If a registered business is disposed of to another person, the Commissioner should be notified of details of the transaction, including the following:

- i) Particulars of the new owners.
- ii) Arrangements made for tax due on supplies already made.
- iii) Description, quantities and value of stocks of taxable goods on hand at the date of disposal.
- iv) Arrangements made for transferring responsibility for keeping and producing books and records relating to business disposal.

If the Local VAT Office is satisfied with the details provided, the parties of the transaction will be notified that the stocks of taxable goods on hand and other assets may be transferred without payment of the tax otherwise due and payable.

The persons disposing of the business as a going concern will remain registered and be responsible for all VAT/NHIL matters in relation to the business up to the time of its disposal and until such time that all the legal requirements have been fully complied with.

27. Deregistration

If a taxable person discontinues operation, the Local VAT Office should be immediately notified of the cessation. The taxable person will be required to furnish a return showing details of all materials and other goods in stock and their value. The taxes due on such goods must be paid – S. 8

28. **Visits by VAT Officers**

As noted in previous sections, VAT registered enterprises are visited on regular basis by officers from the Local VAT Office. The main purpose is to ensure that registered persons understand the operations of VAT and NHIL and apply the relevant laws and regulations properly. These officers have powers under the law to examine business records, methods and procedures, stocks of goods and premises to confirm the accuracy of returns filed and payments made. Such visit provides a unique opportunity for the firm to ask questions about issues relating to the operation of VAT and NHIL.

VAT officers have certain statutory powers, but aim to do the job with as little inconvenience to firms as possible. They can enter the business premises at any reasonable time and if these premises are used in connection with the supply and storage of goods they can also inspect them together with any goods on the premises. This will enable the officers to understand the operations of the business. It is important that all business records are made available during the visit. (S. 66 & 67)

29. **Advice from VAT Officers**

Whilst VAT Officers would do their best to help registered traders, the latter should remember that the officers would not be held responsible for any advice given. Registered persons can benefit from such advice only if they provide all the facts relating to the query. In the case of queries, which cannot be answered immediately, the request for advice and the reply will be given in writing.

30. **Appeals**

The VAT law sets out procedures for settling disputes – S. 54. Whenever disputes arise between the registered trader and officers acting on behalf of the VAT Service, the aggrieved person should petition the head of the Local VAT Office in writing. If no satisfactory decision is reached, the taxpayer may file an appeal to the Commissioner after which he can take the case to the Courts – S.54 & S.55. All appeals to the Commissioner must be lodged within thirty (30) days after notice of the decision has been served or the taxpayer becoming aware of the decision. This rule also applies to appeals lodged with the courts.

WHERE TO GET HELP

You can get more information about **VAT/NHIL** from the following **VAT Offices**:

1. **VAT Service Head Office**, Near IRS Head Office, Ministries Area
P. O. Box 17177, Accra

Tel: 661525-6, 674187
Fax: 674186, 244917

2. **Kaneshie Industrial Area Local VAT office**, Katenit Building, Dadeban Road, North Industrial Area, Accra
Private Mail Bag 197, Accra – North
Tel: 224368, 244910-9
Fax: 244912
3. **Adabraka Local VAT Office**, VAT House, Ring Road Central, Circle
Next to Busy Internet
Tel: 028 – 9539216 - 19
Fax: 247958
4. **Ringway Estate Local VAT Office**, Opposite Police Headquarters, Accra
Private Mail Bag 63, Cantonments – Accra
Tel: 223976, 224276, 221714, 224882
Fax: 229288
5. **Tema Local VAT Office**, SSNIT Flats, (Comm. 5), Behind TTL Club Hse.
P. O. Box CE 12391, Tema
Tel: 022-205854, 201290
Fax: 022-201290
6. **Kumasi Local VAT Office**, SIC Building, Near Prempeh Assembly Hall
VAT Service Private Mail Bag, Kumasi
Tel: 051-26738, 29457, 27772
Fax: 051-27772
7. **Takoradi Local VAT Office**, Harbour Area, Clifford Road Opp. European Hospital
P. O. Box 615, Takoradi
Tel: 031-21107
Fax: 031-21337
8. **Koforidua Local VAT Office**, SSNIT Building (4th Floor)
P. O. Box 2034, Koforidua
Tel: 081-22516
Fax: 081-22313
9. **Okaishie VAT Sub Office**
Ollivant Arcade
Tel: 021-6744482/83
Fax: 021-674480
10. **Cape Coast VAT Sub Office**, 1st Floor Municipal District Edu. Bk.
Near Jubilee Sch. Buelah Lane
P. O. Box CT 958, Cape Coast
Tel: 042-32072, 30469, 35926
Fax: 042-30469
11. **Sunyani VAT Sub Office**, Cocoa House (4th Floor)
P. O. Box 1745, Sunyani
Tel: 061-23580/23066
Fax: 061-23067

12. **Tamale VAT Sub Office**, Near Police Headquarters, Towards Regional Administration Off.
P. O. Box 530, Tamale
Tel: 071-23445/22204/25342
Fax: 071-23445
13. **Ho VAT Sub Office**, Light House, Big Market
P. O. Box 134, Ho
Tel: 091-26789/27212
Fax: 091-27212
14. **Wa VAT Satellite Station**, 1st Floor, Controller & Accountant General's Block Wa
P. O. Box 526, Wa
Tel: 0756-22421/20726
Fax: 0756-22421
15. **Bolga VAT Satellite Station**, SSNIT Building (Sacred Heart Catholic Church)
P. O. Box 509, Bolga
Tel: 072-22171/23477
Fax: 072-23477
16. **Aflao VAT Satellite Station**, 1st Floor, Excel Filing Station, Viepe
P. O. Box 289, Aflao
Tel: 0962-30663/30693
Fax: 0962-30693
17. **SUAME VSO**, Kwasi Oppong Rd.
Adjacent to Juaben Rural Bank opp. Joy Flux Spare Parts.
1st Floor, Bamson Sikkens Building
P. O. Box SE 1485, Suame
Tel: 051 – 83967 – 9
18. **SPINTEX ROAD VSO**, Adjacent to Barclays and Zenith Bank, Spintex Road.
P. O. BOX GP 17177
Tel: P. O. BOX GP 17177
19. **TARKWA VSS**, 2nd Floor, SIC Building Main Commercial Street, Adjacent to GCB
P. O. Box 307 Tarkwa
Tel: 0362- 20716024 - 4521180
20. **NKAWKAW POP**, 1st Floor, Mibo House, Opp. Novotec, Accra – Kumasi Main Road
P. O. Box 2034 Koforidua
Tel: 0842-22392
21. **ODA POP**, IRS Building Ground Floor, Oda
P. O. Box 2034 Koforidua
Tel: 081-94003

22. **MADINA VSO**, Madina Shell Filling Station Hollywood Plaza, Madina
P.O. Box 17177 Accra
Tel:021- 519962-4

The full list of VAT/NHIL Public Notices are as follows:

Public Notice 1	(PN 1)	-	Why VAT & NHIL for Ghana?
Public Notice 2	(PN 2)	-	Should I be Registered for VAT/NHIL?
Public Notice 3	(PN 3)	-	VAT & NHIL – A General Guide
Public Notice 4	(PN 4)	-	VAT & NHIL – Keeping Records & Accounts
Public Notice 6	(PN 6)	-	Filling in a VAT/NHIL Return
Public Notice 7	(PN 7)	-	VAT/NHIL - Imports & Exports
Public Notice 8	(PN 8)	-	Partial Exemption
Public Notice 9	(PN 9)	-	Special Retail Schemes
Public Notice 10	(PN 10)	-	VAT/NHIL Liability Guide