

**REPORT OF THE FINANCE COMMITTEE ON THE REQUEST FOR
THE WAIVER OF IMPORT DUTIES, IMPORT VAT/ GETFUND LEVY,
IMPORT NHIL, ECOWAS LEVY, AU LEVY, EXIM LEVY ON PLANT,
MACHINERY AND EQUIPMENT OR PARTS AS WELL AS CORPORATE TAX
FOR FIVE (5) YEARS OF OPERATION BEING TAX INCENTIVES TO
SUPPORT IMPLEMENTATION OF THE ONE DISTRICT ONE FACTORY
(1D1F) PROGRAMME**

1.0 INTRODUCTION

The Request for the waiver of Import Duties, Import VAT/ GETFund Levy, Import NHIL, ECOWAS Levy, AU Levy, EXIM Levy on plant, machinery and equipment or parts as well as Corporate Tax for five (5) years of operation being tax incentives to support implementation of the One District One Factory (1D1F) Programme was laid in the House Thursday, 28th March, 2019 in accordance with Article 174(2) of the Constitution, and referred to the Finance Committee for consideration and report pursuant to the Standing Orders of the House.

The Committee met with the Minister for Trade and Industry, Hon. Allan Kyeremanteng, a Deputy Minister for Finance Hon. Kweku Kwarteng and a technical team from the Ministry of Finance and the Ministry of Trade and Industry to consider the request.

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Public Financial Management Act, 2016 (Act 921); and
- The Standing Orders of the Parliament of Ghana;

2.0 BACKGROUND

It has been observed that the growth in Industrial Sector in the country is slow and this was attributed to the lack of targeted incentives by Government to make the Industrial Sector competitive and attractive to the Private Sector.

It is in this vein that Government is determined to ensure that the best investment climate exists to attract the needed investments into the Manufacturing Sector. This requires that appropriate incentives and regulations are put in place to create a favorable environment within which businesses could thrive and also protect the interests of shareholders.

The “One District One Factory” programme is a key component of Government’s Industrial Transformation Agenda. The role of Government in this programme is to facilitate the establishment of District Enterprises by creating the enabling environment, including the provision of infrastructure such as access roads, water and electricity. The programme is a Private Sector led initiative but Government can invest up to thirty percent (30%) equity in enterprises that require its participation.

In November, 2018, Parliament approved the 2019 Budget Statement which among others, contained the Government’s broad policy framework on the implementation of the 1D1F policy.

The Request before the House is the set of incentives proposed to support the implementation of the One District, One Factory Programme

4.0 REQUEST

The request is to seek approval for tax incentives to be granted to companies under the One District One factory (1D1F) programme.

The tax incentives sought cover the waiver of:

- Corporate Taxes by 1D1F companies for the first Five (5) years of operations;
- Import Duties, VAT, NHIL, GETFund, ECOWAS Levy, AU Levy, EXIM Levy and Taxes on Equipment, Machinery and Parts that are not exempted or zero rated under the Customs Harmonized Code;
- Direct and Indirect Duties and Levies on all Raw Materials imported by the companies for 1D1F production and exports; and
- Withholding taxes on dividends paid.

5.0 OBSERVATIONS

5.1 Rationale for the 1D1F programme

The Committee was informed that the 1D1F programme has been designed to:

- create massive employment particularly for the youth in rural and peri-urban communities, thereby improve levels and standard of living, as well as reduce rural-urban migration.
- add value to the natural resources of each District and exploit the economic potential of each District based on its comparative advantage.
- ensure even and spatial spread of industries and thus stimulate economic activity and growth in different parts of the country.
- promote exports and increase foreign exchange earnings to support the Government's development agenda, as well as reduce the volume of imports through imports substitution.

5.2 Expected Benefits

The Committee observed that when successfully executed, the initiative would lead to an increase in the creation of jobs in all the 254 Districts in the country and an increase in Government revenue. It would also help curb the issue of rural urban migration and the promotion of economic activities across the country.

5.3 Proposed Incentives under the 1D1F Programme

The Committee noted that in order to attract more private sector investments in support of the 1D1F initiative, Government, as a policy has proposed the following incentive packages namely:

- waiver of Corporate Taxes;
- waiver of import duties and taxes on equipment, machinery and parts;
- waiver of payment of duties and levies on raw materials;
- waiver from the payment of withholding taxes;
- assurance for the repatriation of dividends;
- guarantee against Nationalization; and
- Expatriate Worker Quota

5.4 The need for the tax incentives

The Committee was made aware that approval of the tax incentives Framework would help to inform and give confidence to the inventor community about efforts being made by Government to support the Programme. It would also help businesses to be certain of the tax incentives they are expected to benefit if they should enroll under the 1D1F programme.

The Committee was assured that following the approval, the specific requests for tax waivers for the individual companies registered under the 1D1F Initiative, accompanied with the relevant tax assessments, would be submitted to Parliament for approval as and when the need arises.

6.0 RECOMMENDATION

After carefully considering the Request, the Committee recommends that the House should approve the Government Policy on the Tax Incentives for the implementation of the One District, One Factory Programme

Further and in accordance with Article 174 (2), the Committee recommends that every single waiver that is connected to the One District One Factory Programme should be submitted to Parliament for approval before the respective company could enjoy the waiver.

7.0 CONCLUSION

Considering the benefits to be derived from the Programme, the Committee is of the view that the request is in the right direction.

The Committee therefore recommends to the House to adopt its report and to approve by resolution the Request for waiver of Import Duties, Import VAT/GETFund Levy, Import NHIL, ECOWAS Levy, AU Levy, EXIM Levy on plant, machinery and equipment or parts as well as Corporate Tax for five (5) years of operation being tax incentives to support implementation of the One District, One Factory (1D1F) programme in accordance with Article 174(2) of the Constitution, the Public Financial Management Act, 2016 (Act 921) and the Standing Orders of Parliament, subject to its proposed recommendations and consequential orders as may be contained in a resolution.

Respectfully submitted.



HON. MARK ASSIBEY-YEBOAH (DR)
CHAIRMAN, FINANCE COMMITTEE

2nd May, 2019



EVELYN BREFO-BOATENG
CLERK TO THE COMMITTEE