

Govt Introduces VAT On Excessive Power Consumers

BY Vincent Kubi

THE MINISTRY of Finance has announced it will impose Value Added Tax (VAT) on lifeline electricity consumers who exceed their ceiling.

The development, contained in a letter to the Electricity Company of Ghana (ECG) and the Northern Electricity Distribution Company (NEDCO), was signed by the Minister for Finance, Ken Ofori-Atta.

The ministry indicated that VAT would apply to residential power customers above the maximum consumption level specified for block charges for lifeline units.

The move forms part of the government's Covid-19 recovery programme and is set to have taken effect from January 1, 2024.

The ministry continued that the implementation of VAT for residential customers of electricity was in

line with Section 35 and 37 and the First Schedule (9) of the Value Added Tax (VAT) Act, 2013 (ACT 870).

It added that the government aimed to generate revenue through such initiative to support the country's Medium-Term Revenue Strategy and the IMF-Supported Post Covid-19 Programme for Economic Growth (PC-PEG).

However, it noted that VAT would still remain exempt for, "a supply to a dwelling of electricity up to a maximum consumption level specified for block charges for lifeline units," as mentioned in Section 35 and 37 and the First Schedule (9) of Act 870.

The ministry requested the ECG and NEDCO to collaborate with the Ghana Revenue Authority (GRA) to ensure the effective implementation of VAT from January 1, 2024 adding companies are expected to put necessary measures in place to facili-

tate the collection of VAT from residential customers above the maximum consumption level.

This decision has sparked interest and raised concerns among consumers who are expected to be impacted by the VAT. As the government hopes to generate additional revenue through this initiative, it remains to be seen how the implementation will affect electricity consumers and their overall expenses.

Both electricity companies and consumers are urged to familiarise themselves with the new regulations and seek clarification from the ministry, if necessary.

The Ministry of Finance and the Ghana Revenue Authority (GRA) are expected to provide further guidance and support to ensure a smooth transition in the implementation of VAT for the aforementioned group of power consumers.