



# **GRA**

## **GHANA REVENUE AUTHORITY**

**Guideline on the Requirement to show Commissioner-General's Tax Invoice as Proof of Expenses incurred for Income Tax Purposes**

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## **1.0 PREAMBLE**

The Commissioner-General (CG) of the Ghana Revenue Authority (GRA) is empowered under Sections 1(2) of the Revenue Administration Act (RAA), 2016 (Act 915) as amended, to give written directives that are necessary for the administration and implementation of tax laws. Accordingly, this directive is issued in respect of the requirement to show the Commissioner-General's tax invoice as proof of expenses incurred for Income Tax purposes.

### **1.1 INTERPRETATION**

In this guideline, "Tax Invoice" (VAT Invoice) means an invoice issued on a supply of taxable goods and services in accordance with the Value Added Tax Act, 2013 (Act 870) as amended and the Valued Added Tax Regulations, 2016 (L.I 2243).

It includes an electronic tax invoice issued through a Certified Invoicing System for a supply of goods or services by a taxable person in accordance with the Value Added Tax (VAT) Act, 2013 (Act 870) as amended by Value Added Tax (Amendment) Act, 2022 (Act 1082) and the Regulations made under Act 870.

"Certified Invoicing System" means an electronic invoicing system certified by the Commissioner-General in accordance with Act 870.

## **2.0 THE PURPOSE OF THIS GUIDELINE**

This guideline is issued to give clarity and provide guidance to officers of the Ghana Revenue Authority as well as taxpayers on the requirement to show the Commissioner-General's tax invoice as a proof of expenses incurred for Income Tax purpose. It is also intended to ensure consistency and uniformity in the application of the tax laws.

### 3.0 APPLICATION OF THE REQUIREMENT TO SHOW THE COMMISSIONER-GENERAL'S TAX INVOICE AS A SUPPORTING DOCUMENT FOR EXPENSES INCURRED

In applying the requirements for persons to show the CG's tax invoice as a supporting document for expenses incurred, the following tax laws and their provision are relevant ;

- Revenue Administration Act, 2016 Act (915), as amended  
Section 27 provides that:

*"(1) A person shall maintain, within the country, necessary records*

*(a) to provide information in respect of documents to be filed with the Commissioner-General under a tax law;*

*(b) to enable an accurate determination of tax payable under a tax law; and*

*(c) that may be prescribed by Regulations or by the Commissioner - General.*

*(2) For the purpose of subsection (1), necessary records include underlying documents, however described in the nature of receipts, **invoices**, vouchers, contracts or in the case of electronic records, any medium by which the information can be extracted."*

**Note:** For purposes of determining tax payable, *invoice* as stated under 27 of Act 915 means a tax invoice (VAT invoice).

- Income Tax Act, 2015 (Act 896), as amended  
Section 9(1) of Act 896 states that:

*"(1) A person who is ascertaining the income of that person or of another person from an investment or business conducted for a year of assessment or for a part of that year shall deduct from the income, an expense to the extent that the expense is wholly, exclusively and necessarily incurred by the person in the production of the income from the investment or business during the year."*

This is one of the legal basis for the granting of deductible expense from the incomes of persons conducting business or investment for a year of assessment or for a part of that year of assessment.

**Note:** The other deduction rules may not necessary require a tax invoice. This guideline therefore applies to situations where invoice serves as an evidence for deductibility purposes under section 9 of Act 896.

- Value Added Tax Act, 2013 (Act 870)

Section 41(1, 2) of the Value Added Tax Act, 2013 (Act 870) as amended also provides that:

*“(1) Except as otherwise provided in this Act, a taxable person shall, on making a taxable supply of goods or services, issue to the recipient, **a tax invoice in the form and with the details that are prescribed by the Commissioner-General.***

*(2) A taxable person shall*

*(a) issue a tax invoice through a Certified Invoicing System; and*

*(b) ensure that the Certified Invoicing System of the taxable person is integrated into the invoicing system of the Commissioner-General.”*

Section 41 (6-8) of the Value Added Tax Act, 2013 (Act 870) as amended further provides that:

*“(6). A taxable person shall not provide a tax invoice or sales receipt in circumstances other than those specified under this section.*

*(7) Subject to subsection (6), a taxable person shall issue only one tax invoice or sales receipt for each taxable supply.*

*(8) Where a recipient who is a taxable person has not received a tax invoice as required under subsection (1), the recipient may, within forty-eight hours after the date of the supply, obtain a copy of the invoice from the Certified Invoicing System of the taxable person.”*



In order for a transaction to qualify for a deduction from income under section 9 of the Income Tax Act, 2015 (Act 896) a person shall maintain necessary records (including tax invoices) to enable an accurate determination of tax payable as required by section 27 of Act 915.

The Commissioner-General therefore requires that a person who transacts business with a VAT registered or registrable person shall obtain a tax invoice issued under section 41 of Act 870 as evidence for the transaction.

In view of the above, a person may not be allowed a deduction under section 9 of the Income Tax Act, 2015 (Act 896) if the person is unable to provide a tax invoice for taxable supplies as evidence that the expense has been wholly, exclusively and necessarily incurred in the production of the income.

**Note:**

1. Domestic or excluded expenditure as defined in section 130 of Act 896 shall not be allowed as a deduction even if the person is in possession of a tax invoice.
2. For the purposes of verifying the purchase of depreciable assets for capital allowance purposes, a person must provide a tax invoice as evidence in support of the purchase.

### **3.1 TREATMENT OF EXPENSES INCURRED FROM TRANSACTIONS WITH VAT REGISTERED OR REGISTRABLE PERSONS**

Where a person incurs an expense through transactions with VAT registered or registrable persons, such a person shall obtain and retain a tax invoice as evidence of the expense incurred.

Expenses that are not covered by a tax invoice shall not be allowed as a deductible expense from income unless the transaction is excluded from the issuance of a tax invoice (for example, persons below the threshold or exempt supplies).

### **3.2 TREATMENT OF EXPENSES INCURRED FROM TRANSACTIONS WITH PERSON NOT REQUIRED TO REGISTER FOR VAT**

- Where the goods or services procured for which a deduction is being sought is VAT exempt and listed under the first schedule to Act 870, a person is not expected to provide a VAT invoice as an evidence, rather any invoice supported by other relevant document satisfactory to the Commissioner-General may be considered for a deduction provided the requirements under section 9 of Act 896 is satisfied.

- Where goods and services are taxable under the VAT Act but were not procured from a VAT registered person, the burden of proof is on the taxpayer to prove to the satisfaction of the Commissioner-General that the supplier is not required to register for VAT. A taxpayer who fails to discharge this burden shall not be entitled to a deduction.

In determining whether a supplier meets the threshold or not, the person must consider the value of transaction the person has with the supplier and reasonably expect if it will not put the supplier beyond the minimum VAT threshold

### 3.3 TREATMENT OF EXPENSES THAT DO NOT REQUIRE THE ISSUANCE OF A TAX INVOICE

There are business transactions that do not require the issuance of a tax invoice as evidence of expenses incurred but rather other documents such as vouchers, receipts etc. These transactions may include; payroll/staff cost expenses, regulatory fees and charges, importation of goods and services, medical expenses, rental for residential purposes, etc. Such persons may be allowed deduction for such expenses provided it satisfies the requirements under section 9 of the Income Tax Act, 2015 (Act 896) as amended.

### 4.0 TRANSITIONAL ARRANGEMENTS

- The implementation of this guideline shall apply to transactions commencing from 1<sup>st</sup> April, 2024.
- Where a taxpayer's basis period spans from 2023 to 2024, the guideline shall apply only to transactions that relates to the implementation date of this guideline.

For example, where a taxpayer has a basis period of 1/8/2023 to 31/07/2024, the period from 1/8/2023 to 31/12/2023 will not be affected by this guideline. However, expenses relating to the period 1/1/2024 to 31/07/2024 must be supported by tax invoices to qualify for deduction under Act 896.

Signed ..... 

Date ..... 

REV. DR. AMMISHADDAI OWUSU-AMOAH