

Ghana Revenue Authority issues Practice Note on excise duty sliding scale policy

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Executive summary

The Commissioner-General (CG) of the Ghana Revenue Authority (GRA), the officer responsible for the day-to-day administration of the GRA affairs and answerable to the Board for the performance of the functions of that office, has issued a practice note on the interpretation of certain provisions in the *Excise Duty (Amendment)(No. 2) Act, 2015, Act 903*, pursuant to sections 100 and 101 of the *Revenue Administration Act, 2016, Act 915 (RAA)*.

This Alert highlights the key interpretations set forth in the practice note.

Detailed discussion

This Practice Note (Number DT-EX/2020/001) provides direction and guidance on the interpretation and application of Tariff numbers 2 and 3 of the First Schedule to Act 878 as amended by Act 903. The objective of the sliding scale excise duty is to encourage the use of local raw materials in the manufacture of malt drink, beer or stout by imposing lower rates of excise duty for greater use of local raw material. This practice note was issued on 30 April 2020.

The key points in the practice note are:

Application of the law

Act 878 provides for excise duty on a sliding scale based on a percentage use of local raw materials¹ for brewery companies in the manufacture of malt drink, beer or stout.

The basis for the determination of the percentage use of local raw materials shall be the weight of the local raw materials as a percentage use of the total weight of the constituents used in a brew, excluding water.

The following must be considered in computing the percentage use of local raw materials and accounting for excise duty on the manufactured excisable products:

- i. Local content is "dry input" devoid of water, moisture or liquid into brewing, and does not include any content used in packaging, e.g., bottles, labels, etc. Any concentrate(s) used must be measured or converted into dry input.
- ii. Local content is tested at the brewing stage. There must be a record keeping system that maintains detailed records on the use of raw materials.
- iii. The record keeping system should enable the tracking of all raw materials which should have a unique code (including showing source of raw material, i.e., country of origin, local or imported) and batch and can be traced back through the procurement documentation process including purchase orders, supplier details, goods received notes, and issues from stores, among others.
- iv. Level of usage is based on raw materials used per brew or batch and on a running monthly average of all brew or batches.
- v. Materials used are based on the "Standard Bill of Material (BOM)," i.e., the raw material type and quantity (in kilogram) required to brew a beer or produce malt drink. This is very stable, unless there is a severe shortage of the specified raw material in which case, the brewery manager shall seek, approval from the GRA to substitute for the "alternative" raw material that is listed on the BOM.
- vi. Where dry inputs cannot be ascertained as outlined above for the determination of the local/imported use of raw materials, the CG shall approve any other method for the determination.

Criteria for the determination of applicable tax rate on the sliding scale

- ▶ Malt drink
 - To access a concessionary excise duty rate of 7.5% on malt under Act 903, the local raw material content should be above 70% by weight of the total constituents used in the brew, excluding water.
 - To access a concessionary excise duty rate of 10% on malt under Act 903, the local raw material content shall be from 50% to 70% by weight of the total constituents used in the brew, excluding water.
 - The local raw material content below 50% by weight of the total constituents used in the brew, excluding water shall be taxable at 17.5%.
- ▶ Beer or stout
 - To access a concessionary excise duty rate of 10% on beer or stout under Act 903, the local raw material content shall be above 70% by weight of the total constituents used in the brew for a tax period, excluding water.
 - To access a concessionary excise duty rate of 32.5% on beer or stout under Act 903, the local raw material content shall be from 50% - 70% by weight of the total constituents used in the brew, excluding water.
 - To access a concessionary excise duty rate of 47.5% on beer or stout under Act 903, the local raw material content shall be below 50% by weight of the total constituents used in the brew, excluding water.

Endnote

1. Local raw material means raw materials grown or derivatives of raw materials grown in Ghana.

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