

Regulatory Alert

VALUE ADDED TAX ACT 2025: KEY HIGHLIGHTS



Ghana has enacted a new Value Added Tax (VAT) Act, marking a significant reform of the country's indirect tax framework. The VAT Act, 2013 (Act 870) has been repealed and will cease to have effect, with the VAT Act, 2025, Act 1151 which came into force on 1 January 2026. The new Act consolidates and modernises the administration of VAT in Ghana, clarifies compliance obligations, and introduces measures aimed at improving tax efficiency.

In this regulatory alert, we highlight the major changes that have been introduced in the new VAT Act:



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	VAT Act 2013, Act 870 (Repealed)	VAT Act 2025, Act 1151
	Rate of Tax	Rate of Tax
1	<p>Two VAT Schemes operating:</p> <p>(a) the Flat Rate Scheme (3% for retailers and 5% for immovable property); and</p> <p>(b) the Standard Rate Scheme (15%)</p>	<p>The VAT Flat Rate Scheme has been abolished and a unified VAT structure (15% on taxable supplies and imports) introduced</p>
	Taxable Activity	Taxable Activity
2	<p>Taxable activity captured in the repealed Act were:</p> <p>(a) an activity of a local authority or unincorporated association or body;</p> <p>(b) the processing of data or supply of information or similar service;</p> <p>(c) the supply of staff;</p> <p>(d) the making of gifts or loans of goods;</p> <p>(e) the leasing or letting of goods on hire;</p> <p>(f) the appropriation of goods or services for personal use or consumption by the taxable person or by any other person;</p> <p>(g) the sale, transfer, assignment or licensing of patents, copyrights, trademarks, computer software and other proprietary information; and</p> <p>(h) the export of non traditional products.</p>	<p>The provision made in the repealed Act regarding taxable activities were saved by the new act, however the new act introduces two new activities for the purposes of taxable activity. These are:</p> <p>(a) the exploration of natural resources; and</p> <p>(b) the export of a traditional products, other than cocoa beans, coffee and shea butter.</p>

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	Threshold for Registration	Threshold for Registration
3	<p>Registration was required once taxable supplies of a person exceeded GHS 200,000.00 over a 12month period.</p> <p>Despite the 12 months period a person shall register if at the end of any 3months the person had made taxable supplies exceeding GHS50,000 and there were reasonable grounds to expect that the total value of taxable supplies made for the 3months and the subsequent 9 months will exceed GHS200,000.</p>	<p>A person must register once the taxable supply of goods exceeds GHS 750,000.00 within a 12month period.</p> <ul style="list-style-type: none"> • There is no threshold for the supply of taxable services. Existing service providers who were unable to register due to the threshold are required to register within 30 days from the effective date of the Act <p>Despite the 12 months period, a person shall be required to register if:</p> <ol style="list-style-type: none"> a. at the end of any 3-month period, the person has made taxable supplies exceeding GHS 187,500; and b. There are reasonable grounds to expect that the total value of taxable supplies made during the 3-month period and the subsequent 9 months will exceed GHS750,000.
4	<p>Exceptions for the threshold and period for Registration</p> <p>A promoter must register at least 48 hours before the event if their taxable supplies over any 12month period covering the event are expected to exceed GHS 10,000.</p> <p>Under the repealed Act 870, national, regional, local or other authority or body were required to register for VAT when they engage in a taxable activity.</p>	<p>Exceptions for the threshold and period for Registration</p> <p>A promoter of public entertainment must apply for registration at least 48 hours before the event begins. The threshold of GHS 10,000.00 has been repealed</p> <p>The new VAT Act has excluded from the law the registration requirement for any national, regional, local, or other public authority engaged in a taxable activity to register for VAT.</p>

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	Non-resident persons who provide telecommunication services or electronic commerce	Non-resident persons who provide telecommunication services or electronic commerce
5	The repealed VAT Act did not define what a tax registered agent is.	<p>The new Act defines a Tax Registered Agent to mean a representative of a non-resident person who provides telecommunication services or electronic commerce in the country and is duly registered for VAT.</p> <p>The Commissioner-General is also empowered to appoint a person to collect the tax and any levy arising from a supply made by a taxable person.</p>
	Upfront payment	Upfront payment
6	Upfront payment of 12.5% of the customs value of the taxable goods for an unregistered importer.	Upfront payment of 20% of the customs value of the taxable goods for an unregistered importer.
	Cancellation of registration	Cancellation of registration
7	The Commissioner-General could revoke a person's tax registration if it is determined that the person has no fixed place of business or abode.	The provision allowing VAT deregistration due to lack of a fixed place of business or abode has been repealed.
	Exempt import	Exempt import
8	Exempt import is classified in conformity with the Customs Tariff Schedule, also known as the 'Harmonised System'.	Exempt import is now classified in conformity with Part C of the Third Schedule of the harmonised Commodity Description and Coding System.
	Value of a Taxable Supply	Value of a Taxable Supply
9	The taxable value in determining the VAT includes levies.	The value of taxable supply excludes the Levies such as the GETFund Levy, NHIL and tourism levy.
	Input Tax Credit/Deductibility	Input Tax Credit/Deductibility
9	NHIL and GETFund levies were not deductible; the COVID-19 Levy has been abolished.	<p>NHIL and GETFund are now deductible as input VAT, and the COVID-19 levy remains abolished.</p> <p>This reduces tax on tax.</p>
	Effective VAT Rate	Effective VAT Rate
10	The VAT effective rate is 21.9%	The VAT Effective rate is 20%

	Specific conditions for classifying a bad debt as irrecoverable	Specific conditions for classifying a bad debt as irrecoverable
11	There was no specific provision for classifying a bad debt as irrecoverable.	The Commissioner-General will consider a debt as irrecoverable if the following conditions are met: <ul style="list-style-type: none"> a. the taxable person has undertaken an action to recover the debt; b. the action for the recovery has exhaustively proven futile; and c. the taxable person has made all the necessary entries in the book of accounts.
	Duties of a VAT Withholding Agent	Duties of a VAT Withholding Agent
12	The repealed Act 870 did not contain any provision stating that VAT withheld and remitted by a VAT withholding agent is deemed paid to the withholder.	The new VAT Act provides that where the VAT withholding agent withholds the tax and pays it to the Commissioner-General, the tax is deemed paid to the withholder for the purposes of any claim by the withholder for the amount withheld.
	Exemption from Withholding Tax	Exemption from Withholding Tax
13	The repealed VAT Act, 2013 (Act 870), made no provision empowering the Commissioner-General to exempt persons from withholding VAT upon application.	The Commissioner-General may grant a written exemption from withholding tax upon receiving an application and being satisfied with the applicant's tax compliance records.
	Deductible Input Tax	Deductible Input Tax
14	Levies have been excluded, resulting in a limited deductibility.	Expanded deductibility, including NHIL/GETFund, resulting in a broader credit base.
	Time Limit for Input Tax Claim	Time Limit for Input Tax Claim
15	The input tax claim was within six (6) months of the invoice date.	This has been extended to twelve (12) months, provided the invoice is in the e-VAT system.
	Refunds	Refunds
16	Refunds were granted where input tax exceeded output tax. Additionally, refund processes were manual.	The refund process is now automated and time-bound under the e-VAT system. This makes the process faster and ensures transparency.

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	Conditions for Deductible Input Tax	Conditions for Deductible Input Tax
17	The previous VAT Act, 870 did not provide any mechanism for determining the deductibility of input tax by a resident person who used or enjoyed digital services supplied by a non-resident person.	Unlike the previous regime, the VAT Act, 2025 (Act 1151) provides for the Commissioner-General to determine the procedure governing the deduction of input tax by resident persons who use or enjoy digital services supplied by non-resident persons.
	Refund or Excess Credit for Locally Manufactured Sanitary Products	Refund or Excess Credit for Locally Manufactured Sanitary Products
18	Under the repealed VAT Act, 2013 (Act 870), there was no provision allowing for a refund or credit of excess tax paid relating to locally manufactured sanitary textiles or sanitary towels, or identifying persons entitled to such relief.	The current VAT enactment permits the Commissioner-General to refund excess credit attributable to locally manufactured textiles or sanitary towels, upon an application by persons who qualify for relief.
	Submission of tax return	Submission of tax return
19	The repealed VAT Act, 2013 (Act 870), did not provide for taxable persons using a Fiscal Electronic Device ("FED") to submit their tax returns electronically.	A taxable person mandated to use a FED under the Taxation (Use of Fiscal Electronic Device) Act, 2018 (Act 966), is allowed to file a tax return electronically using the Fiscal Electronic Device under the current VAT Act.
	Recovery from Receipt of a Supply	Recovery from Receipt of a Supply
20	Act 870 authorised the Commissioner-General to assess and recover unpaid tax, along with any interest and penalties, where a taxable person misrepresented a supply or fraudulently treated it as exempt or zero-rated.	The VAT Act, 2025 (Act 1151), expands the Commissioner-General's authority to raise an assessment for unpaid tax, including interest and penalties, on taxable supplies misrepresented or fraudulently treated as exempt or zero-rated, to also cover relief supplies.
	Evasion of Tax	Evasion of Tax
21	There was no prescribed minimum punishment for persons who knowingly engaged in tax evasion or took steps with a view to evade tax payable by the person or any other person. Only the maximum punishment was prescribed, being, on summary conviction to a fine of not more than three times the tax being evaded or to a term of imprisonment of not more than five years, or to both.	A minimum punishment has been established for persons who knowingly engage in tax evasion or take steps to evade tax payable by themselves or any other person. Upon summary conviction, such a person is liable to a fine of not less than twice the amount of tax evaded or to a term of imprisonment of not less than two years. Further, the person may be liable to a fine of not more than three times the amount of tax evaded or to a term of imprisonment of not more than five years, or to both.

22	<p>Civil Engineering</p> <p>Under the repealed VAT Act , civil engineering was defined to include roads and bridges.</p>	<p>Civil Engineering</p> <p>The new Act has broadened the definition of civil engineering to include:</p> <ul style="list-style-type: none"> • construction, maintenance, reconstruction, demolition, repair or renovation of a building, structure, surface or system, including site preparation, excavation, erection, assembly, installation of plant, fixing of equipment, laying out materials, decoration and finishing, and any incidental service provided in connection with the construction, maintenance, reconstruction, demolition, repair or renovation of a building, structure, surface or system such as schools, roads, dams, bridges, railroads and hospitals, for public use and paid for with public funds.
23	<p>Digital Service</p> <p>The meaning assigned to digital service included the following:</p> <ol style="list-style-type: none"> a. social networking; b. cloud services; c. video or audio streaming; d. digital marketplace operations; and e. online advertisement services. 	<p>Digital Service</p> <p>The VAT Act 1151 expands the definition of digital service to cover the following:</p> <ol style="list-style-type: none"> a. social networking; b. cloud services; c. video or audio streaming; d. digital marketplace operations; e. Online advertisement services; f. distance maintenance of programmes or equipment; g. a supply of software or software updates; h. virtual asset management services; and i. digital asset management services.
24	<p>Electricity Supply</p> <p>A supply to a dwelling of electricity up to a maximum consumption level specified for block charges for lifeline units was exempted from VAT.</p>	<p>Electricity Supply</p> <p>The supply of electricity to a dwelling is exempted from VAT.</p>

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	Betting or Gaming including Lotteries	Betting or Gaming including Lotteries
25	The acceptance of a wager or stake in any form of betting or gaming, including lotteries and from gaming machines was exempted from VAT.	This exemption has been repealed from the VAT Act.
	Locally Manufactured Textiles	Locally manufactured Textiles
26	Locally manufactured textiles were zero-rated, subject to short-term renewal by the Ministry of Finance.	Locally manufactured textiles are zero-rated until December 2028. This amendment provides certainty, which promotes manufacturing.
	Mineral Exploration and Reconnaissance Services	Mineral Exploration and Reconnaissance Services
27	VAT is applied to mineral exploration and reconnaissance activities.	VAT on exploration and reconnaissance is now zero-rated or exempt, depending on the activity, which encourages investment in the upstream sector.
	Locally Assembled Vehicles	Locally Assembled Vehicles
28	Zero-rating of locally assembled vehicles.	Zero-rating of locally assembled vehicles ends 31 December 2028.
	Relief Supplies	Relief Supplies
29	<ol style="list-style-type: none"> Under the repealed Act 870, the Commissioner-General published a register of VAT-registered manufacturers qualifying for tax relief, which was valid for 12 months, from 1 January each year. The supply of goods or services by a holder of a reconnaissance or prospecting licence did not qualify for VAT relief under the previous repealed Act 870. 	<ol style="list-style-type: none"> The validity period of the Commissioner-General's register of VAT-registered manufacturers eligible for tax relief has been reduced to six (6) months, effective 1 January each year. Under Relief Supplies, the supply of goods or services by: <ol style="list-style-type: none"> a holder of a reconnaissance or prospecting licence issued under the Minerals and Mining Act, 2006 (Act 703); and who is registered with the Ghana Revenue Authority for those activities qualifies for tax relief on taxable imports and on taxable goods acquired locally for reconnaissance or prospecting purposes in accordance with the new VAT Act.

Key Highlights and Takeaways

- » Under the repealed Act, the coexistence of the flat rate and standard rate schemes created interpretational issues and economic distortions. However, with the abolition of the VAT Flat Rate Scheme and the adoption of a unified 15% VAT rate, these issues are resolved, and the VAT structure is simplified.
- » The expanded scope of taxable activities under the new Act shows a clear intent to broaden the VAT base. By explicitly taxing natural resource exploration, the law closes a prior gap in VAT coverage, while including exports of traditional products (excluding cocoa beans, coffee, and shea butter) brings growing commercial sectors within the tax net.
- » The threshold for goods has increased from GHS 200,000 to GHS 750,000, while the removal of any threshold for taxable services creates a clear obligation for all service providers to register. This adjustment appears largely nominal rather than substantive when evaluated in real terms using exchange-rate benchmarks.

Date of Commencement	Threshold to register for VAT (GHS)	GHS/US\$ RATE	Threshold in US\$ at time of commencement
01/01/2014	120,000.00	2.1616	55,514.43
01/01/2016	200,000.00	3.2001	62,498.05
01/01/2026	750,000.00	10.4500	71,770.33

Over a 12-year period, the real threshold has increased by only about US\$16,250, despite:

- Persistent currency depreciation;
- High cumulative inflation; and
- Substantial increases in operating costs for Small and Medium-sized Enterprises (SMEs).

This increase in threshold also undermines one of the core justifications for a VAT threshold, which is to exclude small firms where compliance costs exceed potential revenue gains. Instead, the current threshold risks increasing compliance burdens for SMEs and discouraging business formalisation.

- » This change in rate from 12.5% to 20% of the customs value for upfront VAT payment strengthens the use of import VAT as a compliance and revenue safeguard. It discourages operating outside the VAT net and incentivizes registration to enable recovery of input tax.
- » The effective VAT rate under the repealed VAT Act stood at 21.9%, largely as a result of the standard VAT rate being applied on the COVID-19 Health Recovery Levy and other levies that were charged on the same base. Under the VAT Act, 2025, the effective rate has been reduced to 20% following the abolition of the COVID-19 Health Recovery Levy and the unification of VAT and the associated levies.

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- » The scope of VAT has broadened to cover digital supplies and cross-border services, ensuring inclusion of the digital economy.
- » The refund process for excess input VAT has been automated and made time-bound under the e-VAT system, ensuring faster processing for registered taxpayers.
- » Locally manufactured textiles remain zero-rated until 2028, sustaining industrial policy support.
- » The repeal of zero-rating for locally assembled vehicles has led to the expansion of the VAT base.
- » Allowing NHIL and GETFund levies to be deducted as input VAT and abolishing the COVID-19 Health Recovery Levy, eliminates tax-on-tax effects and lowers the effective burden.
- » The exemption regime under VAT should have been reconsidered to broaden the tax base. This would have made it more compatible with the Modern VAT principles.

If you have any questions on the matters referred to in this Alert, please do not hesitate to contact the authors below.

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