

Ghana enacts mandatory use of fiscal electronic device for VAT purposes

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Executive summary

The Parliament of Ghana has enacted into law, *Taxation (Use of Fiscal Electronic Device) Act, 2018, Act 966* (the Act). The Act came into force on 4 May 2018. The purpose of this Act, among others, is to provide for the mandatory use of a Fiscal Electronic Device (FED) by specified categories of taxable persons¹ at each point of sale on the premises of the taxable persons and to promote non-cash sales transactions.

Detailed discussion

According to the Act, mandatory use of the FED by specified taxable persons will help to: (i) increase revenue collection; (ii) reduce the incidence of revenue avoidance; (iii) promote non-cash payment in sales transactions; and (iv) obtain an accurate record of the volume of sales of each taxable person.

The FED is an electronic invoicing system to be used by taxable persons specified under the *Value Added Tax Act, 2013, Act 870* (as amended) (the VAT Act). Taxable persons are required to use and keep another as a back-up, an approved FED at each sales location on their premises. They are also required to put the FED to appropriate use as specified by the Act from the time it is installed at their premises.

Taxable persons who use the FED are required to keep records including a printout of a summary sales report generated by the FED and records of transaction details accessible in a read-only mode. The records shall be kept for at least six years.

Once the device is installed, taxable persons are required to issue FED receipts to their customers to whom a sale is made or a service is provided. The FED receipt is expected to contain the exact amount of the value of the supply and the details provided in Appendix 1 below. Taxable persons are required by the Act to make the FED available for inspection by an authorized officer of the Ghana Revenue Authority (GRA) upon request.

The Act also provides for the GRA to enter into an agreement with a communication service provider for the provision of communication services between the installed FED and the Fiscal Electronic Data Management system or the back-end system of the GRA.

A taxable person satisfies the requirement for the issuance of a tax invoice or sales receipt under Section 41 of the VAT Act² where the person issues the FED receipt.

Offenses and penalties

A taxable person who fails to use the FED as specified by the Act commits an offense and is liable on summary conviction to a fine of not less than 500 penalty units (GHS6000)³ and not more than 2,000 penalty units (GHS24,000) or to a term of imprisonment of not less than two years and not more than four years, or to both.

A taxable person who uses the FED in a manner which is misleading or deceptive or aimed at manipulating information sent to the FED Management system or back-

end system of the GRA commits an offense and is liable on summary conviction to a fine of not less than 20,000 penalty units (GHS240,000) and not more than 30,000 penalty units (GHS360,000) or a term of imprisonment of not less than 5 years and not more than 10 years, or to both.

Taxable persons who fail to issue an FED receipt and underestimate the value of a taxable supply commit an offense and are liable on summary conviction to a fine of not less than 500 penalty units (GHS6,000) and not more than 2,000 penalty units (GHS24,000) or to a term of imprisonment of not less than two years and not more than four years, or to both. Additionally, the Commissioner-General (CG) of GRA may impose a penalty on the person as follows:

- ▶ Where the person is assigned to the Small Taxpayer Office, an amount of not more than the Cedi equivalent of 6000 currency points (GHS6,000)
- ▶ Where the person is assigned to the Medium Taxpayer Office, an amount of not more than the Cedi equivalent of 30,000 currency points (GHS30,000)
- ▶ Where the person is assigned to the Large Taxpayer Office, an amount of not more than the Cedi equivalent of 150,000 currency points (GHS 150,000)

A taxable person who tampers with the device or deliberately causes damage to the device commits an offense and is liable on summary conviction to a fine of not less than 500 penalty units (GHS6,000) and not more than 2,000 penalty units (GHS24,000) or to a term of imprisonment of not less than two years and not more than four years, or to both. In addition, the CG may impose an administrative penalty in accordance with Section 74 of the *Revenue Administration Act, 2016, Act 915*.

Endnotes

1. The Act makes it mandatory for taxable persons under the *Value Added Tax Act, 2013, Act 870* (as amended) to use the FED to account for their revenues.
2. Section 41 of the VAT Act requires a taxable person, on making a taxable supply of goods and services, to issue a tax invoice prescribed by the Commissioner-General (CG) of the Ghana Revenue Authority or a sales receipt authorized by the CG.
3. The average US\$/GHS rate as at 23 May 2018 is 4.4157.

Appendix 1 - Content of a fiscal receipt

A fiscal receipt shall:

A. Have a header that specifies the following information:

- I. Taxable person
- II. Name
- III. Business address
- IV. E-mail address
- V. Tax office
- VI. Telephone number
- VII. Taxpayer identification number
- VIII. Taxpayer FED registration ID
- IX. FED number (2-digit manufacturer code, 2-digit supplier code, serial no)
- X. Tax identification number of customer (if known)

B. Have a body that specifies the following information:

- I. Fiscal receipt number (serial transaction number of the day followed by cumulative transaction number)
- II. Daily Z report number
- III. For each item,
 - a. Item description
 - b. Quantity
 - c. Price per unit
 - d. Amount
 - e. Tax code applicable
 - f. Tax amount (VAT and National Health Insurance Levy)
- IV. Total amount in Cedis before tax
- V. Total amount of tax
- VI. Total amount of tax payable in Cedis
- VII. Payment method

C. Have a footer that specifies the following information:

- I. Date and time of submission
- II. Fiscal Electronic Journal Serial No.
- III. Electronic Journal Activation date
- IV. Fiscal receipt notification
- V. Fiscal logo (Manufacturer ID)
- VI. QR-2017 code 57x57 (Quick Response Code)

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