INCOME TAX (AMENDMENT) BILL, 2021

MEMORANDUM

The object of the Bill is to amend the Income Tax Act, 2015 (Act 896) to provide for a rebate for specified industrial sectors and to suspend quarterly instalment payments by self-employed persons using the tax stamp system and owners of commercial vehicles using the vehicle income tax stamp system for the second, third and fourth quarters of 2021.

Government in 2020 outlined a number of initiatives to cushion the effect of the Coronavirus (COVID-19) pandemic on the populace. Some sectors of the economy and sections of the population, however, continue to suffer the devastating consequences of the pandemic. Government is therefore rolling out additional reliefs for different sections of the population especially those who have been hit the hardest by the pandemic.

Government provided some funds to support enterprises in 2020 but it is not in a position to do the same this year. The tax rebate of thirty per cent on the income tax due for companies in hotels and restaurants, education, arts and entertainment, and travel and tours will make available thirty per cent of their quarterly tax payments to support their cash flow.

A decrease in production and redundancies led to overall reduction in cash while a rise in inflation caused higher prices and higher cost of living which have adversely affected the vulnerable members of the population. Persons in the specified sectors have little or no savings and their available reserves were used to cushion themselves during the first wave of the pandemic.

The suspension of quarterly income tax instalment payments for small businesses using the income tax stamp system in addition to the extension of free water and electricity is to provide some relief to the more vulnerable members of our society for the second, third and fourth quarters of 2021.

The Ghana Statistical Service Tracker shows that the transport sector was disproportionately affected due to reduced number of passengers due to COVID-19 Protocols on spacing and reduced travel. This had a negative effect on the livelihood of persons employed in the transport sector.

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The second wave of the pandemic is likely to, in some cases, worsen an already precarious situation. The suspension of quarterly instalment payments of the vehicle income tax for the second, third and fourth quarters of 2021 for trotro and taxi drivers is part of measures to support the sector and reduce the cost of transportation.

The rebate is estimated at fifty-five million, four hundred and fifty thousand Cedis while the suspended instalment payments are estimated at sixteen million, eight hundred thousand Cedis for the year.

The Bill amends the Sixth Schedule to Act 896 by providing for a rebate on selected sectors and suspending quarterly income tax instalment payments by a self-employed person listed in the Third Schedule to the Income Tax Regulations, 2016 (L.I. 2244) and an owner of specified class of vehicles provided in the Second Schedule to L.I. 2244. The suspension of the income tax instalment payments applies to the second, third and fourth quarters of 2021.

Under the Bill, a person may benefit from a concession provided the person is registered with the Ghana Revenue Authority, has made instalment payments for the first quarter of 2021 and continues to discharge any other obligation specified in an enactment administered by the Commissioner-General.

(Osei Kyei-Mensah-Bonsu)
Minister responsible for Finance

Date: 25th MARCH, 2021

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INCOME TAX (AMENDMENT) BILL, 2021

ARRANGEMENT OF SECTIONS

Section

Sixth Schedule to Act 896 amended

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A

BILL

ENTITLED

INCOME TAX (AMENDMENT) ACT, 2021

AN ACT to amend the Sixth Schedule to the Income Tax Act, 2015 (Act 896) to provide for a rebate for selected industrial sectors, suspend quarterly instalment payments by specified self-employed persons and owners of commercial vehicles and for related matters.

Passed by Parliament and assented to by the President:

Sixth Schedule to Act 896 amended

The Income Tax Act, 2015 (Act 896) is amended in the Sixth Schedule by the addition after paragraph 12, of

"Rebate for selected sectors

13. (1) The rate of income tax payable on the estimated chargeable income of the following sectors for the second, third and fourth quarters of 2021 shall be seventy percent of the applicable rate:

(a) accommodation and food;
(b) education;
(c) travel and tours; and
(d) arts and entertainment.

(2) For the purposes of this paragraph, the classification of the sectors is as provided in the International Standard Industrial Classification of All Economic Activities (ISIC Rev. 4.1).

Suspension of quarterly income tax instalment payment

14. The quarterly income tax instalment payment for the following categories of persons are suspended for the second, third and fourth quarters of 2021:

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(a) the following "Category A" self–employed persons listed in the Third Schedule to the Income Tax Regulations, 2016 (L.I. 2244):
   (i) retail traders;
   (ii) susu collectors;
   (iii) drinking and chop bar owners;
   (iv) bakeries;
   (v) business centres; and
   (v) estates and accommodation agents;

(b) the following "Category B" self–employed persons listed in the Third Schedule to the Income Tax Regulations, 2016 (L.I. 2244):
   (i) dress makers and tailors;
   (ii) hairdressers, beauticians and barbers;
   (iii) artisans including masons, carpenters, plumbers, electricians, tilers, steel benders and labourers;
   (iv) hiring services other than vehicle hiring; and
   (v) freelance photographers who make a living out of photography other than operating in a photo studio or a specific location;

(c) the following "Category C" self–employed persons listed in the Third Schedule to the Income Tax Regulations, 2016 (L.I. 2244):
   (i) butchers;
   (ii) individual undertakers;
   (iii) corn millers and other millers;
   (iv) charcoal and firewood vendors;
   (v) vulcanisers and alignment operators;
   (vi) auto technicians;
   (vii) shoes and equipment repairs; and
   (viii) traditional healers; and

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(d) an owner of any of the following class of vehicles provided in the Second Schedule to the Income Tax Regulations, 2016 (L.I. 2244):

CLASS OF VEHICLE	DESCRIPTION
A2	Taxis/private taxis
A4	Trotro (up to 15 persons)
B3	Trotro (up to 19 persons)
B4	Trotro (20 to 23 persons)
B5	Trotro (24 persons and above)

15. A person may benefit from a concession provided in paragraphs 13 and 14 if the person

(a) has registered with the Ghana Revenue Authority;

(b) has made instalment payments for the first quarter of 2021; and

(c) continues to discharge any other obligation specified in an enactment administered by the Commissioner-General.".

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