

GHANA REVENUE AUTHORITY

**ADMINISTRATIVE GUIDELINES ON
COVID–19 HEALTH RECOVERY
LEVY**

Administrative Guideline Number: GRA/AG/21/0003

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ADMINISTRATIVE GUIDELINES ON COVID–19 HEALTH RECOVERY LEVY

A. INTRODUCTION

Parliament enacted the COVID–19 Health Recovery Levy, 2021 (Act 1068) to impose a special levy on the supply of goods and services and imports to raise revenue to support the COVID–19 expenditures and other related matters.

B. IMPOSITION OF THE LEVY

1. The levy is chargeable at a rate of 1% calculated on the value of *taxable supply* in respect of:
 - a. supply of goods and services made in Ghana, but excluding exempt goods or services; and
 - b. Import of goods and services into Ghana.
2. The COVID-19 Health Recovery Levy is applicable to both Standard Rate and VAT Flat Rate registered persons.

C. EXEMPT SUPPLY

A supply or import of goods or services, as provided under the First Schedule of the VAT Act, 2013 (Act 870) is not subject to the levy.

D. ZERO-RATED AND RELIEF SUPPLIES

1. A supply in respect of any of the matters set out in the Second Schedule in the Value Added Tax Act, 2013 (Act 870) is zero-rated as regards the levy.
2. Individuals and organisations entitled to relief under the Third Schedule of the Value Added Tax Act, 2013 (Act 870) are also entitled to relief from payment of the levy.

E. DEDUCTIBLE INPUT TAX

The Levy is not subject to input tax deduction. However, it is an allowable deduction against profit.

F. DETERMINATION OF THE TAXABLE VALUE

- a. The 1% COVID-19 Levy shall be computed on the value of the taxable supply exclusive of NHIL, GETFund Levy and VAT.
- b. The 12½% VAT shall be computed on the value of the taxable supply inclusive of NHIL, GETFund Levy and COVID-19 Levy.

Example 1

1. Dzolali Limited is a VAT registered textile manufacturing company. The company made the following sales during the month of May, 2021.

- Domestic sales GHS89,000.00
- Sales to diplomatic community GHS40,000.00
- Export to Togo with relevant customs documentations
GHS124,000.00

Compute the relevant taxes payable.

Tax computation

Taxable supply	=		89,000.00
GETFund levy	=	$89,000.00 * 2.5%$	= 2,225.00
NHIL	=	$89,000.00 * 2.5%$	= 2,225.00
COVID-19 Levy	=	$89,000.00 * 1%$	= 890.00
			5,340.00
Taxable Value			94,340.00
VAT @ 12.5%		$(94,340.00 * 12.5%)$	11,792.50
			106,132.50

Note: 1. Sales to the diplomatic community are relief supplies.

2. Exports to Togo is a zero rated supply;

Hence their exclusion from the computation of the levy.

Example 2

3. K. Ent. operates as a fuel station with a mart. At the end of May, 2021, the taxpayer made the following sales.

- Sales from fuel (pumps) - GHS 528,159.00
- Sales from the mart - GHS 125,426.80

Compute the relevant taxes payable.

Tax computation

Taxable supply		125,426.80
COVID-19 Levy	= 125,426.8*1% =	1,254.27
VAT	= 125,426.8*3% =	3,762.80
		5,017.07
		<hr/> 130,443.87

Note: The fuel sale is exempt sales while flat rate would be applied to the sales from the mart.

G. VAT, NHIL, GETFUND LEVY & COVID-19 LEVY INVOICE

1. The Commissioner General’s invoice should contain fields for NHIL, GETFund levy, COVID-19 levy and VAT.
2. No invoice other than the new VAT/NHIL invoice is acceptable for use by registered traders as from the Effective Date of Collection (EDC) of the COVID-19 Levy.
3. In completing the invoice, the field for total of NHIL, GETFund Levy, COVID-19 Levy and VAT is mandatory. While taxpayers must be encouraged to complete the separate fields for NHIL, GETFund Levy, COVID-19 Levy and

VAT, failure to segregate the two need *not* be sanctioned. It is obligatory however for every taxpayer to enter on the invoice, the total of NHIL, GETFund Levy, COVID-19 Levy and VAT without which the vouching of invoices during audit visits would be made extremely tedious.

4. Points (1 to 3) above relating to NHIL, GETFund Levy, COVID-19 Levy and VAT invoice equally apply to the Hotel and Restaurant Receipt/Invoice.

RETURN FILING AND PAYMENTS

Taxpayers are to file their returns and make payments by the last working day of each month immediately following the month to which the returns relates. The return must be on the form prescribed by the Commissioner-General. Copies of the tax returns form can be downloaded from www.gra.gov.gh.

H. TRANSITIONAL PROVISIONS

a. FIELD FOR COVID-19 LEVY

- a. To ensure a smooth transition, as VAT Registered Taxpayers make arrangements to either acquire the *modified Commissioner General's Invoice* or modify *their accounting software to accommodate these levies*, they should insert on their existing VAT invoices or approved Computer Generated invoices/ sales receipts:
 - i. A field for COVID-19 Levy after the NHIL and GETFund Levy fields.
- b. Where the amount is inclusive of NHIL, GETFund Levy, COVID-19 Levy & VAT, the taxpayer must indicate the amount in the field labelled **total tax inclusive value**.
- c. Authorized computer generated invoice must be modified to provide specifically for the following in *addition to the VAT of 12½%*:
 - a separate line for NHIL at a rate of 2½%
 - a separate line for GETFUND Levy at a rate of 2½%
 - a separate line for COVID-19 Levy at a rate of 1%

➤ a line for the total of NHIL, GETFund Levy, COVID-19 Levy.

3. DERIVATION OF THE VARIOUS FRACTIONS

1. The standard rate VAT fraction

$$C = \text{Cost}$$

$$1\% = 0.01 = \text{COVID-19 Levy}$$

$$2.5\% = 0.025 = \text{NHIL}$$

$$2.5\% = 0.025 = \text{GETFund Levy}$$

$$12.5\% = 0.125 = \text{VAT}$$

If C = the value of the service without taxes and the levies,

Then:

$$0.01C = \text{the COVID-19 Levy charged}$$

$$0.025C = \text{the GETFund Levy charged}$$

$$0.025C = \text{the NHIL charged}$$

$$(0.125)(1.06C) = 0.1325C = \text{the VAT charged}$$

Therefore:

$$\text{TOTAL INCLUSIVE VALUE} = C + 0.01C + 0.025C + 0.025C + [(1.06C)(0.125)] = 1.1925C$$

$$\text{Cost} + (\text{COVID-19 Levy} + \text{NHIL} + \text{GETFund Levy}) + \text{VAT} = 1.1925C$$

a. The COVID-19 Levy fraction:

$$\text{Given } \frac{1\%}{1.1925} = \frac{0.01}{1.1925},$$

then multiply both the numerator and the denominator by 10,000 to remove the decimals =

$$\frac{0.01 * 10000}{1.1925 * 10000} = \frac{100}{11925}$$

To reduce to the lowest fraction, divide both the numerator and the denominator by 25 =

$$\frac{100 / 25}{11925 / 25} = \frac{4}{477}$$

$$\text{COVID-19 Levy fraction} = \frac{4}{477}$$

Example

1. Dzolali Limited is a VAT registered textile manufacturing company **approved** by the Ministry responsible for Trade and Industry. The company made an all inclusive tax payable of **GH¢94,340.00** for the month of May, 2021.

Compute the relevant COVID-19 Levy tax payable.

Tax computation

$$\text{COVID-19 Levy fraction} = \frac{4}{477}$$

GH¢94,340.00

$$= \frac{4}{477} \times \mathbf{106,132.50}$$

TOTAL COVID-19 LEVY = GH¢ 890.00

b. The NHIL fraction:

$$\text{Given } \frac{2.5\%}{1.1925} = \frac{0.025}{1.1925}$$

Then multiply both the numerator and the denominator by 10,000 to remove the decimals =

$$\frac{0.025 * 10000}{1.1925 * 10000} = \frac{250}{11925}$$

To reduce to the lowest fraction, divide both the numerator and the denominator by 25 =

$$\frac{250/25}{11925/25} = \frac{10}{477}$$

$$\text{NHIL fraction} = \frac{10}{477}$$

Example

1. Dzolali Limited is a VAT registered textile manufacturing company **approved** by the Ministry responsible for Trade and Industry. The company made an all inclusive tax payable of **GH¢94,340.00** for the month of May, 2021.

Compute the relevant NHIL Levy tax payable.

Tax computation

$$\text{NHIL Levy fraction} = \frac{10}{477}$$

GH¢94,340.00

$$= \frac{10}{477} \times 106,132.50$$

TOTAL NHIL LEVY = GH¢ 2,225.00

c. The GETFund Levy fraction:

$$\text{Given } \frac{2.5\%}{1.1925} = \frac{0.025}{1.1925}$$

Then multiply both the numerator and the denominator by 10,000 to remove the decimals =

$$\frac{0.025 \times 10000}{1.1925 \times 10000} = \frac{250}{11925}$$

To reduce to the lowest fraction, divide both the numerator and the denominator by 25 =

$$\frac{250/25}{11925/25} = \frac{10}{477}$$

$$\text{GETFund levy fraction} = \frac{10}{477}$$

Example

1. Dzolali Limited is a VAT registered textile manufacturing company **approved** by the Ministry responsible for Trade and Industry. The company made an all inclusive tax payable of **GH¢94,340.00** for the month of May, 2021.

Compute the relevant GETFund Levy tax payable.

Tax computation

$$\text{GETFund Levy fraction} = \frac{10}{477}$$

GH¢94,340.00

$$= \frac{10}{477} \times \mathbf{106,132.50}$$

TOTAL GETFund LEVY = GH¢ 2,225.00

d. VAT fraction:

$$\text{Given } \frac{(12.5\%)(1.06)}{1.1925} = \frac{(0.125)(1.06)}{1.1925} = \frac{0.1325}{1.1925}$$

Then multiplying both the numerator and the denominator by 10,000 to remove the decimals =

$$\frac{0.1325 * 10000}{1.1925 * 10000} = \frac{1325}{11925}$$

To reduce to the lowest fraction, divide both the numerator and the denominator by 25 =

$$\frac{1325/25}{11925/25} = \frac{53}{477}$$

$$\text{VAT fraction} = \frac{53}{477}$$

Example

1. Dzolali Limited is a VAT registered textile manufacturing company. The company made an all inclusive tax payable of **GH¢94,340.00** for the month of May, 2021.

Compute the relevant VAT tax payable.

Tax computation

$$\text{VAT fraction} = \frac{53}{477}$$

GH¢94,340.00

$$= \frac{53}{477} \times \mathbf{106,132.50}$$

TOTAL VAT Payable = GH¢ 11,792.50

2. a. The Flat Rate Fractions (without adding to cost before charging VAT)

C = Cost

1% = 0.01 = COVID-19 Levy

3% = 0.03 = VAT Flat Rate

If C = the value of the service without taxes and the levy,

Then

0.01C = the COVID-19 Levy charged

0.03C = the VAT charged

Therefore

$$\mathbf{TOTAL\ INCLUSIVE\ VALUE = C + 0.01C + 0.03C = 1.04C}$$

Since $C + 0.01C + 0.03C = 1.04C$

$$\text{Cost} + \text{COVID-19 Levy} + \text{VAT} = 1.04$$

Tax Computation

Cost = 89,000

COVID-19 Levy = 0.01

e. The COVID-19 Levy fraction:

$$\text{Given } \frac{1\%}{1.04} = \frac{0.01}{1.04}$$

Then multiply the numerator and the denominator by 100 to remove the decimals =

$$\frac{0.01 * 100}{1.04 * 100} = \frac{1}{104}$$

$$\text{COVID-19 Levy fraction} = \frac{1}{104}$$

f. The VAT Flat rate fraction:

$$\text{Given } \frac{3\%}{1.04} = \frac{0.03}{1.04}$$

Then multiply both the numerator and the denominator by 100 to remove the decimals =

$$\frac{0.03 * 100}{1.04 * 100} = \frac{3}{104}$$

$$\text{VAT \& NHIL Fraction} = \frac{3}{104}$$

ALTERNATIVELY

Covid-19 levy plus VAT& NHIL = 1%+3% = 4% = 0.04

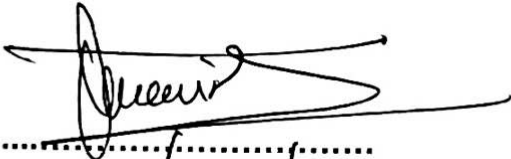
If $\frac{4\%}{1.04} = \frac{0.4}{1.04}$

Then multiply both the numerator and the denominator by 100 to remove the decimals =

$\frac{0.04*100}{1.04*100} = \frac{4}{104}$

Divide both the numerator and the denominator by four(4) = $\frac{4/4}{104/4} = \frac{1}{26}$,

COVID-19 Levy & VAT & NHIL = $\frac{1}{26}$

Signed 
Date 28/04/24
Rev. Ammishaddai Owusu-Amoah
Commissioner-General