

PARLIAMENTARY MEMORANDUM

SUBMITTED BY

THE HON. MINISTER FOR FINANCE

REQUEST FOR EXEMPTIONS FROM THE PAYMENT OF CUSTOMS DUTY,  
VAT, EXIM LEVY, ECOWAS LEVY, AND SPECIAL IMPORT LEVY ON  
MATERIALS AND EQUIPMENT FOR THE DEVELOPMENT OF THE KUMASI  
INTERNATIONAL AIRPORT PHASE II PROJECT FOR GHANA AIRPORTS  
COMPANY LIMITED/CONTRACTA CONSTRUCTION UK LIMITED

GOG CONTRACT

PROCESSED BY THE SECRETARY GENERAL

25<sup>th</sup> JULY, 2018

## **1.0 ACTION REQUIRED**

1.1. Parliament is respectfully invited to consider and approve the waiver of tax liability amounting to US\$14,926,809 (equivalent of GH¢81,257,072) on the purchase of materials and equipment for the Development of the Kumasi International Airport Phase II, by the Ghana Airports Company Limited/Contracta Construction UK Limited.

1.2. At its Thirty-seventh meeting held on Thursday, 12<sup>th</sup> July, 2018, Cabinet considered and approved the request for tax exemptions as indicated above for consideration of Parliament.

## **2.0 BACKGROUND INFORMATION**

2.1 It would be recalled that Cabinet and Parliament of Ghana granted approval in 2016 for the Development of the Kumasi International Airport Phase II through the following:

- a. A Buyer Credit Facility Agreement between the Government of the Republic of Ghana represented by the Ministry of Finance and Banco Santander S.A. and its Affiliates in the sum of Sixty-Five Million and Thirty-Seven Thousand, Five Hundred Euros (€65,037,500.00) for the development of the Kumasi International Airport;
- b. A Tied Commercial Loan Agreement between the Government of the Republic of Ghana represented by the Ministry of Finance and Banco Santander S.A. and its Affiliates in the sum of Seven Million, Seven Hundred and Sixty-Two Thousand, Five Hundred Euros (€7,762,500.00) for the development of the Kumasi International Airport;
- c. A Commercial Contract Agreement for the design and execution of the works between the Government of the Republic of Ghana represented by the Ministry of Transport (now Ministry of Aviation) and Contracta Construction UK Limited in the sum of Sixty-Six Million Three Hundred and Fifty Thousand Euros (€66,350,000.00) for the development of the Kumasi International Airport.

2.2 The objective of the project is to position Kumasi, which is the largest commercial centre in the central belt of Ghana to compliment the multi-modal transport system, comprising road, air and rail to support the movement of people and goods to the middle and northern belts of the country and into the sub-region, particularly the Sub-Saharan countries. This is expected to catalyse industrialization and rapid socio-economic development in the Agriculture Sector, Tourism Sector, Trade and Development of Domestic Air Transport.

2.3 The project entails construction of a modern terminal building, runway extension, an apron linking taxiway, construction of drainage systems, car park and other ancillary facilities.

**3.0 JUSTIFICATION FOR GOVERNMENT ACTION**

3.1. Under clause 5 of the Contract Agreement signed between Contracta Construction UK Limited, and the Government of the Republic of Ghana represented by the Ministry of Transport (now Ministry of Aviation), states that "the Employer acknowledges that the contract price does not include taxes, duties and levies of whatsoever nature, including but not limited to income tax, VAT, withholding, sales, stamp taxes, import duties"

3.2. Clauses 11.1 to 11.6 of the facility Agreement also requires all tax and duty related payments to be borne by the Employer/Ghana Airports Company Limited.

3.3. Accordingly, per Article 174(2) of the 1992 Constitution the Tax Liabilities on equipment and materials has to be submitted to Parliament for consideration and approval.

3.4 The project is in sync with Government's vision of working with the private sector to offer modern, attractive air transport infrastructure, and by building capacity and establishing institutional and policy framework to enhance safety and security of air services.

**4.0. TAX ASSESSMENT**

4.1. The Ghana Revenue Authority has assessed the applicable taxes, duties and levies to be waived on the project. Gross taxes and duties on materials and equipment was estimated at US\$14,926,809 (equivalent of GH¢81,257,072). The breakdown is shown in the table below.

| TAX ASSESSMENT   |     |            |          |           |         |           |        |        |              |               |             |
|--|-----|------------|----------|-----------|---------|-----------|--------|--------|--------------|---------------|-------------|
| IMPORTER: MINISTRY OF AVIATION/KUMASI INTERNATIONAL AIRPORT PHASE II |     |            |          |           |         |           |        |        |              |               |             |
| Description of Goods   | Qty | CIF (EURO) | I/D Rate | Imp. Duty | VAT     | Eco. Levy | EXIM   | SIL    | TOTAL (EURO) | Exchange rate | TOTAL (GH¢) |
| TOTAL  |     | 42,401,340 |          | 7158871   | 6477605 | 212007    | 318010 | 848027 | 14,926,809   | 5.4437        | 81,257,072  |