

IN THE THIRD SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA



**REPORT OF THE FINANCE COMMITTEE ON THE
REQUEST FOR WAIVER OF IMPORT DUTIES, GETFUND
LEVY, NHIL, IMPORT VAT AND OTHER IMPOSTS
AMOUNTING TO THE GHANA CEDI EQUIVALENT OF
FIFTEEN MILLION, FOUR HUNDRED AND NINETY-TWO
THOUSAND, AND TWENTY-NINE UNITED STATES
DOLLARS AND FORTY CENTS (US\$15,492,029.40) ON
MATERIALS AND EQUIPMENT TO BE PROCURED IN
RESPECT OF THE CONSTRUCTION OF ROADS THAT
COMPRISE THE EASTERN CORRIDOR ROAD PROJECT,
COVERING LOTS 5 AND 6
(OTI-DAMANKO-NAKPANDURI STRETCH - 209KM)**

1.0 INTRODUCTION

The request for waiver of Import Duties, GETFund Levy, NHIL, Import VAT and other imposts amounting to the Ghana Cedi equivalent of *Fifteen Million, Four Hundred and Ninety-Two Thousand, and Twenty-Nine United States Dollars and Forty Cents (US\$15,492,029.40)* on materials and equipment to be procured in respect of the construction of roads that comprise the **Eastern Corridor Road Project**, covering lots 5 and 6 (**Oti-Damanko-Nakpanduri Stretch - 209km**) was laid in the House on

Monday 16th December, 2019 by the Hon. Minister for Food and Agriculture, Dr. Owusu Afriyie Akoto on behalf of the Minister responsible for Finance.

Pursuant to Order 169 of the Standing Orders of the House, the request was *referred* to the Finance Committee for consideration and report.

The Committee met and considered the request with a Deputy Minister for Finance, Hon. Kwaku Agyeman Kwarteng, the Chief Director of the Ministry of Roads and Highways, Mr. Edmund Offei-Annor as well as other officials from the Ministries of Finance and Roads and Highways and the Ghana Revenue Authority.

The Committee hereby presents this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

2.0 BACKGROUND

The Government of Ghana is implementing some major road infrastructure projects to ensure the operational efficiency of road transport in moving persons, goods and services within the country and with neighboring countries. Government also continues to source for funding to implement other critical infrastructure projects such as hospitals, bridges, interchanges, affordable housing and fishing landing sites among others in line with the Government's infrastructure development agenda.

In line with the above, Parliament at its Twenty-Second Sitting of the Emergency Meeting held on Tuesday, October 2, 2012, approved by resolution the Export Credit Agreement between the Government of Ghana and the National Bank for Economic and Social Development (BNDES) and the Bank of Brazil supported by the Brazilian Official Equalization Programme (PROEX) for an amount of **US\$242,190,692.00** to finance the design and civil engineering works related to the construction of roads that comprise the Eastern Corridor Road Project, covering Lots 5 & 6 which is from Oti Damanko to Nakpanduri, a stretch of 209km.

The Ministry of Roads and Highways acting through the Ghana Highway Authority, entered into a Commercial Contract Agreement on July 9, 2012 with the Joint Venture made up of Construtora Andrade Gutierrez, S.A and Costrutora Norberto Odebrecht S.A., of Brazil (Contractor) for the implementation of the project.

Parliament at its Forty-Third Sitting of the Second Meeting held on Wednesday, 27th July, 2016 approved by resolution, the request for waiver of **Import Duties, Import VAT and NHIL, ECOWAS Levy, EDIF, Inspection Fees, and other related taxes amounting to the cedi equivalent of US\$26,917,240.50** in relation to materials, equipment and services to be procured under the project.

The resolution for tax exemption approved by Parliament covered only imports contrary to Clause 6 of the Commercial Contract Agreement which requires all local taxes to be waived.

This request is therefore to bridge the gap created by the partial waiver granted by the House in July 2016.

3.0 TOTAL WAIVER REQUESTED

The total amount of taxes and duties for which waiver is being sought presently is the Ghana Cedi equivalent of ***Fifteen Million, Four Hundred and Ninety-Two Thousand, and Twenty-Nine United States Dollars and Forty Cents (US\$15,492,029.40)***

ATTACHMENT: Please find attached as APPENDIX the details of the taxes and duties to be waived as calculated by the Ghana Revenue Authority (GRA).

4.0 OBSERVATIONS

4.1 Nature of Taxes to be waived

The Committee noted that Parliament in July 2016 approved the waiver of Import Duties, Import VAT and NHIL, ECOWAS Levy, EDIF, Inspection Fees, and other related taxes amounting to the Ghana Cedi equivalent of US\$26,917,240.50 in relation to materials, equipment and services **to be imported** for the Project.

The present request for the waiver of taxes totaling US\$15,492,029.40 is therefore in respect of ***materials, equipment and works to be procured locally*** for the implementation of the Project.

4.2 Project Objective

The Committee was informed that the overall objective of the Project is to address the challenges relating to poor road infrastructure in the country in order to facilitate transportation of goods and people for the socio-economic development of the country.

4.3 Expected Benefits of the Project

The Committee observed that the implementation of the project will enhance the movement of goods and people and improve the quality of life of citizens by reducing vehicle operating costs, travel time and accident rates.

Again, the roads to be constructed would help reduce pedestrian and vehicular congestion and reduce cost of doing business along the Eastern Corridor of the country.

The Project would also improve access from the Tema Port to neighbouring landlocked countries in conformity with the Almaty Declarations and generally to enhance trade, regional cooperation and integration.

4.4 Need for Waiver

The Committee noted that in accordance with Clause 6 of the Commercial Contract Agreement, the Employer, that is the Ministry of Roads and Highways, *“shall provide evidence reasonably acceptable to the Joint Venture contractor made up of the (2) Brazilian companies within 10 days after the disbursement of the Advance*

Payment that the Contractor, its branches and subsidiaries existing according to the laws of Ghana, each sub-contractor and each supplier, and any employee or other personnel of any of the foregoing shall be exempted from any Local Taxes. Local Taxes mean any tax, levy impost, fee, assessment, deduction, withholding or other similar charge under any Legislation applicable in Ghana”.

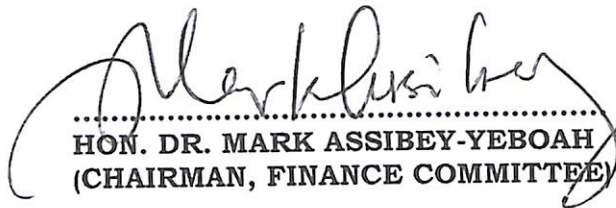
There is thus the need to waive the taxes and duties in connection with the Project, both import and domestic taxes, in accordance with Article 174(2) of the 1992 Constitution of the Republic of Ghana.

5.0 CONCLUSION

The Committee, in view of the foregoing, respectfully recommends to the House to adopt this report and *approve by resolution*, the **request for waiver of Import Duties, GETFund Levy, NHIL, Import VAT and other imposts** amounting to the Ghana Cedi equivalent of ***Fifteen Million, Four Hundred and Ninety-Two Thousand, and Twenty-Nine United States Dollars and Forty Cents (US\$15,492,029.40)*** on materials and equipment to be procured in respect of the construction of roads that comprise the **Eastern Corridor Road Project**, covering lots 5 and 6 (**Oti-Damanko-Nakpanduri Stretch – 209km**) in accordance with Article 174(2) of

the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



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



.....
MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

20TH DECEMBER, 2019

GHANA REVENUE AUTHORITY

Our Ref. No. CDTRD-EXM-191216

Your Ref. No.



GRA

December 16, 2019

The Hon. Minister
Ministry of Finance
Accra

Attention: Daniel Nuer
Head, Tax Policy Unit

Dear Sir,

RE: REQUEST FOR TAX ASSESSMENT IN RESPECT OF THE CONSTRUCTION OF THE EASTERN CORRIDOR ROAD LOT 5&6(OTI-DAMANKO-NAKPANDURI STRETCH-290KM)

We refer to your letter dated December 12, 2019 and referenced RMERD/TPU/TA/lot 5&6/GRA/019 (and the Master List which accompanied it) on the above subject in which you requested Ghana Revenue Authority (GRA) to do an assessment of taxes on the above mentioned project to be considered by Parliament for purposes of exempting the project from the applicable domestic taxes and levies.

Our analysis of the Master List furnished us resulted in the following assessment:

Table 1: REQUEST FOR TAX ASSESSMENT IN RESPECT OF THE CONSTRUCTION OF THE EASTERN CORRIDOR ROAD LOT 5&6(OTI-DAMANKO-NAKPANDURI STRETCH-290KM)

	Tax Type	Assessed Tax in (USD)	Exchange Rate	Assessed Tax in (GH¢)
1	Domestic VAT	11,218,366.12	5.5387	62,135,164.42
2	Domestic NHIL	2,136,831.64	5.5387	11,835,269.41
3	Domestic GETFUND	2,136,831.64	5.5387	11,835,269.41
	TOTAL	15,492,029.40	5.5387	85,805,703.24

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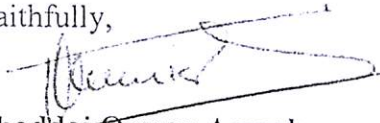
Domestic Tax Revenue Division (DTRD)

Head Office, Off Starlets '91 Road, Opposite Accra Sports Stadium P.O. Box 2202, Ministries, Accra. Hotline: 0800900102 E: info@gra.gov.gh

Attached herewith is appendix I showing the detailed computations resulting in the above assessment.

NOTE: The prevailing Bank of Ghana published daily interbank mid-rate of GH 5.5387 to 1(USD) as at Wednesday, December 11, 2019 was used in the assessment above.

Yours faithfully,


Ammishaddai Owusu-Amoah
Ag. Commissioner-General



cc: The Hon. Minister of Finance
The Hon. Minister of Health
The Hon. Deputy Minister of Finance
The Chief Director, Ministry of Finance
The Director, RMERD, Ministry of Finance
The Commissioner-General, GRA

ASSESSED DOMESTIC TAXES ON LOCAL PURCHASES AND WORKS FOR THE EASTERN CORRIDOR ROAD : LOTS 5 & 6

Item No.	Items	Contract outstanding amount (USD)	GETFund Levy @ 2.5%	NHIL @ 2.5%	VAT Base	VAT @ 12.5%	Total Taxes
1	BILL NR. 1- GENERAL	6,165,855.49	154,146.39	154,146.39	6,474,148.26	809,268.53	1,117,561.31
2	GROUND	189,317.94	4,732.95	4,732.95	198,783.84	24,847.98	34,313.88
3	DEMOLITION AND	1,648,461.85	41,211.55	41,211.55	1,730,884.94	216,360.62	298,783.71
4	EARTHWORKS	3,996,754.87	99,918.87	99,918.87	4,196,592.61	524,574.08	724,411.82
5	IN SITU CONCRETE	187,405.96	4,685.15	4,685.15	196,776.26	24,597.03	33,967.33
6	CONCRETE	202,710.92	5,067.77	5,067.77	212,846.47	26,605.81	36,741.35
7	PRECAST CONCRETE	6,158,602.17	153,965.05	153,965.05	6,466,532.27	808,316.53	1,116,246.64
8	PIPEWORKS - PIPES	558,083.02	13,952.08	13,952.08	585,987.17	73,248.40	101,152.55
9	PIPEWORK -	7,391,110.10	184,777.75	184,777.75	7,760,665.61	970,083.20	1,339,638.71
10	PIPEWORK -	472,305.87	11,807.65	11,807.65	495,921.17	61,990.15	85,605.44
11	MISCELLANEOUS	23,732.30	593.31	593.31	24,918.92	3,114.86	4,301.48
12	ROADS AND PAVINGS	57,865,274.51	1,446,631.86	1,446,631.86	60,758,538.24	7,594,817.28	10,488,081.01
13	BRICKWORK,	12,906.14	322.65	322.65	13,551.45	1,693.93	2,339.24
14	MISCELLANEOUS	508,057.53	12,701.44	12,701.44	533,460.40	66,682.55	92,085.43
15	SIMPLE BUILDING	92,686.98	2,317.17	2,317.17	97,321.33	12,165.17	16,799.52
	TOTAL (IN USD)	85,473,265.66	2,136,831.64	2,136,831.64	89,746,928.94	11,218,366.12	15,492,029.40
	EXCHANGE RATE	5.5387	5.5387	5.5387	5.5387	5.5387	5.5387
	TOTAL (IN GHC)	473,410,776.51	11,835,269.41	11,835,269.41	497,081,315.34	62,135,164.42	85,805,703.24

The exchange rate used is the Bank of Ghana daily interbank weighted average Rate (mid rate) of GHS 5.5387 to USD 1 for December, 11 2019

ASSESSED DOMESTIC TAXES ON LOCA PURCHASES AND WORKS FOR THE EASTERN CORRIDOR ROAD : LOTS 5 & 6

Item No.	Items	Contract outstanding		GETFund Levy @			Total Taxes
		amount (USD)	2.5%	NHIL @ 2.5%	VAT Base	VAT @ 12.5%	
1	BILL NR. 1 - GENERAL ITEMS	6,165,855.49	154,146.39	154,146.39	6,474,148.26	809,268.53	1,117,561.31
2	GROUND INVESTIGATION	189,317.94	4,732.95	4,732.95	198,783.84	24,847.98	34,313.88
3	DEMOLITION AND SITE	1,648,461.85	41,211.55	41,211.55	1,730,884.94	216,360.62	298,783.71
4	EARTHWORKS	3,996,754.87	99,918.87	99,918.87	4,196,592.61	524,574.08	724,411.82
5	IN SITU CONCRETE	187,405.96	4,685.15	4,685.15	196,776.26	24,597.03	33,967.33
6	CONCRETE ANCILLARIES	202,710.92	5,067.77	5,067.77	212,846.47	26,605.81	36,741.35
7	PRECAST CONCRETE	6,158,602.17	153,965.05	153,965.05	6,466,532.27	808,316.53	1,116,246.64
8	PIPEWORKS - PIPES	558,083.02	13,952.08	13,952.08	585,987.17	73,248.40	101,152.55
9	PIPEWORK - MANHOLES AND	7,391,110.10	184,777.75	184,777.75	7,760,665.61	970,083.20	1,339,638.71
10	PIPEWORK - SUPPORT AND	472,305.87	11,807.65	11,807.65	495,921.17	61,990.15	85,605.44
11	MISCELLANEOUS METALWORK	23,732.30	593.31	593.31	24,918.92	3,114.86	4,301.48
12	ROADS AND PAVINGS	57,865,274.51	1,446,631.86	1,446,631.86	60,758,538.24	7,594,817.28	10,488,081.01
13	BRICKWORK, BLOCKWORK AND	12,906.14	322.65	322.65	13,551.45	1,693.93	2,339.24
14	MISCELLANEOUS WORK	508,057.53	12,701.44	12,701.44	533,460.40	66,682.55	92,085.43
15	SIMPLE BUILDING WORKS	92,686.98	2,317.17	2,317.17	97,321.33	12,165.17	16,799.52
	TOTAL (IN USD)	85,473,265.66	2,136,831.64	2,136,831.64	89,746,928.94	11,218,366.12	15,492,029.40
	EXCHANGE RATE	5.5387	5.5387	5.5387	5.5387	5.5387	5.5387
	TOTAL (IN GHC)	473,410,776.51	11,835,269.41	11,835,269.41	497,081,315.34	62,135,164.42	85,805,703.24

